

Introduction to carbon farming Plantations and farm forestry

This document provides introductory information about carbon farming opportunities for plantation and planted farm forestry



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What is carbon farming?

Carbon farming is managing land in a way that reduces CO2 emissions or captures carbon in soil or vegetation. Farm forestry and plantations can be examples of carbon farming. A carbon project is the creation of carbon credits that can earn money for the change in land use practices resulting in the reduction or storage of carbon.

The carbon market

To engage in the Australian carbon market, Australian carbon credit units known as ACCUs are obtained through project activities in accordance with an approved carbon methodology under the *Carbon Credits (Carbon Farming Initiative) Act 2011 (<u>CFI Act 2011</u>) and the <u>Carbon Credits (Carbon Farming Initiative)</u> Those credits can be used internally for offsetting emissions, or be sold for financial returns.*

The Australian Carbon Credit Unit Scheme (ACCU Scheme) is a voluntary scheme providing incentives for individuals and businesses to change practices that will result in the reduction of carbon emissions or storage of carbon. Landowners who undertake a project under an ACCU Scheme method can earn ACCUs. There are many activities available under approved methods where land managers can gain ACCUs. An ACCU represents a tonne of carbon dioxide equivalent stored, or emission avoided by an eligible activity. ACCUs are issued by the Clean Energy Regulator (CER).

There are two parts to engaging in the carbon market. The first is registering and running a project under an approved methodology to earn ACCUs. The second is selling the ACCUs to the Australian Government or other market option, or by using generated carbon credits to inset emissions from your property.

Carbon abatement projects involving the removal of carbon dioxide from the atmosphere by storage of carbon in plants are referred to as vegetation method projects or vegetation sequestration. Vegetation methods that involve planting of trees include the:

 Plantation forestry method <u>(Carbon Credits (Carbon Farming Initiative – Plantation Forestry)</u> <u>Methodology Determination 2022</u>)

- Measurement based method for new farm forestry plantations <u>(Carbon Credits (Carbon Farming Initiative Measurement Based methods for New Farm Forestry Plantations)</u> Methodology Determination 2014)
- Reforestation and afforestation method permanent planting (<u>Carbon Credits (Carbon Farming</u> <u>Initiative – Reforestation and Afforestation 2.0) Methodology Determination 2015)</u>
- Reforestation by environmental or mallee plantings FullCAM method permanent planting (Carbon Credits (Carbon Farming Initiative) (Reforestation by Environmental or Mallee Plantings – FullCAM) Methodology Determination 2014)

On 30 September 2024, both the reforestation by environmental or mallee plantings method and the Measurement based method for new farm forestry plantations will expire. No new projects will be able to be declared under those specific methods after that date. The reforestation by environmental or mallee plantings method is likely to be replaced with a similar method in late 2024/ early 2025. There are currently no plans to directly replace the Measurement based method for new farm forestry plantations.

The Australian Government has put in place an interim proponent led method development process. Previously the Government developed methods in consultation with the public. The new process allows anyone to propose a new method or changes to existing methods. The proposals are submitted through an EOI process and must meet the Offsets Integrity Standards to be approved.

In 2023 a total of 361 new ACCU projects were registered under the ACCU Scheme. For 2023:

- 103 were Human Induced Regeneration method projects.
- 94 were soil carbon projects.
- 72 were reforestation by environmental plantings projects, including 31 carbon and biodiversity planting pilots.
- 52 were plantation forestry projects.
- 40 projects were under 12 other methods.

The carbon and biodiversity pilot investigated how landholders create new income from plantings delivering both biodiversity improvements and carbon abatement. Information from the pilots is used to inform the development of the new <u>Nature Repair Market</u>. The framework for the Nature Repair scheme is being developed with the market expected to open in 2025. The scheme will establish a marketplace where landholders can undertake nature positive land management (nature repair) projects to generate a tradable certificate. The Nature Repair Market is an emerging market additional to the carbon market.

ACCUs can be sold by entering a carbon abatement contract with the Australian Government via a reverse auction process or on the open market by making a contract with another party such as the State government, local government, private sector company or other organisation. A carbon abatement contract entered under the Emissions Reduction Fund auctions has been the most common pathway for selling ACCUs in the land sector although the private and State government demand for ACCUs is growing. The Australian Government process for purchasing ACCUs is currently being reviewed and is on hold It is unclear on when the purchasing may recommence.

The ACCU Scheme is enacted and regulated through the <u>Carbon Credits (Carbon Farming Initiative)</u> Act 2011 and the <u>Carbon Credits (Carbon Farming Initiative) Rule 2015</u>. Each method under the ACCU Scheme is enabled by a methodology determination, which sets out the method-specific requirements that a project must meet to be found eligible for declaration under the scheme. Before undertaking a project, ensure you understand the legislative requirements and the specific requirements of the specific method.

The ACCUs purchased on the open market are purchased for the purposes of meeting requirements of compliance mechanisms or for voluntary benefits. Clean Energy Regulator reported in March 2022 that the spot market price of ACCUs increased from \$17 at the beginning of 2021 to \$50 in March 2022. Increased demand from the private sector contributed to the price almost tripling in that time. In 2023 the demand for ACCUs decreased with the generic ACCU spot price ranging from \$24.00 to \$39.25 in that year. Like any market, the carbon market can fluctuate depending on supply and demand. The price that ACCUs can obtain on the open market can also vary between methods, where methods that generate additional co-benefits frequently attract a premium price.

The Clean Energy Regulator (CER) administers the ACCU Scheme and other Australian Government legislated carbon emissions offset schemes. The CER is developing an Australian Carbon Exchange in an aim to make the sale and trading of ACCUs simpler to support growth in the sector. The Australian Carbon Exchange will be similar to an online stock exchange where credits can be bought and sold. For more information about the proposed Australian Carbon Exchange and timing of the project refer to the <u>Australia Carbon Exchange website</u>.

Additional to the Australian carbon market, a small number of Australian farming businesses have engaged in international markets by producing alternative carbon credits sold in a contract with overseas companies.

You may also choose to undertake carbon sequestration activities for carbon 'insetting' without undertaking a ACCU scheme project. 'Insetting' is the reduction of carbon emissions and/or offsetting carbon emissions on your own property rather than selling ACCUs to offset the emissions of someone else's business. This could be beneficial in negotiating a price for your product and reporting on carbon emissions. You may also undertake a ACCU scheme project and retain the ACCUs for your own carbon accounting. Information about the fundamentals of carbon farming can be found on the <u>Department of Primary Industries and Regional Development website</u>.

What to consider before starting an ACCU Scheme project

Deciding about engagement in the carbon market and entering into an ACCU Scheme project is a decision that needs consideration of many factors relating to your business and property planning. Before entering into a project, consider:

- What is required by the project?
- What are the co-benefits?
- Do you meet eligibility requirements?
- What are the financial and tax implications?
- What are the management implications?

- What period of permanence suits you?
- Will you engage a service provider and what are the costs?
- What are the risks and mitigation measures?
- Understanding the crediting and reporting periods.
- Costs of auditing and reporting?
- Any other legal obligations or implications.
- If your property is mortgaged are there implications?

It is strongly recommended that you seek legal, tax and expert advice prior to undertaking a carbon project. It is the responsibility of the individual or business to comply with all laws including work health and safety, environmental or planning laws. Advice from the relevant agency or authority should be sought if there is uncertainty regarding legal obligations.

The *Plantations and Reafforestation Act 1999* requires plantations in NSW greater than 30 hectares to be authorised. For more information about requirement under the Act go to the Department of Primary Industries and Regional Development website.

Plantations multiple benefits

Plantations including plantings for forestry provide a significant opportunity for the land use sector to offset carbon emissions as carbon sequestered can generally be measured and verified. Plantations also provide benefits for productivity and environmental outcomes including biodiversity, erosion control, salinity management and other landscape benefits.

Plantations and planted farm forestry allows landholders to undertake natural resource management and carbon sequestration whilst achieving an economic return. Tree plantings can also provide an on-farm resource complimenting farm planning and management.



Figure 1 Grazing and timber production.

Steps to engage in the carbon market

- 1. Process for engaging in the Australian carbon market (ACCU scheme) Pre-application planning and due diligence (including checking eligibility)
- 2. Determining a suitable method and method activity where relevant
- 3. Ensuring you can meet requirements including audit and reporting requirements.
- 4. Planning the project.
- 5. Forward abatement estimates and cost estimates.
- 6. Application to register a project.
- 7. Registering a project with the Clean Energy Regulator.
- 8. Undertake project activities in accordance with the method.
- 9. Claiming ACCUs.
- 10. Deliver the project in accordance with the method.
- 11. Audit and report (an accredited auditor will need to be engaged at your expense).
- 12. ACCUs traded or sold on the secondary market or to the Australian Government through <u>carbon abatement contracts.</u>

Generally, a project must not commence before it has been registered. If the project is found at a later stage to have started prior to registration it may be deemed invalid and financial implications would apply.

The ACCUs generated can be sold through a contract with the Australian government through an ACCU auction and carbon abatement contract. Government purchasing of ACCUs is under review on hold following the Independent Review of Australian Carbon Credit Units. The ACCUs can also be sold to individuals, companies, state government or local government seeking to offset emissions. The Australian National Registry of Emissions Units (ANREU) is an online system that tracks the location and ownership of ACCUs. Through the ANREU, ACCUs can be issued, traded, transferred, surrendered or cancelled.

Under the Corporations Act ACCUs are classified as a financial product which means an Australian financial services (AFS) licence is required for:

- providing financial advice
- buying, selling or trading ACCUs
- marketing ACCUs.

It is recommended that independent, professional advice is sought when trading ACCUs.

Eligibility requirements

Read more about <u>eligibility requirements for the ACCU Scheme on the Regulator's website</u>.

ACCUs are only issued to a person with a Registry account. To obtain a Registry account the person must meet the 'fit and proper person' requirements. Other requirements for the issuance of ACCUs include:

- The project must be consistent with an approved methodology.
- The project must be additional to what would occur without the project.
- The project must be in accordance with relevant additionality requirements relating to the type of project.
- The project must be undertaken in accordance with the relevant approved methodology and other regulatory requirements.
- The project owner must report to the Clean Energy Regulator with regards to what is achieved by the project and some reports must be prepared by a registered greenhouse and energy auditor.
- The project must not have started before registering the project (the newness requirement)
- The project proponent must have the legal right to undertake the project.

ACCU Scheme projects must not:

• be required by other State or Commonwealth law.

- be receiving funds from specified schemes such as the Commonwealth Government administered 20 million Trees Program.
- be an excluded activity as set out through Sections 20AA 20C of the <u>Carbon Credits (Carbon Farming Initiative)</u> Rule 2015.

Key requirements are that the project is new, is not required by law and not receiving financial support from a specified government program. Once a project has been registered with the CER, project proponents may seek to receive financial support, including through Government grants. However, a project registered under the ACCU scheme may not participate under a different offset program.

Plantation projects that may not be eligible include projects that involve:

- undertaking forestry activities or tree planting for biodiversity objectives or offsets to satisfy development requirements or as a condition of development, and
- revegetating to meet biodiversity requirements imposed on the land.

Specific requirements for plantation and farm forestry carbon projects

Notification

For plantation forestry method projects involving a new plantation area (or expansion of an existing plantation), there is an additional requirement to submit a Plantation Notification to the Commonwealth Department of Agriculture, Fisheries and Forestry. The Australian Government Minister responsible for Agriculture assesses whether a proposed project may lead to an adverse impact on agricultural production in the region in which the project would be located. The outcome of the assessment will be provided, and the project will either be ineligible or able to proceed to be considered by the Clean Energy Regulator.

For more information about determining if notification is required and guidelines to notification refer to the <u>Department of Agriculture</u>, Fisheries and Forestry website.

'The water rule'

New plantations and tree planting projects application to the ACCU scheme with a start date after 1 June 2024 will now be assessed without being subject to the water rule. Prior to that date projects involving plantation forestry were required to meet conditions in locations where the long-term average rainfall exceeds 600mm per annum according to the Carbon Farming Initiative (CFI) rainfall map.

Crediting and reporting periods

Crediting period – the specified time period for which a project is able to claim ACCUs.

Depending on the type of project, the applicable crediting period can be between 7 to 25 years. Vegetation projects generally have a 25-year crediting period.

Reporting period – a period of time within the crediting period for which a project submits an offsets report to the CER and claims ACCUs.

Generally, a reporting period for a vegetation project can be between 6 months and 5 years. Projects have multiple reporting periods within their crediting period. Having shorter reporting period means that you can apply to receive ACCUs more frequently, though there are reporting obligations associated with each reporting period.

More information on crediting and reporting periods can be found in the <u>'make sure your timing is</u> <u>right' document</u> produced by the CER.

Permanence obligations

All vegetation sequestration projects have permanence obligations which commence on the date that ACCUs are first issued to a project. This is to ensure the environmental benefit of the sequestration is not removed by the carbon being released through deforestation, a fire event, or other disturbance that would otherwise cause carbon sequestered in the vegetation to be released back into the atmosphere. The ACCU Scheme provides an option of either a 25-year or 100-year permanence period. A 20 per cent reduction in ACCUs generated for the project is applied where a 25-year permanence is selected. This is a total of 25 per cent reduction in ACCUs issued. All sequestration projects under the ACCU Scheme are subject to the 5% risk of reversal buffer.

Projects that are declared under the ACCU Scheme with a 25-year permanence period may later change to a 100-year permeance period, through projects declared under a 100-year permanence period may not later change to a 25-year permanence period. The permanence obligation remains regardless of change of ownership of the land. Purchasers of land can check if the land is subject to a permanence obligation by checking the <u>ACCU Scheme Project Register</u>.

The permanence obligation means the project carbon storage must be maintained for the time selected. The project proponent must provide information about the actions or activities they will undertake to manage the area to avoid loss of carbon storage. This is done with a permanence plan provided a time of project registration and updated and re-supplied to the Regulator another two times within the crediting period.

If the project is impacted by fire or other disturbance resulting in loss of carbon, regrowth must be managed to return the area to the equivalent carbon storage or the relevant number of ACCUs can be returned. Guidance is provided regarding managing the project and fire risk. The guide can be found at the <u>CER website.</u> If the project is affected by fire, notification to the CER is required.

You should inform prospective buyers of your property of any permanence obligations that exist for a project. The Australian Government provides the following guides to assist landholders and purchasers in understanding permanence obligations.

- The ACCU Scheme and permanence on the land
- Identifying land subject to permanence obligations

Vegetation sequestration project opportunities

Vegetation projects result in carbon abatement by taking carbon dioxide from the atmosphere and then storing it in trees and other vegetation. Types of vegetation activities include:

- reforestation
- revegetation, or
- protecting native forest or vegetation from clearing.

Carbon methodologies currently available for timber plantations and farm forestry (planted) include:

- Plantation forestry method
- Measurement based method for new farm forestry plantations method

Carbon methodologies currently available for plantings not to be harvested include:

- <u>Reforestation and afforestation method (permanent planting)</u>
- Reforestation by environmental or mallee plantings FullCAM method (permanent planting)

A summary of the methods available for timber plantations and farm forestry (planted) are provided in this guide. For guidance on the most appropriate methodology for your situation and for more detail regarding the methodologies, refer the <u>CER website</u>. The CER website has a <u>soil and</u> <u>vegetation sequestration decision tree</u> available to assist in determining the appropriate methodology (note: the decision tree may not have all current methodologies available, and may include methods that have expired since the document publication).

Plantation Forestry Method

The <u>plantation forestry method</u> was remade in 2022 to improve opportunities for plantation owners and landholders to engage in the ACCU Scheme. The plantation forestry method may be suitable for the following activities:

- 1. Establishing a new plantation forest.
- 2. Converting an existing short rotation plantation forest to a long rotation.
- 3. Continuation of rotational harvest where the plantation would have otherwise been converted to a non-forested land use.
- 4. Transitioning a plantation forest to a permanent forest where the plantation would otherwise have converted to a non-forested land use.

The area subject to these activities must not be managed under a forestry managed investment scheme.

There are eligibility requirements for each of the activities under the plantation forestry method. These are outlined in Table 1. The eligibility requirements listed in Table 1 are not exhaustive.

The method introduced in lieu of newness provisions allowing some activities to be undertaken prior to project registration or approval. The activities include site preparation and planting for Schedule 1

(establishing a new plantation) and harvesting, clearing, and thinning the existing plantation for other activities under the method. It is advised to register the project before commencing any activities.

Table 1: Plantation forestry method activity requirements.

Plantation Forestry Method activity	Activity specific eligibility requirements		
 Establishing a new plantation forest 	 There was no plantation forest or native forest located on the land in the previous 7 years Notification to the Federal Minister for Agriculture and the Minister has assessed that the project will not have adverse impacts on regional agricultural production 		
2. Converting short rotation to long rotation plantation	 The plantation must be in or within 100kms of a national plantation inventory (<u>NPI</u>) region Conversion is either during the short rotation cycle or following harvest of the short rotation plantation 		
3. Continuation of rotational harvest plantation	 The land has not and will not be cleared of native forest The plantation must be in or within 50kms of a national plantation inventory (<u>NPI</u>) region The plantation must be of an age (or harvested at) within 2 years or older of the relevant default clearfell age in Schedule 6 of the Method Evidence must be provided that the land meets a non-continuation requirement under Schedule 3 of the method, which generally includes providing a statement from the CEO or CFO of the project proponent, and providing a financial assessment of the project. 		
 4. Transitioning a plantation to a permanent forest (not to be harvested) 	• The land has not and will not be cleared of native forest Evidence must be provided that the land meets a non- continuation requirement under Schedule 4 of the method, which generally includes providing a statement from the CEO or CFO of the project proponent and providing a financial assessment of the project.		

Note: Plantations in NSW >30 hectares in an area require an authorisation under the *Plantations and Reafforestation Act 1999.* See the <u>DPI plantation forestry website</u>.

Table 2: Other method requirements

Plantation Method requirements	
Permanence period	25 years (additional discounting applies) or 100 years
Crediting period	25 years
Reporting requirements	Reporting is required at least once every five years. A lesser period can be selected. Preparing offsets reports may have costs, particularly if engaging a service provider. You will need to report at least once every five years.
Abatement calculation	The carbon stored in project trees is known as carbon stock. Abatement is calculated based on carbon stock changes in trees, harvested products, and debris with consideration of growth, disturbance and harvesting. Management actions are also factored into the carbon stocks and emissions. Actions could include thinning, pruning or controlled burning.
	The Full Carbon Accounting Model (<u>FullCAM</u>) must be used to calculate the carbon stock of the project in accordance with the <u>FullCAM Guidelines</u> for the 2022 plantation forestry method.
Record keeping	There are record keeping requirements under the Act and Methodology Determination to allow for auditing and monitoring of the project.
Audits	Most projects declared under this method will be subject to at least 3 audits over the 25-year crediting period. The first audit is due with your first offsets report. Some projects may meet the requirements for Alternative Assurance, which will result in a reduction of the number of audits that an eligible project is subject to.
	An auditor must be engaged to undertake the audits.
Forest Management Plan	A forest management plan (FMP) is required to be prepared. The plan is a document that sets out the management actions and activities, as well as disturbance events and other relevant information for a project under the 2022 plantation forestry method. The Plan sets out:
	 the project details for modelling in FullCAM, and
	• other information about how the project has been and will be managed, including activities to address risks and adverse impacts.
	The general requirements for a forest management plan can be found in Section 23 of the Carbon Credits (Carbon Farming Initiative — Plantation Forestry) Methodology Determination 2022.
	Depending on the project activities being conducted in a project, there may be additional requirements for the forest management plan.
	For further information on forest management plans, refer to the CER's <u>forest management plan guidance</u> .

For more detail refer to the <u>Australian Government's Understanding Your Plantation Forestry Project</u> guide.

Measurement based methods for new farm forestry plantations

The <u>measurement based methods for new farm Forestry plantations</u> may be suitable for a project that meets the following:

- Planting and growing trees as either a permanent planting or new farm forestry plantation (commercial harvesting permitted), and
- The land subject to planting includes land used for grazing or cropping or fallow between grazing and cropping for at least five years before the start of the project, and
- Access to appropriate forestry expertise is available.

There are eligibility requirements for each of the activities under the Measurement Based Methods for New Farm forestry Plantations Method. These are outlined in Table 3. The eligibility requirements listed in Table 3 are not exhaustive.

Table 3: Measurement Based Methods for New Farm forestry Plantations Method activity requirements.

Method activity	Activity specific eligibility requirements		
All activities	• Establishing trees on land previously used for grazing and cropping for at least five years before the start of the project		
	• Forestry expertise to run measurements and calculations for the method		
New farm forestry plantations (harvesting permitted)	• Notification to the Federal Minister for Agriculture and the Minister has assessed that the project will not have adverse impacts on regional agricultural production		
	A specific management regime is proposed		
	• Harvesting is done in accordance with the management regime		
	 Post-harvest, trees are re-established beginning a new management regime cycle 		
	• Management regime cycle is continued for the life of the project		
	 Practices used in each reporting period are included in the offsets report 		
	• Each management regime is modelled using the FullCAM establishing carbon stocks for the cycle		
Permanent planting (not to be harvested)	• Plantings are maintained in a way that results in 20 per cent crown cover and is maintained		

• Trees are not removed except in compliance with Part 4 of the method (this includes weeds, fire management and traditional indigenous practices)

Table 4: Other method requirements

Method requirements			
Permanence period	25 years (additional discounting applies) or 100 years		
Crediting period	25 years		
Reporting requirements	Additional to general reporting requirements, reports must contain information relating to:		
	 project type and management regime 		
	 strata locations and descriptions 		
	sampling plans		
	emissions, carbon stocks and abatement calculations		
	FullCAM modelling and allometric functions		
	growth disturbances		
	• fuel use, and		
	• quality assurance and control measures.		
	The first report must also include information relating to:		
	• the history of land use and forest cover, and		
	• descriptions of the project area and strata.		
Non-project vegetation exclusions	Non-project trees cannot be cleared except in certain circumstances such as required by law		
	Trees that can be cleared include prescribed weeds		
Abatement calculation	The carbon stored in project trees is known as carbon stock. Abatement is calculated in a reporting period as the carbon stored minus the emissions from fuel use and fires.		
	The carbon stock is estimated with a combination of FullCAM modelling and actual measurements of project trees (including. stem diameter, tree height or crown size), obtained in a 'carbon inventory'. Project trees can be either living or dead, and can also be fire- affected, but must be standing. The carbon stored in forest litter and fallen dead wood can also be calculated, but it is optional.		
	In the carbon inventory, a certain number of trees in each sampling plot of each stratum are measured. The trees' measurements are then used in mathematical equations called allometric functions, which estimate how much carbon is stored in each stratum. The carbon stock		

	in each stratum in the project area is then added together to work out the total change in carbon stock over the reporting period. For harvest plantations only, FullCAM is also used to predict the project's average carbon stocks in each stratum and the project as a whole for the reporting period. Refer to <u>A guide to the 2020 FullCAM</u> <u>– transition arrangements</u> for information on which version of FullCAM must be used for the project.	
Record keeping	 In addition to the general record-keeping requirements of the Act, projects must keep records relating to: strata descriptions, locations, and area sampling plans project tree measures and allometric functions carbon stock calculations fuel use, and quality assurance and control measures. 	
Audits	The project must be audited according to the audit schedule provided when the project is declared. A minimum of three audits are required. Audit information can be found on the <u>audit information page</u> on the CER website.	
Skills and expertise	Forestry expertise is required to undertake the measurements and calculations required by this method.	

For more detail refer to the Australian Government's Guide to the Farm Forestry Method.

Registering a project

A project will not be registered until an application is assessed and determined by the Clean Energy Regulator (CER). The applicant is notified in writing by the CER of the application outcome.

If a project is registered and it is subsequently found, for example during an audit, that it had commenced prior to registration, the project's registration may be invalid. In such a case, no Australian carbon credit units will be issued. If ACCUs have been issued to the project they may be required to be returned to the Clean Energy Regulator.

Project registration does not cater for regulatory approvals or permits required to undertake the project's activities. The project proponent must seek the relevant regulatory approvals from the relevant agencies or authorities. For example, a plantation authorisation under the *Plantations and Reafforestation Act 1999.*

Key steps for registering a project are:

- Mapping project boundaries.
- Preparing notification (for relevant new plantations).
- Calculating forward abatement estimate.
- Preparing plans (including forestry management plan and permanence plan).
- Application to the CER for project registration.

For vegetation projects, it is a requirement that consent is provided from any 'eligible interestholders, and that any necessary regulatory approvals are obtained. It is best that this is completed prior to declaration of an eligible offsets project by the Regulator. However, in some cases, the Regulator may declare a project on the condition that these requirements are met before the end of the first reporting period for the project. Where plantation authorisation is required, it must be obtained before undertaking any establishment operations for plantings.

An eligible interest-holder is any person or organisation that has a legal interest in the land subject to the project. They might include:

- landholders
- banks or mortgagees
- state and territory Crown Lands Ministers
- registered native title bodies corporate.

The eligible interest-holder needs to make sure they understand what is being agreed to as once consent is provided, it cannot be withdrawn. <u>More information can be found on the CER website</u>.

Estimating carbon abatement

ACCU Scheme project registration requires a forward abatement estimate (FAE) to be provided. The forward abatement is measured in tonnes of carbon dioxide equivalent ((tCO₂-e). The forward estimate is the best estimate for carbon abatement as a result of the project.

All ACCU Scheme projects must provide a forward abatement estimate (FAE) in tonnes of carbon dioxide equivalent (tCO₂-e) at project registration. Forecast modelling using tools such as FullCAM are used to determine to forward estimates for plantations projects.

Key abatement terms

Forward abatement estimate (FAE)	Best estimate of total tonnes of carbon abatement from the project. There are indicative and agreed quantities for forward estimates.
Indicative agreed quantity (IAQ)	The number of Kyoto ACCUs that be delivered by an abatement contract. It is used by the CER to assess if the level of abatement is reasonable during the auction qualification process.
Agreed quantity (AQ)	The quantity of Kyoto ACCUs to be delivered by the project for the duration of the contract. Provided at contract auction registration and if successful at auction will be required to deliver.

Information is provided with the IAQ and AQ and will be assessed that the project method is understood, there is an understanding of requirements to achieve abatement, there are expertise required to deliver the project and expansion is able to be done if it is an aggregation project.

Delivering a project

Key steps of project delivery are:

- Definition of carbon estimate areas (CEAs)
- Definition of the location of model points
- Modelling the project with FullCAM to determine forward carbon abatement estimates
- Undertaking project activities and obligations

Reporting and crediting

Key steps for reporting and crediting are:

- Updating modelling content
- Calculating carbon abatement
- Project audit (if applicable)
- Report on project
- Earn carbon credits

Full carbon accounting model (FullCAM)

The <u>Full Carbon Accounting Model</u> (known as FullCAM) is a tool that is used to determine land and forestry sector carbon emissions. Due to the scale of the areas involved it is often not practical to determine emissions using sampling methods alone, which is why modelling is used. FullCAM can estimate the difference in carbon stocks for biomass, debris and soil carbon.

ACCU Scheme vegetation methods use FullCAM to estimate abatement. Each method provides guidance on how FullCAM is to be used if applicable.

- <u>Reforestation by environmental or mallee plantings FullCAM method (expiring 30 September</u> 2024)
- <u>Plantation forestry method</u>
- Measurement based methods for new farm forestry plantations methods (expiring 30
 September 2024)

The version of FullCAM that is current at the time of the end of the reporting period for the project is used generally used by the project. FullCAM was updated in 2020. The 2020 public release included

updates for vegetation methods but did not include updates for the plantation forestry methods. Projects registered under the plantation forestry and new farm forestry methods must use the <u>2016</u> <u>option within the 2020 FullCAM version</u> until an applicable update is advised.

Updates of the plantation forestry method modelling in FullCAM are in process with updates to be released shortly. Until the update is released, the 2016 FullCAM must be used for the plantation forestry methods.

Engaging a service provider

It is important to understand the obligations, management implications and potential risks when deciding about participating in a carbon project. There are many service providers including financial advisory services, legal advice, agents and aggregators that can be engaged to assist in understanding and participating in the carbon market.

It may be that a commercial agreement is entered into with the carbon service provider that gives them the legal right to undertake the carbon project and to receive the ACCUs. The agreement should clearly specify the obligations and rights of each party and how the proceeds from ACCUs are divided. Carbon service providers are able to provide support for establishing and running carbon projects. The provider may charge a set fee or a percentage of the earnings from ACCUs, usually for an agreed percentage of earnings. It is important that you undertake due diligence in choosing a provider and agreement that suits you. The risks, legal obligations and potential issues need to be properly considered. It is recommended that you seek independent legal advice before entering into an agreement/ contract with the provider.

The <u>Australian Carbon Market Institute</u> provides a directory of service providers.

Aggregation under the ERF

Aggregation in the ACCU Scheme brings together activities or projects to deliver carbon abatement. Aggregation can have benefits of reducing transaction costs and simplify management. This may be useful for small plantations that might not be a viable proposition as an individual project. There are broadly two types of aggregation. They are:

1. Project aggregation - a single registered project made up of more than one activity using the same method.

2. Contract aggregation – the grouping of projects to make a single bid at auction with a single contract. This may include projects under different methods.

Aggregators provide services to support participation in the carbon market including aggregating activities and projects for participation. They may also provide other services and act as agent or project developer.

If using an aggregator, you need to check who is responsible for delivering the project. A private arrangement between you and the aggregator defines how financial return and responsibilities are determined.

Register of existing projects and contracts

Information about projects registered under the ACCU Scheme and the contracts awarded is published by the Clean Energy Regulator.

<u>Australian carbon credit units (ACCUs)</u> from a project can be sold to the Australian Government through a carbon abatement contract. The purchase of ACCUs by the Australian Government is currently under review as of August 2024. Updates on carbon abatement contracts and Australian Government auctions can be found on the <u>Clean Energy Regulator webpage</u>.

The <u>Carbon Abatement contract register</u> provides information on the Carbon Abatement Contracts awarded by the Clean Energy Regulator.

ACCUs can also be sold to the market through the open market. Projects registered can be viewed on the Clean Energy Regulator contract and project register.

Resources

Resource	Type of information	Link	QR Code
ACCU Scheme Planning a project webpage	It provides links to information that should be considered in considering or planning an ACCU Scheme carbon project	<u>Plan your project Clean Energy</u> <u>Regulator (cer.gov.au)</u>	
ACCU Scheme participation overview	Provides an overview of the process in engaging in with the ACCU scheme and links to detail of the steps involved	<u>How to participate Clean Energy</u> <u>Regulator (cer.gov.au)</u>	
Opportunities for the soil and vegetation sequestration decision tree	Diagram to assist in deciding on the appropriate method for soil and vegetation sequestration	<u>soil-and-vegetation-sequestration-</u> decision-tree (cer.gov.au)	
Project and contract registers	Provides a list of projects and contracts registered with the ERF. An interactive map is also available	ACCU project and contract register Clean Energy Regulator (cer.gov.au)	

Requirements for all planting projects	Flow diagram	<u>requirements-all-planting-projects</u> (cer.gov.au)	
Permanence obligations	Information about the obligations of a project	<u>Permanence obligations Clean</u> <u>Energy Regulator (cer.gov.au)</u>	
Contract obligations	Information about important considerations in entering a carbon abatement contract	<u>Manage a carbon abatement</u> <u>contract Clean Energy Regulator</u> (cer.gov.au)	
Audit and reporting requirements	Information about minimum requirements for project auditing and reporting	<u>Project reporting and audits </u> <u>Clean Energy Regulator</u> (cer.gov.au)	
Legislation and regulation	Links to Australian carbon market legislation	<u>Federal Register of Legislation -</u> <u>Carbon Credits (Carbon Farming</u> <u>Initiative) Act 2011</u> <u>Federal Register of Legislation -</u> <u>Carbon Credits (Carbon Farming</u> <u>Initiative) Rule 2015</u>	
Aggregation	Explains what it is and how it works	Aggregate emissions reduction projects or contracts Clean Energy Regulator (cer.gov.au)	

Reforestation and afforestation method	The method and associated guidance	<u>Reforestation and afforestation</u> <u>method Clean Energy Regulator</u> (cer.gov.au)	
Reforestation by environmental or mallee plantings FullCAM method	The method and associated guidance	Reforestation by environmental or mallee plantings FullCAM method 2014 Clean Energy Regulator (cer.gov.au)	
Plantation forestry method	The method and associated guidance	<u>Plantation forestry method Clean</u> <u>Energy Regulator (cer.gov.au)</u>	
Farm Forestry Method	The method and associated guidance	<u>Measurement based methods for</u> <u>new farm forestry plantations</u> <u>method Clean Energy Regulator</u> (cer.gov.au)	
Reducing the risk of fire	Guidance on reducing fire risk and preserving sequestered carbon in vegetation projects	<u>reducing-risk-fire-and-preserving-</u> <u>sequestered-carbon-accu-</u> <u>vegetation-projects (cer.gov.au)</u>	
Eligibility and newness	Information regarding eligibility and newness requirements for ERF projects	<u>Eligibility for the ACCU Scheme </u> <u>Clean Energy Regulator</u> (cer.gov.au)	

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