



Submission Template

Design of the Carbon Farming Initiative

Overview

This submission template should be used to provide comments on the consultation paper outlining the proposed design of the Carbon Farming Initiative.

Contact Details

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Date:	28 January 2011

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Submission Instructions

Submissions should be made by **close of business 21 January 2011**. The Department reserves the right not to consider late submissions.

Where possible, submissions should be lodged electronically, preferably in Microsoft Word or other text based formats, via the email address – CFI@climatechange.gov.au.

Submissions may alternatively be sent to the postal address below to arrive by the due date.

Emerging Policy Section, Land Division
Department of Climate Change and Energy Efficiency
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Scheme design principles

QFF acknowledges that the farm sector can make a substantial contribution to carbon and greenhouse gas abatement programs and is broadly supportive of the principles embodied in the Carbon Farming Initiative (CFI).

As the momentum for global and domestic carbon offset develops, QFF believes that it is in Australia's national interest that our farm sector be ready to develop and improve current and future on-farm strategies to better participate in the growing carbon market. Although there are many suggested improvements that would need to be implemented to constitute a more productive and structured scheme; there exists a good fundamental basis to form a CFI that could be adapted for the Queensland farm sector. We acknowledge that the National Farmers Federation, the Australian Farm Institute and others will provide technical expert advice on creating a workable Australian Carbon Farming scheme, and generally QFF supports those constructive suggestions.

It is the aim of this submission to highlight the key shortcomings of the proposed CFI scheme and suggest changes that can make it of benefit to the intensive agriculture¹ sector in Queensland.

¹ Intensive Agriculture in this context refers broadly to the commodity represented by QFF members ie. cotton production, irrigated horticulture, intensive animal industries, dairy farming

Scheme coverage

QFF believes (and agrees with many other industry bodies) in the goal of making the CFI to have a coverage that is as broad as possible.

With regards to the detail of the discussion paper, the list of proposed CFI approved credits seems optimistic and given conditions that are assigned in regards to no new gains in farm productivity or profitability that would rule-out many QFF farm members from participating in the CFI.

The three major abatement activities that may be best suited to the intensive agriculture sector in Queensland are mostly limited to reduced fertiliser emissions, increased soil carbon sequestration, and reforestation. However, it may be difficult for landholders to have sufficient land and emission abatements to comply with the conditions set for soil carbon abatement within the CFI. Therefore, all project red-tape, set-up and compliance costs need to be kept to an absolute minimum, to allow for more up-take of the scheme from the farm sector.

The proposal to administer both Kyoto and non-Kyoto CFI credits together is one that QFF supports as this will assist in reducing the cost associated with the CFI; making it a more viable proposition for farmers to participate. QFF asserts that it is appropriate to distinguish between Kyoto and non-Kyoto CFI credits when accessing the credits applied and ultimate carbon price.

KEY POINTS:

- Broad coverage to allow multiple entry points is required
- Flexibility to allow abatement options for intensive farming systems must be specifically designed

Sale of units

QFF acknowledges the potential diversification in the range of markets for CFI credits.

It is just an assumption at this stage, but QFF believes that, in the short to medium term, the market value of CFI credits (particularly non-Kyoto credits) will be too low to support the development of abatement or sequestration projects for the trading market.

Whatever process is confirmed given that it is a voluntary scheme, the CFI measures adopted need to ensure that the farmer's requirements are considered if Government estimates are to be achieved.

QFF requires more details on the eligible abatement activities, carbon price and compliance costs; before commenting on these CFI components further.

Regional Communities, Water and Biodiversity

QFF considers it a logical approach for the the CFI to take a regional approach to managing the risks impacting on communities, water, biodiversity and food production. As is the case for each of these elements we do believe it is important to plan, priorities and invest at a whole of industry / supply level but delivery of actions is best undertaken at the regional level. Further details on how the CFI would follow these principles is required for QFF to make any additional comment.

NRM Regional groups may be an important tool in the Governments' arsenal to assess and identify opportunities, deliver facilitation and support of singular, grouped projects that have multiple outcomes. QFF and our industry members have formed long standing strategic relationships with the NRM regional groups in Qld and it is off this backdrop that further coordination and industry wide planning could be undertaken to deliver on CFI outcomes.

QFF would like to emphasise however that and CFI framework must deliver due care and attention to the issue of national objectives in relation to food production. The CFI must work in concert with these objectives (if the commonwealth were to establish them) and avoid annexing productive agricultural land at the expense of carbon abatement activities.

KEY POINTS:

- Plan industry and supply chain wide but delivery at the regional scale
- A flexible CFI should deliver multiple outcomes
- A priority must be placed on securing our ability to produce food and fibre on production land

Integrity standards

The eligible abatement activities at best seems optimistic and at worse non-workable when examined within the confines of the CFI framework. Whether or not the CFI is Kyoto compliant and if it is a regulatory or voluntary scheme, the offsets will still need to meet established and recognised integrity standards.

The setting of appropriate standards that are realistic and comply with international standards will be vital to its success. However the rules, definitions and conditions surrounding the CFI may make these standards unworkable.

Integrity standards for the CFI must be negotiated with potential market participants. While striking an appropriate balance in standards they must not become so incomprehensible as to deter landholders from participating.

KEY POINTS:

- QFF believes the current industry Farm Management Systems (FMS) could be adapted and utilised for this purpose. Many of the approved FMS programs are designed as holistic environmental packages. These packages allow for a win-win situation for farmers and environmental outcomes and should allow for recognition of abatement achieved in the past.
- Standards must be robust but flexible on comprehensible to allow easy access to the system and early wins for participants.

Additionality

As it stands the additionality component of the CFI will constitute a major stumbling block for farmers to engage in the CFI as it will require farmers to restrict their ability to increase farm profitability and farm productivity, by using existing carbon abatement technologies in order to be accredited to the scheme. This will be difficult to comply with, implement and measure and will therefore be a disincentive for farmers to sign-up to the scheme.

It is evident from a farmer's perspective that additionality needs to be clarified but not over complicated. Until farmers can get some certainty around the rules, guidelines and carbon price it would be unrealistic to believe that many farmers would be signing up to the scheme. Section 7.1 details the approaches to assessing additionality that are consistent with integrity standards and will be explored during the development of offset methodologies.

These methodologies are ambiguous; creating uncertainty that needs to be addressed as a matter of urgency, to give more confidence to the farm sector and investors alike.

QFF also expresses some concern as to allowing Federal and State Government to solely manage and administer the CFI; and whether this management would be better administered (particularly regionally) by partnership approach between , Regional NRM groups, Industry and Landcare.

KEY POINTS:

There are several CFI abatement activities that QFF members could adopt, but these need to be made as 'additional' to be included with the scheme and farmers would need to have certainty of there compliance to the CFI before being committed. There needs to be some clarity as to 'potential' as to what is 'approved' abatement activities.

Some examples could be:

- Reductions in applications of nitrous fertiliser, with nutrient management either based more closely on plant growth needs or based on alternative fertilisers;
- Improvements in soil carbon retention through reduced tillage, increased cover, reduced water logging, and addition of biochar or microbes that might improve soil carbon levels;
- Reduced clearing of vegetation or increased vegetation cover;
- Improved fodder conversion rates with reduced wastage and emissions;
- Improved water use efficiency aligned with nutrient management, energy efficiency initiatives, controlled traffic and reduced tillage techniques, and
- Farm-based renewable energy alternatives.

Permanence

QFF can foresee the need for assessing and ensuring permanence and is in-principle, supportive of its inclusion in the CFI.

Although there is much promise of the use of soil to capture carbon, the reality of the situation is that it will be extremely difficult to put into practice and implement. Even if there is 5% reversal buffer (applying to all bio-sequestration projects) that can be adjusted for ongoing data collection and monitoring; this concept will be not fully understood by landholders and they would need to be incorporated in the education phase of the roll out process of the CFI to regional locations.

KEY POINTS:

Risks to prime agricultural land, water availability and biodiversity can be addressed by:

- guaranteeing a fixed carbon price that is tested to demonstrate a good investment by participation in the scheme;
- ensuring that methodologies that are rewarded an emission abatement mean that no real increase in environmental abatement actually occurs;
- ensuring that abatement activities are Kyoto and international binding and compliant;
- ensuring that there is a tax incentive for farmers and investors;
- ensuring that there is a significant duration period (time under the agreement or covenant set) to be effective while not being set a timeframe the stretched beyond what may risk the transferable value of the land, and
- ensuring that the scheme is effectively monitored and that the parameters are policed by an appropriate authority to ensure benchmarks and the integrity of the CFI is maintained by all stakeholders.

Additionally; there needs to be options for those farmers that want to out-source the paperwork of compliance and management of the approved CFI activities.

Leakage

The leakage issue will be an important element in determining the success or otherwise of the CFI for Australian farmers. There is still the issue surrounding carbon storage and increases in nitrous oxide from fertiliser use.

Other factors that may play a part in assessing the amount of carbon that can be stored in the soil include:

- initial soil carbon level;
- environment (rainfall, temp –decomposition rates);
- residue return to soil (Biomass production);
- paddock history (C pool structure);
- soil texture, and
- soil pH & fertility.

QFF is also concerned that if one factor such as storage of carbon in soil or sequestration by forest plantations, is focused upon, that there will be a loss to other landscape and biodiversity functions.

If one of the lead-in-criteria states that increases to production and profitability will mean non-compliance and eligibility for farmers intending to participate in the CFI ; then this will rule out many (up to out 90%) of QFF farmer members from the scheme. These farmers will then commit to schemes that have more realistic outcomes and allow for win-win outcomes in relation to farm productivity benefits and positive environmental outcomes.

Changes to the political demographics (over several election cycles and between opposing parties) may break-up any agreements with farmers in the long-term. This may result in losses to abatement strategies to the point that there is a loss of incentives and commitment for farmers to join or continue with the CFI.

KEY POINTS:

- The CFI must be designed in such a way as to survive changes in government and a subsequent adjustment in national policy.

Scheme processes

Becoming a recognised entity

QFF acknowledges in-principle support.

Project approval

QFF agrees with in-principle support; however the issue of whether the CFI credits are Kyoto-compliant needs to be addressed before the CFI is implemented.

Register of offset projects

QFF offer in principle support.

Crediting periods

QFF does not agree with the CFI having a maximum period of crediting of three years, with a one year reporting period for CFI offset projects.

Some of the proposed requirements with participants having to demonstrate their compliance with relevant methodologies at the beginning of each three year crediting period seem unreasonable.

The limits of a project that within its lifetime may cease to be considered due to additionality, because it

has become, 'common industry practice' seems iniquitous and unrealistic to landholders; as it would penalise those early adopters to the scheme. These are the very people that the project was trying to target. Perhaps alternatives need to be examined that incorporate strict criteria in the approval process to avoid this situation occurring.

Another issue raised by the NFF in their submission; is that if a domestic carbon price is introduced it may indirectly affect farmers by making them uncompetitive on international markets, whether or not their carbon abatement schemes are approved or not. QFF would agree with this concern and we will be looking for this issue to be specifically address in the design of the CFI.

Reporting

QFF offers in-principle support.

Crediting

QFF offers in-principle support.

Transfer or termination of projects

QFF offers in-principle support.

Methodology approval

QFF offer in-principle support, although we can foresee that the development of methodologies could be complex and costly.

KEY POINTS:

There will be no major investment by the public in Australia and overseas if the stakeholders cannot perceive that there is value and have confidence in soil carbon offsets technologies. These offsets need to be manufactured and measured in methodologies that are devised for factories and forests. As mentioned previously, the existing FMS programs could be adapted to CFI standards, to suit this purpose.

There also needs to be a balance struck between both private and public investment to ensure that the methodologies are effective and appropriate.

Taxation treatment of credits

QFF offers in-principle support.

Any additional comments

In regards to the administrative arrangements covered by the CFI, a wide range of issues need to be resolved.

These include:

1. Measurement: Considerable R&D will be needed to capture this.
2. Recognition of industry best practice could form an important proxy value for the CFI. Developing 'values' for the abatement impact for various practices needed to be developed sector by sector alongside an appropriate recognition tool.
3. Adaptation: Rural industry will also face the largest adaptation cost of almost any other sector, with significant impacts on farm productivity growth as the climate gets hotter, drier and less predictable. Government must take adaptation costs into account before assessing CFI criteria. **Where possible, Government should seek to encourage investment in practices which serve both abatement and an appropriate incentive to farmers.** But there needs to also be recognition that this is not always possible. For example, carbon capture may increase the amount of nitrous oxide from fertiliser use.
4. Administration and management of the CFI: QFF has often found that many Queensland farmers have a pessimistic mistrust of Government abatement schemes. This is due to their perception (rightly or wrongly) that Government has a hidden agenda that they are not aware of. This was the case with the Queensland Government's legislation which evolved to address the land clearing issue. Farmers perceived that they were given the wrong end of stick in relation to bearing more than their fair share of responsibility for land clearing; which the Government then used for increasing the State's carbon credits. Given this history any scheme with a government tag will find farmer resistance to commit. Therefore, QFF believes the solution to this would be for the Government to take a back step in relation to the administration and adoption of the CFI within the farming communities. This could be resolved by having third-party-organisations (such as NRM Regional bodies and industry groups) to administer and manage the scheme. This would also be important at the monitoring and assessment stage to ensure that all monitoring is consistent and fair for farmers. It would also make for more practical solutions by operating at a more regional and local level while securing supply chain and productive capacity.