



The Challenges Ahead for the Carbon Farming Initiative

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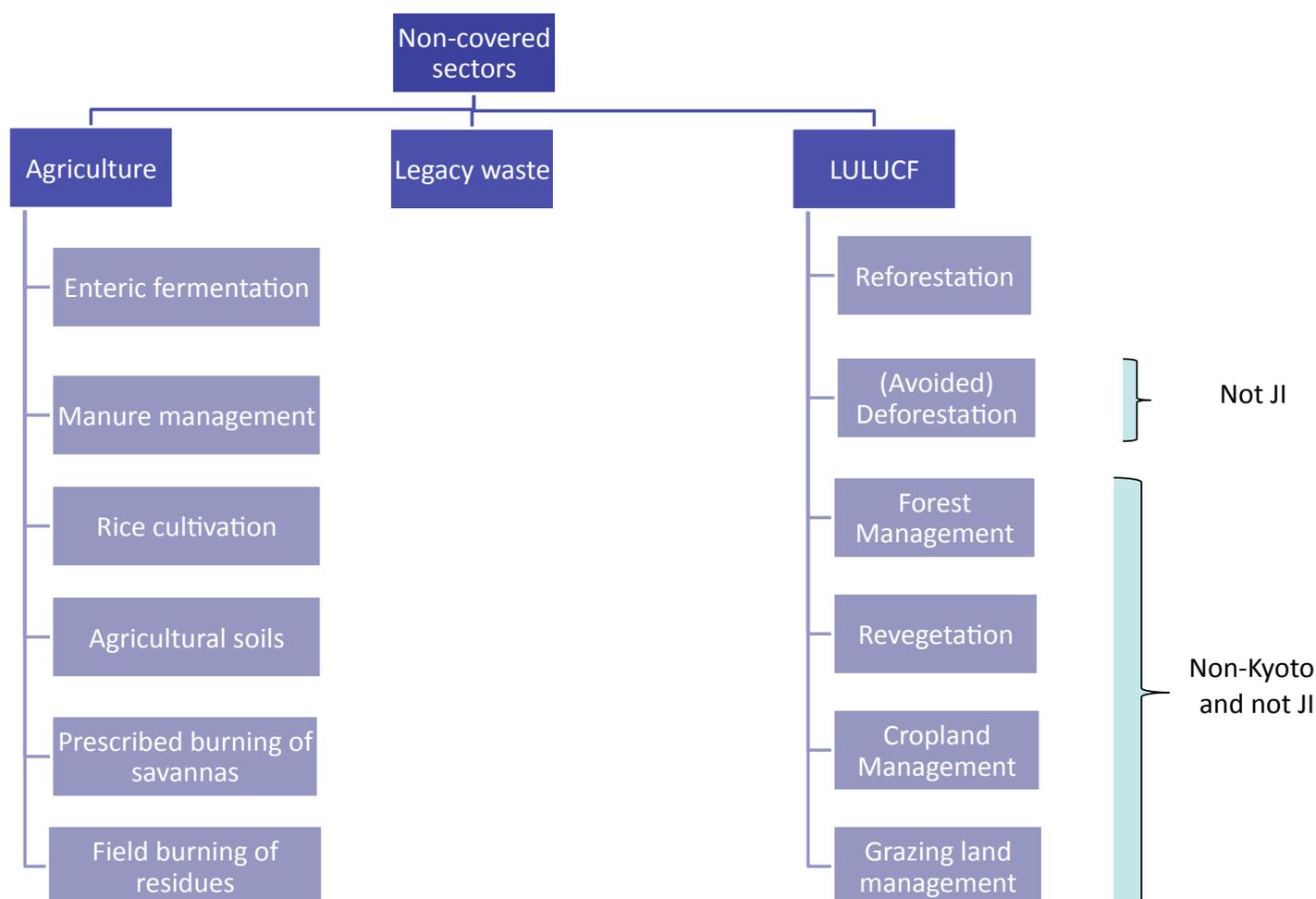


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- Two types of Australian Carbon Credit Units (ACCUs) from different project types
- ‘Kyoto projects’ include those activities that are counted in Australia’s commitment under the Kyoto Protocol
 - Agricultural emission reduction projects (N₂O & CH₄)
 - Legacy/landfill waste projects
 - Reforestation and avoided deforestation carbon stock change projects (not soil c)
- ‘Non-Kyoto projects’ are those not included in Australia’s accounting
 - Carbon stock changes in the additional LULUCF activities (Article 3.4)
 - Soil carbon stock changes
 - Unmanaged lands (feral animal control)



- The Clean Energy Future Legislative Package includes:-
 - Clean Energy Act 2011 - ETS starts 1 July 2012
 - Kyoto ACCUs can be used in ETS
 - 5% per entity limit in fixed-price period
 - No limit in flexible period
 - Unlimited banking and export
 - In flexible period international project-based and LULUCF Kyoto Protocol units also accepted (RMUs, ERUs, CERs (not t and l) – 50% limit until 2020
 - CFI non-Kyoto carbon fund – gov will purchase non-Kyoto ACCUs (\$250 M over six years from 2012 - tender process, lowest price)

- 23rd August bill passed
- 21st October 2011:-
 - Positive list guidelines and form released
 - Negative list guidelines and form released
- 8th December 2011 CFI launched, including:-
 - Regulations released
 - CFI Administrator operational
 - Recognised Offsets Entity (ROE) approval process outlined and open for submission of applications
 - Rainfall map released (for production reforestation)
 - Salinity guidelines released (for reforestation)
 - Spatial mapping guidelines released

- Currently six methodologies have been considered:-
- Four still under consideration
 - Diverting waste in landfill
 - Savanna burning
 - Management of feral animals (camels)
 - Non-production reforestation
- Two approved in the last month:-
 - Destruction of methane in piggeries
 - Capture/combustion of landfill gas

Designing an offset program

- Five core accounting requirements for GHG projects:-
 - **Additional** (not what would have occurred anyway)
 - **Real** (achieved reductions, address leakage)
 - **Measurable** (measure reductions to a reasonable degree of certainty)
 - **Verifiable** (can be confirmed by independent parties, repeatable)
 - **Long-term** (addressing non-permanence through risk of reversal mechanisms)

- Key features or criteria of a GHG offset program affecting credibility and uptake include:-
 - Additionality
 - Leakage
 - Measurement uncertainty
 - Methodology approval process
 - Materiality or *de minimis* thresholds
 - Addressing non-permanence (for GHG reservoirs)
- Other features are also important but not key to ensuring a tonne is a tonne

Feature	Requirements	Weaknesses
Additionality	Placement on positive list through common practice assessment – by DCCEE or through public submissions	No option for project-specific assessments (if greater than 5% prevalence) not clearly evidence-based, DOIC not free from conflict of interest
Leakage	Indicated in early documentation but no requirements established (DCCEE guidelines?)	Not addressed in current methodologies – important and can be considerable in land-based projects
Measurement uncertainty	Indicated in early documentation but no requirements established (DCCEE guidelines?)	Not addressed in current methodologies – important in providing incentive for good measurement and good management
Addressing non-permanence	Long-term obligation, average crediting, risk buffer	Risk buffer not project-specific (varies between projects and types and no incentive to manage risk)
Materiality/de minimis	Indicated in early documentation but no requirements established, no threshold specified (DCCEE guidelines?)	Emissions should be <i>estimated</i> if not <i>monitored</i> (from data specific to the project) unless equivalent or less in project
Methodology approval	Mandatory public disclosure and open use	Should consider commercial interests - innovation and higher quality through commercial advantages, open methodologies very basic

Challenges Ahead

- The core objective in designing a GHG offset program is to establish requirements that:-
 - Maximize the credibility of the GHG reduction certificate, while;
 - Allowing incentive to participate
- Additional important considerations include:-
 - Minimising investment risk
 - Providing incentive for good behavior by project proponents
 - Reducing subjectivity and technical burdens for project proponents, auditors and administrators

Challenges Ahead

- Important to set high standards for projects early and not allow poor projects through
- Most significant current problem is leakage:-
 - Can vary from small impact to 10,000% affect (certainly 100% - that is no reduction in GHGs)
 - Has potential to make certain projects unviable
 - Especially important for biomass projects (reforestation, revegetation, forest management and avoided deforestation)
- Measurement uncertainty is important for two reasons:-
 - Can impact final amount of issued units (project viability)
 - Can provide incentive for good management and hence long-term outcomes

Thank You!

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Carbon Farming Initiative

- Addressing non-permanence/risk of reversal mechanisms:-
 - 100-year maintenance obligation
 - Risk buffer 5% for all terrestrial carbon pool projects
 - Average crediting

