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## **Submission: Agriculture and Land Sectoral Discussion Paper**

Thank you for the opportunity to make a submission to the Commonwealth Government's Agricultural and Land Sectoral Discussion Paper.

Lock the Gate Alliance is a network of over 120,000 farmers, Traditional Owners, conservationists and community members from across Australia, affected by and concerned about the impacts of coal and unconventional gas mining. We live and work in the communities affected by these industries and undertake research, advocacy and support to protect the environment, cultural heritage and society from damage. Many of our members are regionally-based, and are also experiencing first-hand the consequences of the global warming that has already occurred.

We welcome the overall intent of the Discussion Paper that recognises the need to increase ambition to meet Australia's climate change goals ensure the agricultural industry maintains access capital and international markets. We support the development of a sectoral plan for agriculture and land but urge the government to address and remove the current two-part structure that sees mitigation in the agriculture and land sector essentially generating offset credits for the industrial sectors. This approach puts the agricultural sector at a disadvantage and puts Australia a serious risk of failing to achieve the emissions reductions necessary to achieve the Paris climate agreement goals. The proposed Sector Plan is an opportunity to rectify this situation, but doing so will require policy direction from the government, informed by Climate Change Authority advice about the risks and consequences of deferring mitigation in the industrial sector and relying for mitigation on unstable land sector sequestration.

We append to this submission report prepared by QUT for Lock the Gate outlining a series of risks to the agricultural sector in Australia related to the current set-up of the Safeguard Mechanism and the early reliance of the industrial sector on land and agricultural "offsetting" in lieu of meeting emissions reduction obligations through direct abatement.

There is a risk that large-scale purchase of land sector ACCUs to offset industrial emissions will put the agricultural industry at a disadvantage, given a lack of current policy settings to manage mitigation of emissions from that sector. It also brings risks of social and economic dislocation in regional communities, and investment uncertainty. The disadvantage arises from the dedication of least-cost abatement opportunities in agriculture and land as offsets for other industries, leaving agricultural sector having to pursue higher-cost marginal abatement opportunities to achieve its own decarbonisation goals.

There has been a dearth of modelling on the necessary credits that are likely to be sought by industrial emitters to respond to the changes in the Safeguard Mechanism and the economic and mitigation implications of this for agriculture. The government needs to support or undertake more

modelling on the impacts of allowing high emitting industries to use ACCUs to meet their emissions reduction requirements.

### **Risks to agricultural sector from the Safeguard Mechanism**

The structure of the Safeguard Mechanism and Australia's current climate change mitigation policies imposes emissions reduction obligations only on industrial emitters. This may lead to high demand for Australian Carbon Credit Units (ACCUs), particularly in the short-term, and expanded purchase or dedication of agricultural land to Carbon Farming Initiative projects.

Without an effective limit on the ACCUs that a facility may use in order to achieve compliance with its emissions baseline and demand for mitigation in the agricultural sector itself, a large part of Australia's abatement may take place in the land sector, but the "credit" for this will be absorbed by industrial facilities purchasing offsets rather than reducing their own emissions.

Risks associated with this arrangement are three-fold:

- Firstly, the agricultural sector will be under pressure to reduce its own emissions, but Australia currently lacks a policy framework to manage down emissions from the sector.
- Secondly, financial risks arise for participants in the Carbon Farming Initiative as a result of permanence obligations, policy uncertainty, demand uncertainty and price volatility.
- Finally, delayed action in actually reducing industrial emissions makes it more likely that Australia will fail to achieve its emissions reduction goals, with the attendant risk of worsening climate change which will particularly affect agriculture.

More broadly, in the absence of modelling demand for ACCUs and the ability of the Australian land sector to abate and sequester carbon in a changing climate, very high demand from the industrial sector for land-based offsets may prompt changes in land use that will have flow-on social and economic impacts on agriculture and regional communities.

### **Reducing emissions in the agriculture sector**

It is generally recognised that the abatement of emissions in forestry and agriculture will be exceptionally challenging and it is highly likely that the sector would be a purchaser of offsets in the long-term.

Currently no policies exist within Australia that would drive mitigation of carbon emissions by agriculture in the short-term. While these are more likely to be developed in the medium- to long-term, we note that the Discussion Paper states that "there is no expectation that there will be sector-specific emissions reduction targets" although goals or indicators could be used to track progress. The Sector Plan is an opportunity to consolidate emissions data across the many agricultural industries, to formulate policies to manage down emissions and manage transition challenges.

The need for agricultural enterprises to mitigate emissions is likely to come from industry pressure, commercial necessity, consumer demands, from regulatory requirements and from the sector's own interest in maintaining the stable climatic systems on which it depends. However, without a formal emissions mitigation framework, it may be more difficult for Australian farmers to access international markets for their produce and for the sector to access international capital for investment.

If large volumes of ACCUs are sold as industrial emissions offsets to Safeguard Facilities, least cost abatement opportunities for agriculture and land managers may be lost. It is therefore important the ACCUs made available under the Safeguard Mechanism be capped in order to reduce the risk that

the agriculture sector will not be able to secure least cost abatement for its own emissions and to drive industry emissions reductions through direct abatement measures.

### **Financial risks for the agriculture sector**

Meeting agricultural emissions targets may require significant investment in new technology practices or infrastructure or changing land management practices, resulting in financial uncertainty for farmers, especially where these investments do not yield immediate financial returns. There is therefore a very real risk under the current system that the financial and management costs of supplying offsets will be borne almost entirely by farmers while the benefits will flow primarily to big polluting industries.

Under permanence obligations, the long-term costs of land management may outweigh the short-term benefits of carbon farming. The Emissions Reduction Fund requires sequestration projects to choose a permanence period of either 25 or 100 years. There is a risk involved in maintaining increases in soil carbon over 25-100 years given environmental variability and climate change. This does not mean that sequestration should not be undertaken and supported by government policy, but underscores the extreme short-sightedness of relying on such projects to offset the release of greenhouse gas emissions that will remain in the atmosphere for far longer periods.

The experience of Forestry Management Investment Schemes underscores the need for policy certainty for long-term outcomes. The collapse of the Forestry Managed Investment Scheme is linked to frequent policy and legislative changes and government backflips that had flow on financial consequences for investors. In the end, those who had amassed large land holdings through the scheme suffered from the cumulative effects of the global financial crisis and decreasing demand for their products.

There is already considerable investment uncertainty around carbon offsetting, given that emissions policy is still evolving. Forthcoming disclosure schemes, international investment expectations, sectoral decarbonisation plans, 2035 target setting and review of the Safeguard Mechanism are all expected in the coming three years. The sectoral plan can and must anticipate these developments given what is already known: mitigation ambition will have to increase substantially, draw down will be necessary for decades to come, biodiverse landscapes are more resilient to climate change, and the impacts of climate change will make sequestration in vegetation and soils more volatile and unreliable.

ACCU pricing will be subject to market signals. Demand for ACCUs is expected to be particularly high in the initial years of emissions reductions requirements and this could lead to the acquisition of agricultural land for carbon credits. Alternatively, if there is an oversupply of ACCUs without regulatory intervention, the price of each unit will not reflect a good return for landholders and will not incentivise carbon farming. If ACCUs are the least cost abatement option, then selling all or most of a project's ACCUs for short-term gain could result in financial stress over the long-term.

### **The greatest risk is failing to prevent catastrophic warming**

The Discussion Paper clearly highlights the current impact of climate change on agricultural productivity and projects how much more impact it could have by 2050. The agriculture sector will suffer immeasurably if global average warming exceeds 1.5 degrees above pre-industrial temperatures, as environmental growing conditions will continue to deteriorate at an ever-alarming pace, water resources become unreliable and extreme heat affects regional areas. Already, major

banks are investigating agricultural sector exposure in climate risk disclosures, and the agricultural sector is unique in being found by banks to be highly exposed both to physical and transition risk.

Offsets are not a prudent alternative to reducing emissions. However, under current policy settings this is likely to be the preferred choice of Safeguard facilities if the cost of purchasing offsets is cheaper than implementing on-site abatement measures. Reliance on carbon offsets puts Australia at risk of not meeting its obligations under the Paris Agreement. Modelling undertaken by Reputex estimated that offsets demand for Beetaloo gas development alone could represent 10-27% of Australia's total carbon budget under a 1.5 degree scenario.<sup>1</sup>

Reputex also estimated that the potential demand for ACCUs for gas development in the Beetaloo Basin could be 3 million hectares for a medium emissions scenario (24Mtpa) and 4.2 million hectares for a high emissions scenario (34Mtpa) over 12 years to 2035. When considered cumulatively with all other approved and planned fossil fuel developments, it is clear that there would be insufficient land-based offsets to support such a development, and failure to anticipate this eventuality is highly reckless.

Lock the Gate supports ambitious mitigation and adaptation action for the agricultural sector, but, as for the fossil-fuel industry and the manufacturing it supports, this ambition must come with generous and community-led transition policies and support. If demand for ACCUs is high, there is potential for rapid land use change, which can have economic and social impacts on regional communities. In any case, decarbonisation for the agricultural sector will bring about significant structural change that will require clear planning, support and policy frameworks to ensure communities and the environment adapt and thrive.

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<sup>1</sup> Reputex Energy 2021. *Analysis of Beetaloo Gas Basin Emissions and Carbon Costs*.  
<https://www.reputex.com/research-insights/report-analysis-of-northern-territory-gas-basin-ghg-emissions-and-carbon-costs/>