15 July 2024

Department of Climate Change, Energy, the Environment and Water
via email: ACCUMethods@dcceew.gov.au

To whom it may concern,

Re: Feedback on the Draft Reforestation by Environmental or Mallee Plantings 2024 methodology

We write to provide feedback on the draft *Carbon Credits (Carbon Farming Initiative) (Reforestation by Environmental or Mallee Plantings – FullCAM) Methodology Determination 2024* ('the draft method'), which was recently released by the Department of Climate Change, Energy, the Environment and Water (DCCEEW) for public comment.

The CFF is a member of the Carbon Market Institute's (CMI) Integrated Farm and Land Management (IFLM) Technical Working Group, which has submitted detailed feedback on behalf of its member group. The CFF endorses this submission. This submission provided general support for the draft method, given it improves some key prevailing 'flaws' of the previous method. However, the submission also identified some critical components requiring revision.

The CFF is a not-for-profit organisation, seeking to deliver high quality carbon projects at scale across Australia. To achieve this, we assist landowners in navigating method requirements, by providing expert technical services and support, and ensuring that landowners are informed of risks, their obligations and how to address these. Essentially, we are seeking to 'make participation easier' – a mandate that we understand the Department shares with development of the new method. Acknowledging the technical components of the draft method have been adequately covered by the Technical Working Group submission, we have provided feedback below that outlines concerns we have around the draft method and its impact on landowner participation.

<u>Mandatory transition to latest FullCAM version</u>

The draft method requires that proponents use the FullCAM version in force at the end of each reporting period. **We believe that removing confidence in the FullCAM model and associated forecasted abatement will be severely detrimental to participation.** We urge that the Department consider the following:

- The project activity and method already come with considerable risk for landowners – high upfront investment, risk of establishment failure, opportunity cost arising from land use transition, and an uncertain short and long term ACCU price.
    - One key strength of the 2014 method is the ability to proceed using a (relatively) known abatement potential given the certainty offered by the FullCAM model. Landowners are able to forecast modelled abatement with confidence and apply conservative risk 'contingencies' to the aforementioned factors – enabling them to proceed knowing the risk potential and worst-case scenario.
- Requiring proponents to use a future and unknown FullCAM version removes that confidence entirely, while not necessarily ensuring a more accurate carbon abatement result at the local level. The uncertainty is likely to present too great a risk for landowners to take on, thus inhibiting participation.

- We acknowledge that the Department may have integrity concerns around ACCUs being issued for 'outdated' FullCAM models, or that allowing an 'optional arrangement' for opting in to new versions will result in transition only occurring if the result is an abatement gain. We believe that simply requiring proponents to use the version in-force at registration for the duration of the project's crediting period provides a robust solution. This eliminates potential for proponents to game the system using a preferred FullCAM model version, whilst the method and new projects continue to improve as enhanced FullCAM versions are compulsorily adopted.

Newness and seeking project funding

Environmental plantings projects demand significant upfront costs and often require funding support to establish. The newness requirement currently presents an obstacle to this approach, as it indicates that application for a grant (or similar) prior to project registration may be considered a 'final investment decision'. We believe this is flawed, due to the following:

- The current arrangement is prohibitive to seeking grant funding, as it is not practically conducive to wait for a project application to be assessed by the Clean Energy Regulator, before being permitted to seek funding. This is a painstaking approach, that may leave landowners exposed by requiring investment in project registration for a project they might ultimately be unable to afford.
- Applying for a grant should not be considered a 'final investment decision'. These applications or expressions of interest rarely (if ever) place obligations or commitment on the applicant – there is always option to opt out even if awarded. Furthermore, these grants are usually made on the proviso that it is subject to successful carbon project approval, as without the carbon revenue they likely remain unviable.
- The uncertainty also places unnecessary burden on the Clean Energy Regulator to clarify whether individual grant programs may be eligible.

In order to provide clarity to participants and encourage project uptake, we propose that the draft method includes an in lieu of newness provision allowing proponents to apply for grant funding prior to project registration so long as they document an intent to participate in the carbon project as part of the grant application.

Re-stratification due to disturbance events

The draft method indicates that a carbon estimation area must be re-stratified if 'a disturbance event kills 5% or more trees in the area'. The definition of disturbance event implies that natural failure such as natural attrition or self-thinning would trigger re-stratification. This is impractical, and we request the Department contemplate the below:

- Plantings will often be planted at a higher stem density to factor in a failure contingency. This density is planned based upon the species used, carrying capacity and the ability to achieve forest cover, accounting for an imperfect survival rate due to factors such as failure to establish, and natural attrition or self-thinning. Requiring proponents to re-stratify where losses of >5% occur due to these natural occurrences is inappropriate where forest potential or forest cover can still be adequately demonstrated.
- Furthermore, obtaining data that demonstrates whether >5% of seedlings has failed is impractical to implement at scale, due to the quantity of stems planted in these projects, whether direct seeding was applied, etc. To do so would likely require intensive manual measurement over significant land areas, which would present a prohibitive cost requirement for a modelled method that already requires significant cost to implement.

- Instead, we propose that re-stratification simply be required based on whether a proportion of the Carbon Estimation Area (CEA) area (say, 5%) has failure that leads to a *loss of forest potential*. This enables the same intent to be achieved, but applies a more feasible approach. This also demonstrates consistency with the reference to 5% loss in the CFI Rule, which outlines a 'significant reversal' as being when a natural disturbance affects 5% or more of the Project Area.

We acknowledge the Department's responsibility to deliver a method that is both high-integrity and accessible. The concerns we have raised threaten the accessibility of the method and will be detrimental to uptake. However, we believe the solutions proposed provide alternative options that do not endanger the integrity of the method.

Whilst not a provision of the method, we wish to advocate for the continuation of 'alternative assurance' measures for this method, to be addressed using the *Audit Thresholds* mechanism. We have engaged with many landowners who have successfully been able to register a project under these provisions (when they otherwise would not have been able to due to cost barriers) and see this as a strong means by which to encourage uptake.

The CFF would like to thank DCCEEW for considering our feedback on the draft method, and we welcome any opportunity for further engagement to ensure the method is fit-for-purpose.

Samuel Bean
Head of Methodology Compliance