

The Carbon Farming Initiative

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19 March 2013



Overview

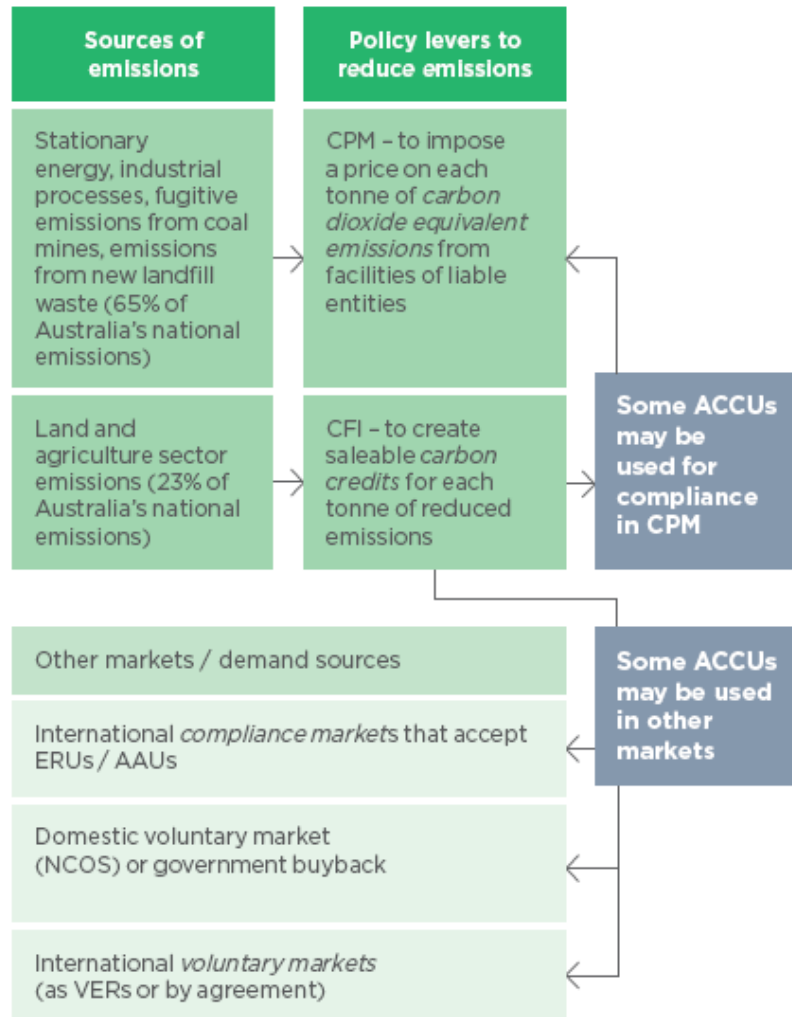
- Overview of CFI and key concepts
- Undertaking a CFI project
- Market expectations

CFI in a nutshell



- Started on **8 December 2011**
- Project based domestic carbon offset mechanism
- Receive carbon credits for abatement activities in the land sector, by:
 - Reducing or avoiding emissions
 - Removing carbon from the atmosphere, to soil or trees (sequestration)
- Creation of emissions units called Australian Carbon Credit Units (ACCUs)
- Covers both Kyoto and non-Kyoto recognised activities
- Methodologies needed for projects
- Project must be “additional”

CFI Policy Context

Interaction between CPM, CFI and other carbon markets



CFI Project Types

	 Compliance Market	 Voluntary Market
 Carbon Sequestration	<p>Forestry *</p> <ul style="list-style-type: none"> › Reforestation › Avoided deforestation of land that was forested on 31 December 1989 <p>Land Management</p> <ul style="list-style-type: none"> › Human induced regeneration of native vegetation on land that was forest on 31 December 1989 and has since been converted to a non-forest land use^ 	<p>Land Management</p> <ul style="list-style-type: none"> › Application of biochar to soil › Restoration of wetlands › Non-forest revegetation › Native vegetation protection (non-forest) › Human induced regeneration of native vegetation on non-deforestation land
 Emissions Avoidance	<p>Land Management</p> <ul style="list-style-type: none"> › Capture and combustion of methane from livestock manure › Savanna fire management › Reduced enteric fermentation in livestock › Nitrification inhibitors to manure or fertiliser <p>Waste</p> <ul style="list-style-type: none"> › Capture and combustion of methane from legacy waste at landfills › Legacy waste diversion from landfill* 	<p>Land Management</p> <ul style="list-style-type: none"> › Introduced or feral animal management



Key Concepts of CFI

- **Additionally**: “positive list” and not required by law (note, also “negative list”)
- **Permanence**: 100 year rule
- **Leakage**: should not result in emissions increasing elsewhere
- **Measureable + verifiable**: methodologies and reporting

Positive List

Vegetation and wetland restoration projects

1. Permanent plantings (post July 2007)
2. Permanent plantings (pre July 2007)
3. Greenhouse Friendly forestry project or waste diversion project
4. NSW GGRS / ACT GGAS permanent planting projects
5. Human-induced regeneration of native vegetation (post July 2007)
6. Restoration of natural wetlands that had been drained

Legacy landfill gas projects

1. Capture and combustion of methane from landfills (pre July 2012)
2. Greenhouse Friendly waste diversion project (pre July 2012)
3. Diverting mixed solid waste to alternative waste treatment (pre July 2012)

Livestock management and other activities

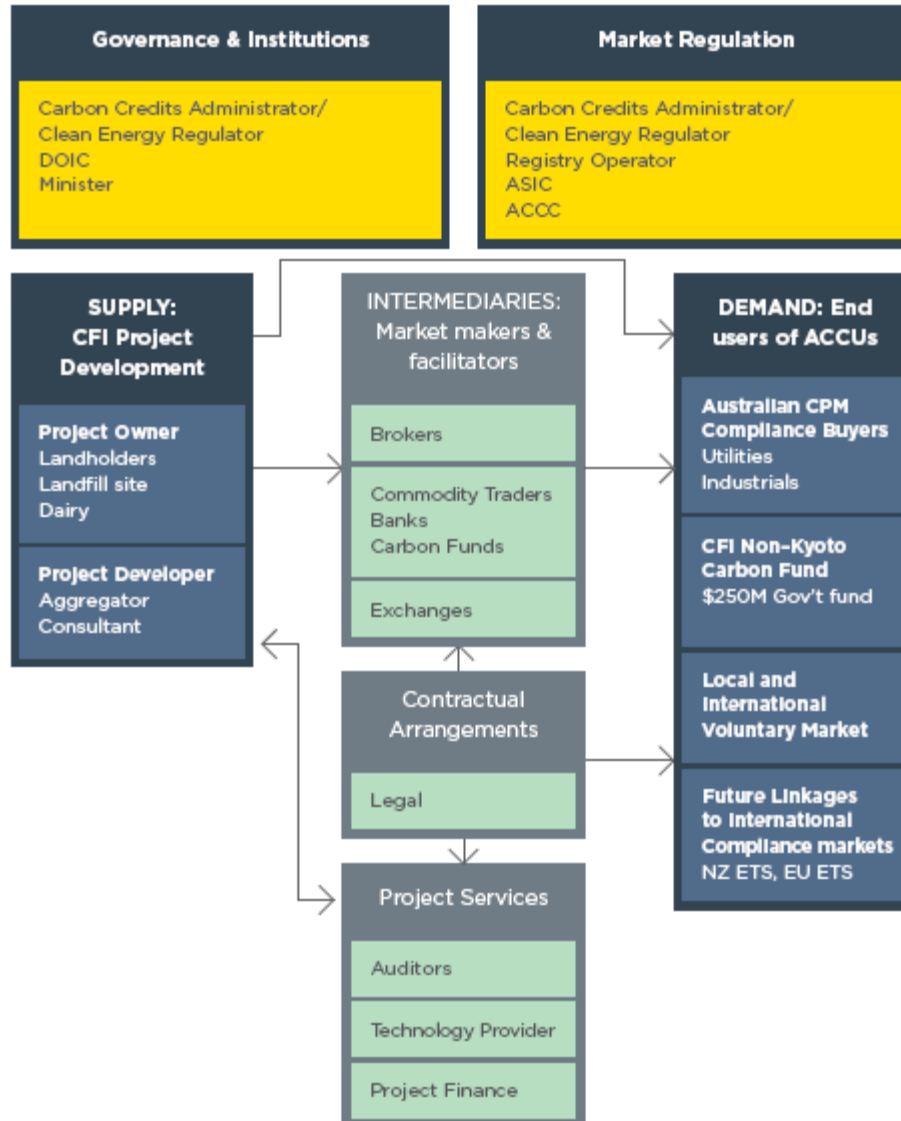
1. Application of biochar to soil
2. Capture and combustion of methane from livestock manure
3. Early dry season savanna burning
4. Reduction of methane from feral animals
5. Reduction of emissions from ruminants

6. Fertiliser application

Negative List

1. Projects required under law, where law repealed after 24 March 2011
2. Planting of species which are known weed species
3. Establishment of a forest under a MIS
4. Cessation or avoidance of harvest of a plantation
5. Establishment of vegetation on land which has been illegally cleared
6. Establishment of vegetation on cleared land previously subject of project application
7. Planting trees in areas of high rainfall (600mm except for certain exceptions)

CFI Stakeholders



The CFI project development and implementation process

If no methodology is available, go through methodology approval process

1 Methodology Identification

Project Feasibility

2 Recognised Offsets Entity Application

3 Eligible Offset Project Approval

4 Monitoring & Verification

5 Credit Issuance



Methodology determinations

Agriculture (livestock, soil carbon, fertilisers, feral animals)

1. Destruction of methane generated from dairy manure in covered anaerobic ponds
2. Destruction of methane from piggeries using engineered biodigesters
3. Destruction of methane generated from manure in piggeries

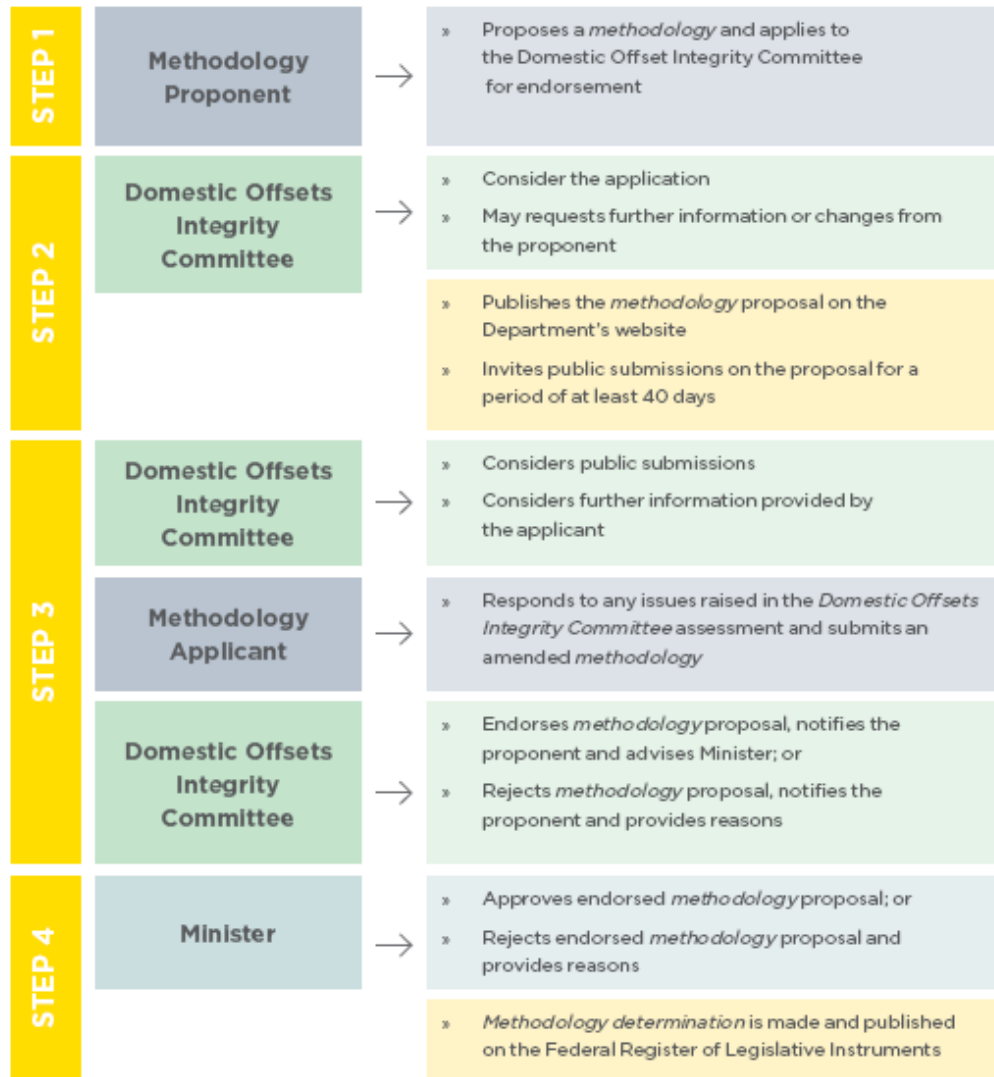
Vegetation (regrowth, reforestation, avoided clearing and avoided harvest)

1. Environmental Plantings
2. Human-Induced regeneration of a permanent even-aged native forest
3. Reforestation and Afforestation
4. Savanna burning

Landfill and alternative waste treatment (AWT)

1. Avoided emissions from diverting waste from landfill for process engineered fuel manufacture
2. Avoided emissions from diverting legacy waste from landfill through a composting alternative waste technology
3. Capture and combustion of landfill gas
4. Capture and combustion of methane in landfill gas from legacy waste: upgraded projects
5. Diverting waste to an alternative waste treatment facility

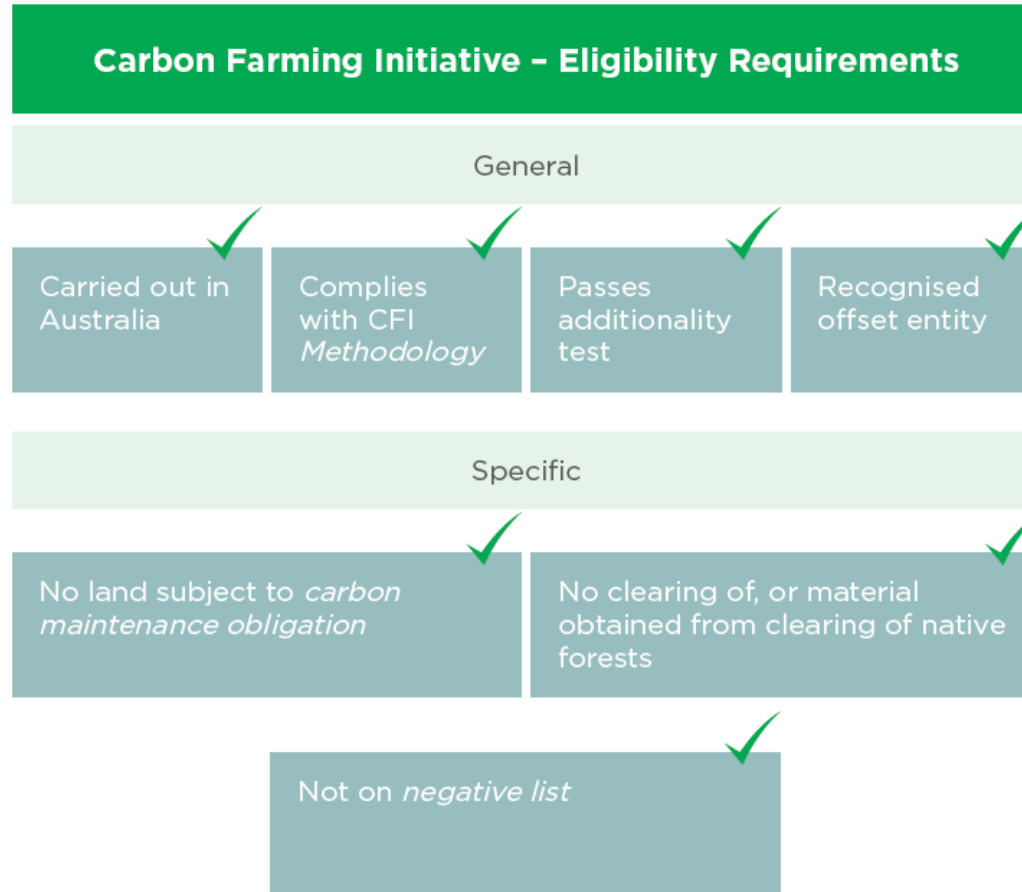
Methodology approval process



Recognised Offsets Entity

- “Fit and proper person” test
 - Offences relating to dishonest conduct, conduct of a business, false and misleading conduct
 - Breaches of CFI, Registry or NGERS legislation
- Project proponent
 - Emissions reduction projects
 - Responsible for carrying out project and legal right to carry out project
 - Sequestration projects
 - Responsible for carrying out project and legal right to carry out project
 - Holds applicable carbon sequestration rights

Eligible Offset Projects



Eligible Offset Project Approval

Application for declaration

- Declaration will specify whether project Kyoto or non-Kyoto
- Declarations can be backdated to 1 July 2010

Sequestration projects

- Carbon sequestration right
- Government consent if Crown land
- Consents from eligible interest holders

Declaration can be subject to obtaining necessary regulatory approvals

Monitoring and Verification

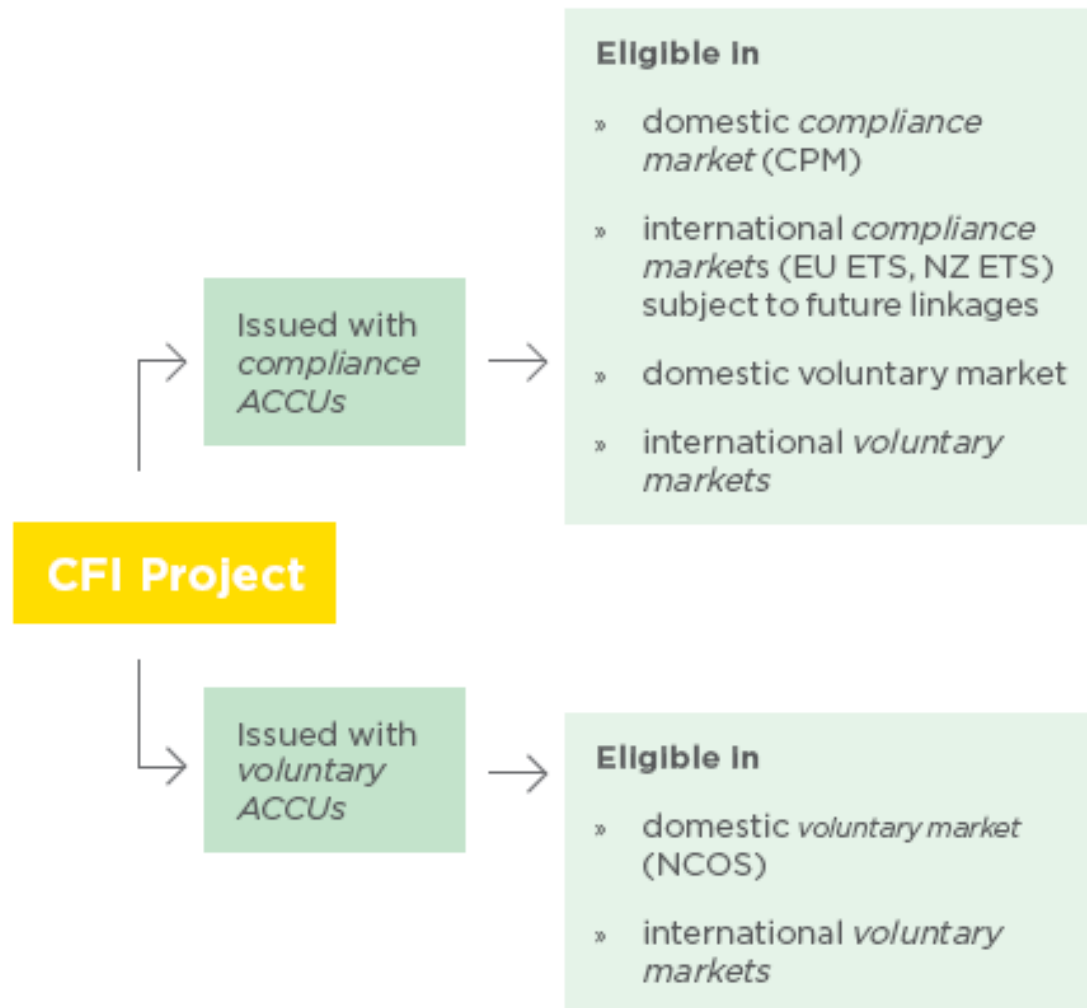
- Reporting period
 - Commences on date of declaration
 - Between 1-5 years
- Offsets reports
 - Audit report
 - Lodge within 3 months of end of reporting period



Credit Issuance

- Registry Account
- Certificate of Entitlement
 - Recognised offsets entity
 - Project proponent
 - Reporting period falls within crediting period
 - All regulatory approvals obtained
 - No relinquishment requirement or outstanding penalty
- Certificate states number of credits
 - Sequestration projects – risk of reversal buffer (5%)
- Crediting periods
 - 20 years: native forest protection projects
 - 15 years: sequestration projects
 - 7 years: other projects
 - Subsequent crediting periods

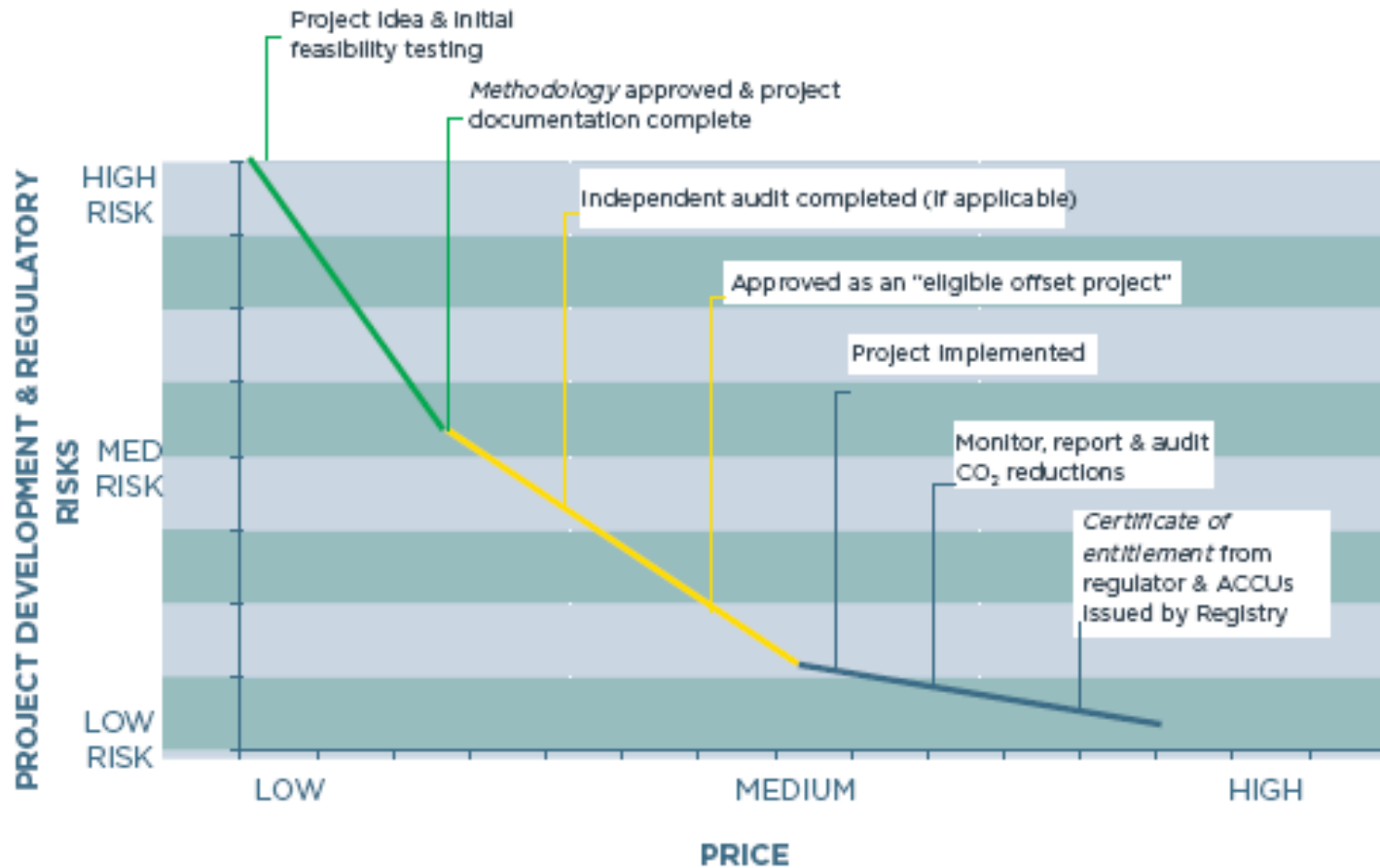
CFI Demand



CFI Supply

- Very limited initially
- Early ACCUs from transitional projects only
 - 700,000 forestry credits
 - 3 million landfill gas credits
- 47 projects approved ... when I left the office today (19 March 2013)
 - Capture and combustion of methane in landfill gas from legacy waste (31 projects)
 - Landfill diversion for alternative fuel manufacture (1 project)
 - Quantifying carbon sequestration by permanent environmental plantings of native species using the CFI reforestation modelling tool (2 projects)
 - Destruction of methane generated from manure in piggeries (3 projects)
 - Reduction of greenhouse gas emissions through early dry season savanna burning (10 projects)
- 390,452 ACCUs issued (for 5 landfill gas projects)

Pricing considerations



Concluding thoughts...

Current barriers to participation

- Not on the positive list
- Delays in methodology approvals or determinations
- Permanence requirement disincentive for landholders
- Uncertainty regarding ongoing compliance market
- Uncertainty regarding future credit prices
- Administrative and audit costs
- Lack of scale/project size
- Lack of auditors

On the plus side

- Coalition supports continuation of CFI
- May form framework for Direct Action Plan
- Non-Kyoto Fund (\$250 million)

Any questions?

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