Guidance Note 7.1 : Oil Mallee Carbon Abatement Projects

What is carbon abatement?

- Carbon abatement refers to the removal of carbon from the Earth's atmosphere. Most atmospheric carbon is in the form of carbon dioxide CO_2, however other gaseous carbon compounds also occur (for example methane CH_4).
- Oil mallees remove carbon dioxide from the atmosphere as they grow through the process of photosynthesis. This carbon is stored in the mallee biomass, and constitutes a form of carbon sequestration.
- Carbon abatement can be reversible - certain processes can release carbon stored in mallee biomass back into the atmosphere, such as burning or natural decomposition (rotting) of mallee biomass.

What are carbon credits?

- A carbon credit is a generic term for any tradable certificate or permit representing the right to emit a specified quantity of carbon into the atmosphere.
- The carbon sequestered from the atmosphere into oil mallee biomass can be used to create carbon credits, which may be eligible for offsetting greenhouse gas (GHG) emissions produced by industrial or commercial activities.

How can Oil Mallee growers create carbon credits?

- An Oil Mallee carbon abatement project must meet the eligibility requirements of the Carbon Farming Intiative (CFI).
- To participate in the CFI, it is necessary to establish an eligible offset project under the CFI Act.

The Carbon Farming Initiative (CFI)

- The Carbon Farming Initiative (CFI) is a legislative framework for creating Australian Carbon Credit Units (ACCUs) from eligible offsets projects in the land sector (located in Australia). The CFI came into force on 8th December 2011.
- The CFI has the objective of giving farmers, forest growers and landholders access to domestic and international carbon markets.
- The CFI is enabled by the Carbon Credits (Carbon Farming Initiative) Act 2011 (the CFI Act) and other supporting legislation.
- The Carbon Credits (Carbon Farming Initiative) Regulations 2011 support the CFI Act.
- The CFI Act is administered by the Carbon Credits Administrator (the Administrator).

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Eligibility requirements for a CFI permanent planting project

The planting must:

- Cover at least 0.2ha.
- Have the potential to reach a height of 2m.
- Be planted after July 2007.
- Be on land that was cleared prior to 1990.
- Be "permanent", kept in existence for 100 years. This is to ensure the carbon remains sequestered in the deep carbon cycle, not released again into the atmosphere.
- Be established by human intervention.

How to establish a CFI eligible offset project

- An application to have a project declared as an eligible offset project must be made to the Administrator in accordance with section 23 of the CFI Act (using a standard written format available from the DCCEE website: www.climatechange.gov.au/government/initiatives/carbon-farming-initiative.aspx).
- The steps involved in establishing and operating a CFI offsets project include:

  i. The project manager needs to become a recognised offsets entity in accordance with the provisions of section 61 of the CFI Act. Project managers must satisfy the 'fit and proper person' criteria specified in section 64(3) of the CFI Act. A person's recognition as a recognised offsets entity is not transferable.

  ii. The project manager must nominate and adopt an approved CFI methodology, and register a carbon sequestration right[1] in relation to the project area(s) (see below).

  iii. The project manager must be undertaken in accordance with the adopted CFI methodology and comply with other scheme eligibility requirements.

  iv. The project manager reports on their project and the CFI Administrator issues ACCUs into their Australian National Registry of Emissions Units account. The ACCUs can be traded in carbon markets.
- A carbon planting must be noted on the title of the property it is planted on. A carbon project runs with the land, and the maintenance obligation continues for 100 years.
- CFI Projects can be transferred or terminated. The scheme includes various enforcement provisions as specified in the CFI Act and supporting regulations.

Joint Proponents

Part 10 of the CFI Act provides for multiple project proponents for an offsets project. Each joint proponent must:

- have joint responsibility for carrying out the project; and
- jointly have the legal right to carry out the project; and
- jointly hold the applicable carbon sequestration right in relation to the project area, or each of the project areas.

Each proponent is subject to all CFI Act obligations that would apply to a single project proponent. However, these obligations may be discharged by any of the proponents.

[1] Defined in accordance with Division 8 of the CFI Act

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CFI Methodologies

CFI offsets project methodologies establish procedures for estimating carbon sequestration (or emissions reductions) and project-specific rules for monitoring, record keeping and reporting on carbon sequestration/abatement. Refer to Guidance Note 7.2: Carbon Farming Initiative (CFI) Methodologies for additional information on CFO methodologies.

Carbon Rights

- For CFI sequestration projects, project managers must hold an applicable carbon sequestration right in relation to the project area(s). The application must also include the written consent of each person (other than the applicant) who holds an eligible interest[2] in all or part of the project area(s). The existence of the eligible offsets project will be noted on State and Territory land title registers.
- In Western Australia, carbon rights are established under the Carbon Rights Act 2003. To create a carbon right, a carbon right form must be completed and lodged with Landgate (for forms and additional information refer to the Landgate website: www.landgate.wa.gov.au

Crediting Periods

- Crediting periods define the span of time in which ACCUs can be applied for and issued in relation to an eligible offset project.
- Unless otherwise specified by the Administrator, the methodology determination that has been declared for the project will only apply until the end the project's crediting period (even if the original methodology determination is varied, expires or is revoked).

[2] Defined in accordance with Division 9 of the CFI Act

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Offset Reports

- Project proponents must submit offset reports with respect to eligible offsets projects to the Administrator under Part 6 of the CFI Act. The Administrator uses a project's offset report to determine whether or not to issue ACCUs for the project. A CFI reporting period must not be (a) shorter than 12 months or (b) longer than 5 years.
- The offset reports must be prepared in a manner and form, and contain particular information, as prescribed by the CFI Act regulations. The offset reports must also be accompanied by a prescribed audit report prepared by a registered greenhouse and energy auditor[3] who has been appointed as an audit team leader for this purpose. The methodology applicable to an eligible offsets project may also stipulate particular reporting requirements, with respect to report content and timing of submission.
- Failure to provide an offsets report or taking action to avoid submitting an offsets report to the Administrator is an offence that may attract a civil penalty.

Issuance of Carbon Credits

- The ACCUs issuable to a project are listed on a certificate of entitlement.
- The ACCUs are awarded at the end of a reporting period, upon proof of the sequestering of carbon.
- Once awarded, the ACCUs can be sold at a later time. However, the ACCU's expire once they are used by a liable entity to meet a compliance requirement.
- After expiry of the ACCU, the reporting and permanence obligations of the project planting still remains.

[3] Registered under the *National Greenhouse and Energy Reporting Act 2007*