

# Considering a carbon project?

Carbon farming involves land managers changing practice to reduce greenhouse gas emissions or capture and hold carbon in vegetation and soils.



Carbon farming is still a reasonably new industry in Australia. It allows land managers to earn Australian Carbon Credit Units (ACCUs) by following specific carbon farming methods.

## About carbon farming

Each Australian Carbon Credit Unit equals one tonne of carbon dioxide equivalent (tCO<sub>2</sub>-e) and is a financial product. Earning Australian Carbon Credit Units through carbon farming has the potential to provide landholders with an alternative income stream and improve enterprise viability. However, as with any important business decision, it is critical that you take the time to understand all the pros and cons.

The Clean Energy Regulator is the government body responsible for administering the Emissions Reduction Fund and the legislation around reducing carbon emissions.

The Clean Energy Regulator [website](#) has some excellent tools and information to help you determine an appropriate carbon method for you. The section called [Opportunities for the Land Sector](#) outlines a range of methods including both emissions avoidance

and carbon sequestration projects.

If you are thinking about a project involving storing carbon in vegetation or soil you should use the [Soil and Sequestration Decision Tree](#) to work out which method is most appropriate for you.

### Carbon farming methods:

1. Emissions avoidance: activities that reduce or avoid greenhouse gas emissions such as the destruction of methane generated from manure, herd management, changing livestock supplement regimes, or changing fertilizer regime in irrigated cotton.
2. Carbon sequestration: activities involve removing carbon dioxide from the atmosphere and storing it in vegetation through the process of photosynthesis. Carbon can also be sequestered in soils.

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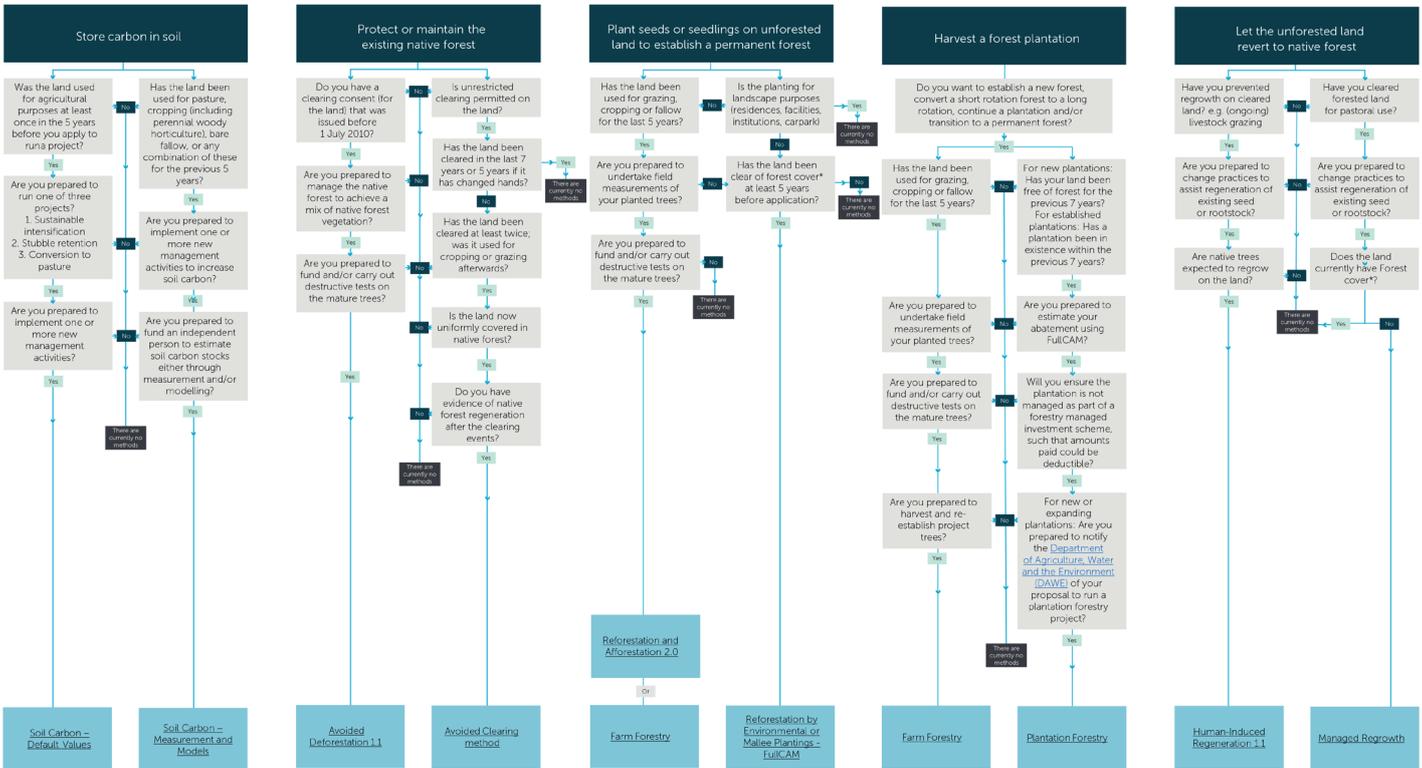


**CLEAN ENERGY REGULATOR**

## Soil and vegetation sequestration decision tree

What would you like to do on your land to store, or sequester, carbon and be issued with Australian carbon credit units for that activity?

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## What is your long-term plan?

All sequestration projects involve a period of permanence. Carbon sequestered in soils or vegetation must be maintained for a period of 25 or 100 years.

Before you make the decision to take on a long-term carbon project, you should consider how it will fit in with future plans for your property, business and lifestyle.

It may be worthwhile taking the time to put together a long term plan. Take into consideration your goals from three perspectives: business, lifestyle, and landscape.

Although 100 years may seem like a long time, consider the permanence obligations on carbon sequestration projects. When determining the long term goals for your property or business you should also take into account succession plans where appropriate. It may be worth consulting a professional to assist you with your plan.

### Will the proposed carbon project fit in with your long-term goals?

Once you've determined your long term goals you must

Land managers who register approved projects can sell their carbon credits to the Australian Government through the Emissions Reduction Fund, or on the secondary market.

decide whether the carbon project you're considering aligns with those goals. Things you might ask yourself:

- What changes to your management practices will you need to undertake to meet the requirements of the carbon project, and do you have the time and capacity?
- Will your project allow you to continue grazing the area? If not, how will that impact on your primary production?
- Will your project allow you to achieve long-term sustainable use of your land?
- What will the landscape look like in 25 or 100 years?

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## SWOT analysis

Some people find it useful to use a SWOT analysis when they're making important decisions. These are just examples of how you might think about the strengths, weaknesses, opportunities and threats associated with implementing a carbon project.

SWOT analysis Implementing a carbon project	
Strengths	Example – guaranteed income for the duration of the contract (3-10 years).
Weaknesses	Example – permanence obligation may limit long term productive capacity.
Opportunities	Example – Financial opportunity to invest in infrastructure and improving management practices. Example: Opportunity for inter-generational wealth.
Threats	Example – wildfire may destroy project area. Example – permanence may impact on property value in the long term?



## Is your project consistent with the Western Local Strategic Plan?

Western Local Land Services has developed some guiding principles for carbon projects in the region including criteria to ensure that projects are consistent with the Western Local Strategic Plan and long-term goals for the region.

### Consider the impact of your project

- Will the project cause damage to areas of high conservation value or areas of Aboriginal cultural significance?
- Will this project have any adverse effect on neighbouring landholders?
- Will the project adversely impact groundwater of surface distribution, availability or quality?
- Will the project reduce landscape diversity?
- Will the project result in a reduction of groundcover below 50%?
- Does the project conflict with the requirements of any existing government contracts?

If you have answered YES to any of these, you should consider the appropriateness of proceeding.

## Carbon project developers

Sometimes referred to as brokers or aggregators, there are a range of project developers working across the carbon and environmental sectors.

Many land managers work with project developers to help them navigate the scientific, financial and legal aspects of developing a carbon project which involves following very specific “methods” to deliver carbon abatement that is measured and traded as an Australian carbon credit unit.

Before signing an agreement with a project developer you should do some homework.

### What are their skills, experience and track record?

If they cannot demonstrate experience and expertise in this field you should be cautious.

### What income will you receive from participating in the project?

What percentage will the broker take? Different brokers offer different fee structures.

Talk to other landholders and brokers to make sure you're getting the best deal.

When considering the projected income from your

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carbon project don't forget to factor in implementation and maintenance costs as well as any income potential you may forgo if you implement this project. For example, will your stocking levels be reduced?

### **Who is the project proponent? You or the carbon project developer?**

It is the project proponent who enters into the carbon abatement contract with the Clean Energy Regulator.

Australian carbon credit units are issued to the project proponent and they are responsible for reporting to the Clean Energy Regulator about the conduct of the project.

In some cases the landholder is the project proponent who works with a broker or aggregator. In other cases the carbon project developer themselves are the project proponent for the project being implemented on your property.

### **What services will be covered by the broker fees?**

Will there be additional costs for auditing, monitoring and reporting over the life of the project?

Find out just what services you will receive as part of the fee your broker/aggregator is receiving.

For example, auditing. There are rigorous auditing and reporting requirements involved with carbon sequestration projects. Ask your broker whether they will provide all the auditing involved with your project? If so, is this included in their flat fee or commission, or will this incur extra costs?

### **How much is it going to cost you to implement the carbon project?**

Also, how much will ongoing management of the carbon project cost? For example, you may be required to install fences and fire breaks to protect your carbon investment.

As well as considering initial costs for installing these, you should also think about the ongoing maintenance costs over the full life of the project.

### **What are the risks? How certain are the future financial benefits?**

What are the implications if your project doesn't generate the emissions reductions agreed to in your contract?

What will happen if your carbon project is impacted by fire or damaged in some other way?

## Legal and financial considerations

### **Have you obtained legal and financial advice about the implications of the proposed project?**

Before you make the decision to enter into a carbon contract make sure you get sound advice from both a solicitor and your accountant.

Environmental markets are still emerging and developing. If your regular advisers don't understand the financial and legal implications of carbon sequestration projects, seek further advice.

For example, the current ruling from the Australian Tax Office is that carbon income is not deemed primary production. It is likely this may change in coming years but in the meantime does your accountant understand this and what the implications might be for tax planning?

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The Clean Energy Regulator website provides information about Australian Carbon Credit Units and implications for tax and trading.

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### **Eligible interested holder consent**

If you are applying to register an area-based emissions avoidance project or a sequestration project under the Emissions Reduction Fund, you must seek the consent of any persons or organisations holding an eligible interest in the land on which your project will run.

This means your bank if you hold a mortgage, and Crown Lands if your property is a Western Lands leasehold.

### **The Emissions Reduction Fund auction**

Once a project has been registered with the Clean Energy Regulator, successful applicants are eligible to sell Australian carbon credit units.

The Clean Energy Regulator is the major purchaser of Australian carbon credit units (ACCUs), however there is increasing demand for ACCUs from businesses and other levels of government via the spot market or through a fixed commercial agreement. The Clean Energy Regulator is in the process of developing an [Australian Carbon Exchange](#) that will make the trading of ACCUs simpler.

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Project proponents who are interested in selling to the Australian Government can register for an auction and enter a bid price for their Australian carbon credit units

The auction is a single-round, pay-as-bid, sealed-bid format. If a bid is successful, the participant will automatically enter into a contract with the Clean Energy Regulator on behalf of the Commonwealth of Australia.

The Clean Energy Regulator will select projects to contract with solely on the basis of the bid price while there is increasing interest from private market purchasers in ACCUs which provide co-benefits, or additional outcomes which might include environmental or social benefits.

## **The Australian National Registry of Emissions Units**

The trading of all Australian Carbon Credit Units and the mechanism for exchanging, selling and trading Australian carbon credit units is the Australian National Registry of Emissions Units (ANREU).

Administered by the Clean Energy Regulator, ANREU is the national registry that ensures accurate accounting of the issuance, holding, transfer and acquisition of Australian carbon credit units.

Organisations and individuals are required to have an ANREU account if they want to own, transfer, cancel or relinquish Australian carbon credit units.

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Western Local Land Services has produced other fact sheets which can provide you with further information.

- **Guiding principles for carbon projects**
  - **Managing a carbon project for long term production and environmental outcomes**
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**For any other information, contact your nearest Local Land Services office by calling 1300 795 299.**