

NECMA Due Diligence for Carbon Projects

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Dairy Australia



OUR BACKGROUND



- **Environmental scientist with additional qualifications in economics**
- **14 years experience in Gov agencies in policy roles focused on water, waste, energy, planning and climate**
- **National Policy Lead NRM at Dairy Australia for 4 years**



- **15 years' experience working in private and public sector agricultural, government and research organisations**
- **Qualified Independent Agronomist, focus on Soils and Nutrient Management Planning**



IF IN DOUBT, SEEK LEGAL ADVICE

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OUTLINE

- **Background – heaps of buzzwords**
- **What kinds of benefits can you achieve on farm from participating in the ERF?**
- **Things to consider before signing a contract**
- **Other potential risks**
- **Helpful Resources – DA and external**
- **Take home messages**

BACKGROUND – BUZZWORDS ERF AND ACCUS



Carbon Credits (Carbon Farming)
2011

No. 101, 2011

Emissions Reduction Fund
cumulative projects across
Australia - March 2022



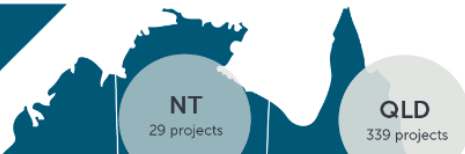
The Clean Energy Regulator assures the right to be recognised



Carbon Farming Initiative
Measurement of Carbon in Soil Using
Methodology Determination 2015

of the

Department of the Environment, Water and Heritage



Carbon
Rule

1. Greg H

Dated

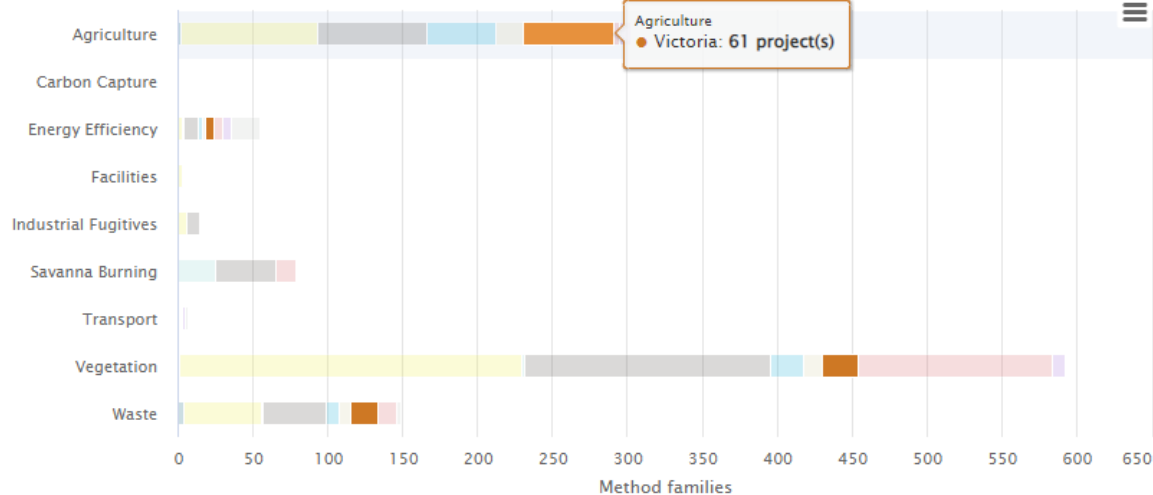
Greg H
Minister

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Part 1-

Cumulative projects in the Emissions Reduction Fund

Cumulative projects in the Emissions Reduction Fund

as at 31 March 2022



<https://www>

<https://www>

Suggested Reading

[Opening an ANREU account](#)

[Methodology of the ANREU](#)

location and ownership of Australian
Kyoto Protocol
units.



WHAT KINDS OF BENEFITS CAN YOU ACHIEVE ON FARM FROM PARTICIPATING IN THE ERF?

You can sell any credits (ACCUs) that you generate:

- Spot market price currently around \$33/ACCU (1 ACCU = 1T CO₂e- abated)
- Market prices can fluctuate
- Cash flow into business

You can keep credits (ACCUs) that you generate to offset your own on-farm emissions:

- Offset farm emissions to meet supply chain expectations
- Offset farm emissions for your own personal reasons

NOTE THAT YOU CANNOT DO BOTH

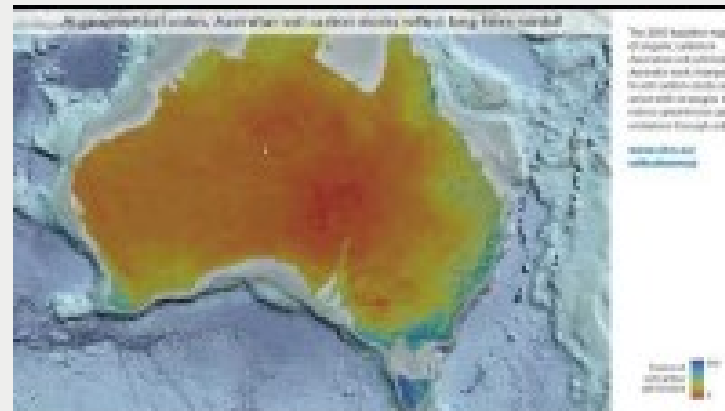


WHAT KINDS OF BENEFITS CAN YOU ACHIEVE ON FARM FROM PARTICIPATING INT THE ERF?

Other benefits:

- Soil Health
- Nutrient Cycling (Carbon Cycling)
- N Mineralisation
- Water Holding Capacity
- Workability / Travelability

Soil carbon markets: science or snake-oil?



<https://www.youtube.com/watch?v=KL4yqgozAZk>

Matthew Harrison (TIA)



HOW DO I KNOW IF A CARBON BROKER OR OTHER MARKET INTERMEDIARY IS REPUTABLE?

Regulation

- There's currently a gap in the regulation of carbon brokers.

Voluntary Code of Conduct

- The Australian Carbon Market Code of Conduct for carbon market participants.
- While noting that this is a voluntary Code, it can be a good starting point when investigating options or looking into a firm who has approached you.

Word of mouth

- Word of mouth is powerful – who have your friends and networks engaged with?
- This will become more useful as more projects roll out.



BEFORE YOU SIGN A CONTRACT YOU SHOULD CONSIDER...

Business Victoria general advice regarding contracts which may be of assistance:

<https://business.gov.au/products-and-services/contracts-and-tenders/prepare-a-contract>

Project timeframes

- Projects under the Emissions Reduction Fund (ERF) are generally for 25 year minimum.
- What do these timeframes mean for your farm plans in future?

Implications

- Tax implications of generating revenue from selling credits?
- Impact on land value / future saleability?



BEFORE YOU SIGN A CONTRACT YOU SHOULD CONSIDER...

Project costs

- What are the upfront costs to participate?
- What is the costs of using the market intermediary?
- What % will they take?
- What are the ongoing/yearly audit/assurance costs?

Risks of 'losing your carbon'

- Will you owe if the company fails (e.g. futures contracts)?
- What happens if there is a bushfire/drought/flood?



OTHER RISKS?

Market risks

- What price will you get for your ACCUs?

Policy risk

- What happens if government changes policy in the next cycle?
- Will policy changes impact on market price?
 - e.g. Safeguard Mechanism changes
 - e.g. 2022 Fed Gov release of contracted ACCUs

These are difficult to quantify but things to consider. Your intermediary/broker should be able to assist.



NON-DA RESOURCES THAT WE RECOMMEND

- The [Australian Farm Institute](#) has released the [Carbon Opportunity Decision Support Tool](#) to assist Australian land managers in better understanding carbon farming opportunities and to identify which might be best suited for their enterprise. This online tool provides options for generating carbon credits and monetising environmental works, including the Emissions Reduction Fund and grants
- AgriFutures' informative [A farmer's handbook to on-farm carbon management](#), which includes foundational information about how carbon markets operate, things to consider for projects on your farm, and options manage your own project or to engage with external service providers or cooperatives
- Further information about the Clean Energy Regulator [Emissions Reduction Fund](#)
- Further information about the [Agricultural Biodiversity Stewardship Package](#) (Federal Government)
- Information about Carbon Markets from the [Clean Energy Regulator](#)
- Upcoming and recorded webinars from the [Carbon Market Institute](#)



DA RESOURCES

The Dairy Australia website contains a number of useful resources:

[Embed climate action in the dairy industry | Dairy Australia](#)

DA/Australian Farm Institute Webinar 2022



<https://youtu.be/V9Ayn3JSYSk>



TAKE HOME MESSAGES...

Understand your baseline - whether it be soil carbon or your farm's total emissions, so you can measure your improvement.

The [Australian Dairy Carbon Calculator](#) has just been updated

Ensure that you **undertake thorough due diligence** in terms of the requirements, costs and risks of participating in an ERF Method project.

Consider whether you want to sell any credits you generate to earn income, **or save them to offset your own on-farm emissions** in line with your personal emissions targets. **You cannot do both.**

Communicate with your processor to ensure you understand their plans for reducing supply chain emissions as this may impact on your plans for any credits you generate on farm.

There's no need to rush into a project - the opportunities under the ERF and other programs are relatively new and will mature over time, and demand for credits is also expected to increase over time.



Thank you!