



NRM Regions Australia Submission to ACCU Review Discussion Paper- 5 October 2023

NRM Regions Australia is the national representative body of Australia's 54 regional NRM (natural resource management) organisations. Regional NRM organisations can, and do, play an important role in supporting participation in carbon farming projects that deliver environmental, social and economic benefits in regional communities.

NRM Regions Australia welcomes this opportunity to continue to contribute to ensuring a high integrity, transparent and fit-for-purpose ACCU scheme to support Australia's emissions reduction goals. NRM Regions provided a submission to the Independent Review of ACCUs led by Professor Chubb in 2022 (**ACCU Review**). This submission responds to key questions posed in the 25 August 2023 *ACCU Review Discussion Paper* and highlights related points of concern or clarification raised through the ACCU Review.

While items 1 and 2 immediately below are the main focus of this submission, NRM Regions Australia makes submissions and provides responses to other questions in the Discussion Paper at **Attachment 1** for consideration by DCCEE.

1. Regional NRM organisations, NRM plans and the CFI Act - ACCU Review Discussion Paper Appendix A policy position 20

Regional NRM organisations have been involved in carbon farming from the beginning - their value is indicated in the CFI Act 2011 which requires carbon farming project proponents to state whether their project aligns with the local regional NRM plans. While the current legislation has played an important role in raising awareness of the need for consistency with regional NRM plans within the carbon farming industry, we are concerned about both the lack of oversight of these claims, and the potential for the requirement to be considered a 'tick box' exercise for some project developers. Past discussions with the Clean Energy Regulator have revealed that there is no audit/assessment process to determine if the claims made by carbon farming project proponents of consistency with regional NRM plans are justified/valid.

Appendix A of the ACCU Review Discussion Paper (the **Discussion Paper**), sets out Policy Position 20 (page 44 of the Discussion Paper), which provides:

"Replace requirements that ACCU Scheme participants must state whether area-based projects are consistent with Natural Resource Management plans with a requirement that participants consult with Natural Resource Management (NRM) bodies."

This policy position dilutes existing requirements and is not supported. NRM Regions contends more should be done, not less, with respect to ensuring consistency with NRM plans. On one level, at least the current legislative requirement may be subject to enforcement action if a project proponent provides false or misleading information. It is difficult to see how a less certain requirement for proponents to 'demonstrate engagement' with NRM bodies improves the regime and carries sufficient enforcement efficiency.

The Discussion Paper describes the outcomes sought from proposed policy position 20, which

include enabling project proponents to identify the potential for projects to deliver additional benefits, and to “*inform the bodies in advance about anticipated landscape level change*”. The outcome sought implies regional NRM organisations are responsible for responding to, or ensuring that carbon project development does not deliver adverse landscape level impacts- an outcome over which they have no direct authority. Any reforms that will require NRM organisations to absorb new engagement requirements or related responsibilities must be supported by significant additional investment into regional NRM organisations to play this role.

As noted above, NRM Regions Australia does not support policy position 20, as set out. Improved, good faith engagement with regional NRM organisations on the part of project proponents could support improved outcomes, however policy position 20 not only creates uncertainty, it imposes an engagement/administrative burden on regional NRM organisations that they are not currently resourced for.

NRM Regions Australia – proposed improvement to policy position 20

NRM Regions Australia submits that a clearer and more efficient change to the CFI Act should require project proponents to **demonstrate** that their area-based carbon farming projects **are aligned** with regional NRM plans. This improves on the current legislation (which simply requires a true and accurate statement of whether a project is consistent with the relevant plan) by requiring demonstration of alignment. It is clearer and more certain than a requirement to engage, which can be open-ended and nebulous.

This proposed change should be supported by appropriate resourcing to regional NRM organisations to review and confirm relevant alignment. Ensuring all carbon farming projects are aligned with the objectives of regional NRM plans will ensure projects are contributing to regional NRM goals and local co-benefits.

As traditional agricultural land comes under increasing pressure from other land use demands, and is reduced in size due to climate change impacts, it is critical that wherever possible all land is used to achieve multiple beneficial outcomes including biodiversity restoration, regional economic resilience and social and community benefits. Requiring demonstration of alignment of carbon farming projects with regional NRM plans will contribute to meeting this critical need. Further, this change supports the proposed ACCU scheme principles, which require “Environmental and regional sustainability”.

Strengthening the role of regional NRM organisations in carbon farming will deliver other benefits. Regional NRM organisations are a trusted ‘on ground’ resource for numerous stakeholders. Better resourcing them to have a more active role in collaborating on carbon farming project development would provide the Regulator and Department with a direct link to feedback about the optimisation and alignment of carbon abatement outcomes with other benefits such as biodiversity improvements, productive land uses, and landscape-level impact, as well as safeguarding against potential for perverse outcomes.

In addition to the primary reform recommended above, **Attachment 2** to this submission sets out related items discussed in the ACCU Review that could contribute to improved consistency of carbon farming projects with regional NRM plans.

2. Offset Integrity Standards - clarifying Recommendation 6 of the ACCU Review

Part 4 of the Chubb report (p.16) covers the Offset Integrity Standards, with Recommendation 6 as follows:

“The Offsets Integrity Standards should be clearly defined and supplemented with ACCU Scheme Principles to support their consistent application in method development and project implementation and administration.”

The operation of OIS and proposed scheme principles is discussed in section 1 of the Discussion Paper. However, there remains uncertainty about what is being proposed in the Discussion Paper and how it will interact with core participation requirements under the current legislation.

Under key findings, the ACCU Review (p.16) states the following:

*“At the project-level the regulatory additionality requirement and the government program requirement are appropriate, but the newness requirement should be **refocussed to place emphasis on ‘new’ abatement** that will be credited following a project’s commencement date.*

*At the method-level, additionality tests should be applied on the basis of evidence and observable common practice, and **not require statements of intent or financial viability** by project proponent”*

NRM Regions Australia is seeking further information on the intent of the above, including examples that describe how the ‘refocussing’ of the newness requirement might be applied. NRM Regions Australia is concerned that the above suggestions represent a watering down of newness/additionality requirements under the Act, and may result in crediting of projects that are already underway or would have happened anyway.

Beyond establishing additionality, statements of intent or financial viability may provide useful information for eligible interest holders about the viability of a project, and encourage consideration of costs, benefits and risks associated with the proceeding with the project. Further, this information is relevant to a robust assessment of ‘business as usual’, to ensure that gains and abatement achieved are additional. We would welcome further discussion and information on these issues.

Attachment 1 (following) addresses applicable questions posed in the Discussion Paper.

Attachment 1 – NRM Regions Australia Response to applicable questions- ACCU Review Discussion Paper:

1. Are the proposed principles fit for purpose and how should they be applied to improve ACCU Scheme governance and integrity?

NRM Regions Australia supports the introduction of the proposed Scheme Principles - they are consistent with the principles that NRM Regions Australia has promoted in the scheme to ensure a high degree of integrity, trust, increased participation, and regional co-benefits. We submit amendment to the wording of the following Scheme Principle (from 'enhanced' to 'sustainable', as the latter is less subjective):

“Environmental and Regional Sustainability: method and scheme administration ensure carbon abatement projects contribute to sustainable land management and resilience to climate change and avoid adverse impacts”

NRM Regions Australia submits that the scheme principles be incorporated into objects of the CFI Act. This assists to ensure the administration of the CFI Act (and all related administrative decisions) consider the principles, as recorded in the objectives of the Act. In particular, the principle for Environmental and Regional Sustainability fits well with/could be an amendment to the existing object under Carbon Abatement that requires consistency with the protection of Australia's natural environment.

In addition, while the discussion paper states that OIS and Scheme Principles are not applied at the individual project level, many of the principles are very relevant at that level. We would encourage DCCEE to consider how these principles - or a subset of them- could also be incorporated into consideration when proponents are planning/developing projects. Incorporation into the objects of the Act might be the most straightforward path.

2. Is there other information that could be published or collected to improve the transparency of the ACCU Scheme?

NRM Regions Australia welcomed the findings of the ACCU review that more data, including carbon estimation areas (CEAs) be published. However, CEA data alone is unlikely to be sufficient. This is confirmed by information and statements released and published on the HIR method, including a CER statement about the reports¹

Public, investor, and stakeholder confidence in the integrity of the ACCU scheme is supported by the highest levels of transparency, and the ability of parties to scrutinise relevant data and reach similar - or at least credibly argued - conclusions. Providing more data /information for

¹ <https://www.cleanenergyregulator.gov.au/Infohub/Media-Centre/Pages/Media%20updates/NewsItem.aspx?ListId=19b4efbb-6f5d-4637-94c4-121c1f96cfe&ItemId=1238> > (accessed 3 October 2023), which states:

- Carbon Estimation Area (CEA) satellite images are not sufficient, in and of themselves, to make a judgement about the performance of HIR projects.
- The CEA data alone does not provide insight into the changed land management practices, nor readily show how much abatement has been achieved, particularly at the early stages of a project.
- The CER confirms abatement outcomes of HIR project activity with audits, site visits, drone footage and geolocated photographs.

The claims by the CER suggest that additional information - such as audit reports, site visit reports, forward abatement estimates, and video and photographic material (where available) should also be made available (publicly or on request).

analysis by external parties will increase accountability and confidence in projects, methods, and the ACCU scheme overall.

3. What information should be published about ACCU holdings that delivers greater transparency in the market?

NRM Regions Australia supports the highest possible levels of transparency and accountability. Where the requirements for reporting may be too burdensome for smaller scheme participants (thus making overall scheme participation unattractive), it might be appropriate to consider:

- Publishing only information on holdings over a certain size OR
- Supporting smaller scheme participants to comply with reporting requirements.

6. Should the government continue to focus its purchasing on least cost abatement? If not, what other considerations should it prioritise and why?

There is an opportunity for the Australian Government to inspire innovation and show leadership in the purchasing of ACCUs. In particular, the Australian Government should invest in:

- **Large scale projects that can deliver multiple co-benefits at a landscape scale.** At the moment, carbon farming projects typically work at a property scale, and are not integrated at a landscape scale. Working collaboratively with regional NRMs to identify larger areas of land to form the basis of carbon projects that are aligned with regional NRM plans could provide multiple benefits for landscape health and regional communities, including improved biodiversity, water quality and soil health, as well as community benefits such as a collective understanding of how carbon farming can support resilient farm businesses. Such projects may be more complicated and attract higher costs than property-scale projects. Embedding flexibility in a reformed CFI Act for Government prioritisation or purchasing from these types of projects will help deliver carbon abatement projects that are truly consistent with regional NRM plans.
- **Projects that would also be eligible for Biodiversity Certificates under the Nature Repair Act (once operable).** It is clear that some Government investment will be needed to support early participation in the Nature Repair Market. Purchase by Government of higher quality ACCUs that can also deliver Biodiversity Certificates will demonstrate to both buyers and sellers how the scheme works, clarify arrangement to ensure double counting doesn't occur (i.e., scheme participants could sell a high quality ACCU with co-benefits OR an ACCU and a Biodiversity Certificate, not both), and enable any early issues to be identified and rectified to support a streamlined scaling up as more investment enters the market.

Purchasing via targeted contracting, targeted auctions or EOIs could support achievement of these outcomes. We would encourage the Australian Government to enable participation of all regional NRM organisations - including Government or Statutory organisations. NRM Regions Australia would be happy to meet with Australian Government parties to discuss further.

7. Should the pilot exit arrangements for fixed delivery contracts be made permanent? Would requiring a minimum percentage be delivered to government in each window help strengthen market confidence and reduce risk?

The previous pilot resulted in a large number of ACCUs being made available on the market in a short period of time and resulted in a significant drop in the spot price. This sort of market shock undermines confidence for project proponents and investors. Permanently enabling exit arrangements for fixed delivery projects could lead to a reduction in new projects coming online, and may also mean that the Australian Government is required to purchase more ACCUs at a later date, increasing both administrative and purchase costs.

NRM Regions Australia supports the Australian Government purchasing abatement that will fulfil multiple objectives - not necessarily at least cost (see response to question 6). If the Government proceeds with that recommendation, then it is less likely that project owners/developers will want to exit contracts, as projects will be more profitable in the short-term/overall.

In addition, as most contracts are now optional, rather than fixed, it seems reasonable that the pilot should be closed off.

Methods development

8. What assistance or guidance would proponents need to effectively participate in the EOI process?

Development of new, effective, deliverable methods that will be attractive to a wider range of participants requires diverse participation from First Nations People, the research sector and the not-for-profit sector. We support the Australian Government proposal to provide support for this range of stakeholders to participate in the EOI process and believe either a grants or a fee for service process could work, provided there is sufficient lead time prior to commencement of the EOI process for grants to be secured.

13. Is the proposed approach to deal with newness appropriate to support participation in research, trials and demonstration projects needed to support method development?

Including appropriate flexibility may not be unreasonable if stakeholders want to incentivise method development (types and timelines for methods) - however it should be administered very carefully to avoid double counting and assess use of public funds. Any exclusion from newness requirements should not be blanket (apply to all R&D/piloting associated with new method development) and should involve an assessment of:

- whether any claims have been made in relation to the technology development eg: counting reductions during piloting/R&D for other reporting/disclosure purposes); and
- alternative / ancillary financing or funding received by the developer eg: if they have received government grants/private sector investment to develop a technology, they should not be eligible to receive further benefit through ACCUs for the same activity.

18. Should modules be subject to the same public consultation processes that new methods are subject to? If not, what should public consultation for modules look like?

The Government is proposing reduced parliamentary oversight for the development of modules as part of existing methods. In order to optimise design of modules, and ensure an appropriate level of scrutiny is still occurring during their development, we recommend that the same public consultation processes are applied to modules and methods.

Timeframes for method development and method assessment

20. Should there be a mandated requirement to complete method development within a set timeframe?

A mandated requirement to complete method development within a set time would provide certainty to program participants without unnecessarily delaying action on beneficial projects that are ready to commence. However, some consideration for extensions under exceptional circumstances (e.g. extreme event impacts on method R&D) that may prevent completion on time, should also be factored in.

Response to Appendix A policy position 5 - “Allow for scheme participants to transition from 25 to 100-year permanence periods”

NRM Regions Australia supports the proposal to enable scheme participants to transition from 25 to 100-year permanence periods. Providing this option within the scheme provides multiple benefits, including supporting increased participation through the more flexible offering and enabling longer-term protection of environmental assets generated through carbon projects that have already commenced.

Attachment 2- Options for improving carbon farming project consistency with regional NRM plans

NRM Regions Australia's preferred change to the legislation/operation of the CFI legislation with respect to regional NRM plans is described in the first page of this document-***NRM Regions Australia – proposed improvement to policy position 20***. The following options (2-4) describe other options that would also improve carbon farming project consistency with regional NRM plans and scrutiny of consistency claims.

Option 2: Requirement for project proponents to describe how carbon farming projects are consistent with regional NRM plans

The CFI legislation currently requires proponents to tick a box to confirm if they are consistent with the local regional NRM plan. Changing the requirement so that project proponents have to describe how their project is consistent with regional NRM plans (if consistent) would ensure that all project proponents are required to at least read/explore regional NRM plans in the areas they are operating in if they wish to claim consistency and move the requirement one step away from the tick box exercise.

This option would not necessarily require engagement with regional NRM organisations, however, approaches to the regional NRM organisations by carbon project developers under these circumstances would be likely. Thus, some additional resourcing for regional NRM organisations, particularly in areas experiencing high growth in carbon farming projects, would be required.

Option 3: Invest in a preliminary audit of projects

The lowest cost option involves maintaining the current wording in the legislation, but undertaking to conduct an assessment of a subset of projects against their claims to consistency with regional NRM plans. While the recognition of regional NRM plans in the current legislation aims to influence carbon projects to ensure negative outcomes are avoided and co-benefits maximised, reports from both NRM organisations and some carbon project developers suggest that consideration of regional NRM plans during project development varies.

This initial analysis will help to shed light on the efficacy of the legislation, and inform any future legislative changes and policy or program design to create more meaningful alignment of projects with regional plans. The assessment may also help to inform future regional planning efforts in terms of identifying data/information that can support sustainable development of carbon farming projects across Australia. With appropriate investment, this initial audit could be managed by NRM Regions Australia with support from the CER.

Option 4: Audit carbon farming projects to verify consistency claims

The third option to achieve and ensure consistency with the Act could be to audit projects, and if required, penalise carbon project developers for misleading claims. Audit and enforcement of consistency claims would not be managed by regional NRM organisations, although with resourcing, regional NRM organisations could play a role in assessment and analysis.

Thank you for considering our submission to this reform. For further information of if you would like to discuss our submission, please contact NRM Regions Australia CEO Dr Kate Andrews on 0403604823. We look forward to ongoing engagement with the DCCEE on these matters.