

## THE LAW

# Harvest time for carbon farming

Carbon credits for farmers under new scheme.

**F**armers will be able to earn carbon credits for activities that reduce carbon emissions under legislation passed by the House of Representatives.

The Carbon Credits (Carbon Farming Initiative) Bill 2011 creates the Australian Carbon Credits Unit and sets out the rules around earning and trading these carbon credits.

Farmers and foresters will be able to earn credits through activities such as reforestation, fertiliser management and improved harvesting practices.

These activities reduce emissions by increasing the amount of carbon stored in the soil and vegetation, a process known as biosequestration.

Credits earned will be able to be traded on domestic and international carbon markets, providing the agricultural industry with access to the carbon economy.

Climate Change Minister Greg Combet said the Carbon Farming Initiative (CFI) would help significantly reduce Australia's carbon emissions while improving the sustainability of the farm sector.

"Around the country, innovative farmers have been developing ways to improve the health of agricultural soils, to improve herd efficiency and to farm more sustainably," Mr Combet said. "This scheme will drive and reward the deployment of this Australian innovation.

"The Carbon Farming Initiative will create incentives to protect our natural environment and adopt

more sustainable farming practices as well as mitigate climate change."

The House Environment Committee inquiry into the CFI bills produced a bipartisan report recommending they be passed, noting strong support for the scheme in the community.

However while the principle behind the CFI bills had support from both sides of the House, a number of issues were raised during parliamentary debate about the detail of the scheme.

Shadow Environment Minister Greg Hunt said while the opposition supported direct action to reduce carbon emissions, the bills provided inadequate detail on how the CFI would operate.

"We approach these bills with a constructive heart, attitude and intent," Mr Hunt said. "But it is absolutely clear that at this stage there are real risks of inadvertent consequences and there are very clearly areas of great inadequacy and incompleteness.

"We will not be providing a blank cheque for this legislation."

Coalition MP Michael McCormack (Riverina, NSW) said there are also serious issues with the design of the scheme in areas such as additionality and permanence.

The CFI requires that for an activity to be eligible for carbon credits, it must be in addition to 'normal' practices in the sector and sequester carbon in the soil or vegetation for 100 years.

"This government wants to sign farmers up for a hundred years, which is about three or four generations," Mr McCormack said. "Farmers will be locked into a scheme which a century from now could and most likely will be outdated, and other varieties and techniques will have been implemented."

Mr McCormack is also concerned the CFI will favour forestry activities over agriculture, threatening food production and biodiversity.

"This government also wants to take up vast tracts of good farmland by planting pine trees. Once they are planted they will be taking up good agricultural ground which in turn will be unusable for later generations. Pine trees will lock up the ground and very few people will be able to benefit."

The bills seek to allay these concerns by setting up a positive and negative list of biosequestration activities. Negative activities will not be eligible for carbon credits, and positive activities will also need to conform to any relevant Natural Resource Management plans to be eligible.

## "Pine trees will lock up the ground."

The CFI as it stands has the support of the National Farmers' Federation, which said the final CFI bills address their key concerns surrounding additionality, food production, water, local communities, employment and biodiversity.

"The government deserves credit for listening to the farm sector and modifying its proposal to ensure that genuine abatement opportunities under the CFI are not unnecessarily overlooked," the NFF said in its submission to the CFI inquiry.

The Greens also support moves to reduce emissions through improved farming practices, but are concerned the CFI could lead to a large surplus of carbon credits overwhelming Australia's fledgling carbon market.

"I am also not satisfied that the government understands the huge amount of offsets to the pollution pricing scheme that the carbon farming initiative could create," Senator Christine Milne (Tas) said.

**"The Carbon Farming Initiative will create incentives to protect our natural environment."**

## THE LAW

**MONEY TREES:** Landholders could get credit for capturing carbon in vegetation

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“Flooding the market with offsets could undermine the purpose of the pollution price – to build a cleaner, healthier, jobs-rich economy by driving investment into clean energy.”

The interaction between the CFI and carbon pricing was also on the government’s agenda, with Mr Combet saying the CFI would only be viable with a set domestic price on carbon.

“On 24 February this year we announced the framework for a carbon price to take effect from 1 July 2012. That framework would not place any liability on agricultural, forestry or legacy waste emissions,” Mr Combet said.

“However, the government has also committed to create opportunities in these sectors for the creation of revenue through the reduction or storage of carbon pollution.

“The Carbon Credits (Carbon Farming Initiative) Bill 2011 fulfils an election commitment to give farmers, forest growers and landholders access to carbon markets.”

### **“The government deserves credit for listening to the farm sector and modifying its proposal.”**

However Mr Hunt said the amount of emissions that could be reduced by a properly designed CFI shows the benefits of a direct action climate policy as opposed to a carbon tax.

“On the opposition side, we have a clear alternative,” Mr Hunt said.

“That alternative involves incentives rather than taxes; incentives for people to do real things, such as to clean up waste coal mine gas, to clean up landfill gas, to clean up – potentially, if these are the lowest cost changes – some of the oldest and dirtiest power stations, which otherwise will run, according to the words of their owners, until well into the 2030s under the government’s scheme.”

Despite the opposition’s reservations, the CFI bills passed the House on 16 June, with the launch of the initiative to follow within six months of the bills receiving Royal Assent.

The total cost of the CFI is capped at \$45.6 million, mainly earmarked for the establishment of the scheme and the market mechanisms supporting it over the next three years. •