



Australian Government



The Carbon Farming Initiative Handbook



www.cleanenergyfuture.gov.au

Version 1.0

Written and published by the Department of
Climate Change and Energy Efficiency.

© Commonwealth of Australia 2012

This work is copyright Commonwealth of Australia. All material
contained in this work is copyright the Commonwealth of Australia,
except where a third party source is indicated.



With the exception of the Commonwealth Coat of Arms and
the Clean Energy Future logo, Commonwealth copyright material
is licensed under the Creative Commons Attribution 3.0 Australia
Licence. To view a copy of this license, visit
www.creativecommons.org/licenses/by/3.0/au/

You are free to copy, communicate and adapt the Commonwealth
copyright material, so long as you attribute the Commonwealth of
Australia (Department of Climate Change and Energy Efficiency).

Permission to use third party copyright content in this publication
can be sought from the relevant third party
copyright owner/s.

Disclaimer

The material in this publication is made available for general
information only and on the understanding that the Commonwealth
is not providing advice, nor indicating a commitment to a preferred
policy position. Entities should familiarise themselves with the
Carbon Farming Initiative (CFI) and obtain professional advice
suitable to their particular circumstances. While reasonable efforts
have been made to ensure the accuracy, correctness and reliability
of this publication, the Commonwealth, and all persons acting for
the Commonwealth preparing this publication, accept no liability
for the accuracy of or inferences from the material contained in
this publication, and expressly disclaim liability for any person's
loss arising directly or indirectly from the use of, inferences drawn,
deductions made, or acts done in reliance on this publication.



The Carbon Farming Initiative Handbook

This Handbook contains information about the Carbon Farming Initiative (CFI) and how it operates. It will also help you decide what type of CFI activity might be right for you, your business or your organisation.

Part One of the handbook explains how carbon markets and the CFI work.

Part Two provides an overview of the steps involved in undertaking a CFI project.

Further information

Email

Questions about the CFI can be sent by email to:
CFI@climatechange.gov.au

Online

For information on the CFI:
www.climatechange.gov.au/cfi

Hotline

1800 057 590

Table of Contents

Part 1 Carbon markets and the Carbon Farming Initiative	5
The Carbon Farming Initiative	6
The carbon markets and carbon credits	6
Kyoto and non Kyoto CFI Credits	7
The Carbon Credits Administrator	10
Australian National Registry of Emissions Units (the Registry)	10
What activities can earn CFI credits?	11
Sequestration offset projects	11
Emissions avoidance projects	12
Avoiding negative outcomes and supporting co-benefits	13
The integrity of CFI offsets	14
Methodologies	15
Additionality	16
Permanence—sequestration projects only	17
Reporting, monitoring and verification	19
The Clean Energy Future Plan and the CFI	21
CFI eligibility flow chart	26
Part 2 Participating in the Carbon Farming Initiative	27
Decide who will own and manage the project	28
Undertaking a CFI project	29
Step 1 Become a Recognised Offsets Entity and open a registry account	29
Step 2 Have your project approved	30
Step 3 Undertake your project	33
Step 4 Report on the progress of your project	35
Steps 5 and 6 Receiving credits for a CFI project	37
Step 7 Project transfer and closure	38
Checklist for your project planning	39

Foreword

Australian farmers and landholders have an important role to play in our nation's clean energy future. The Gillard Government's Carbon Farming Initiative, which opened for business in December 2011, gives farmers and landholders the opportunity to generate extra income by reducing carbon pollution.

The Carbon Farming Initiative has been designed specifically for the land sector and is a central plank of the Government's Clean Energy Future plan to cut pollution and manage the impact of climate change on the Australian economy and landscape.

It enables farmers, landholders, local government and other stakeholders to increase the land sector's resilience to climate change, protect Australia's natural environment and improve long term farm productivity.

Over the next six years, the Government will support the land sector by investing \$1.7 billion dollars of carbon price revenue in programs to improve productivity, sustainability and profitability. This includes more than \$220 million for research and methodology development, almost \$100 million to directly support carbon farming activities on-farm and nearly \$1 billion for landholders to manage and protect biodiversity.

**Australian farmers and landholders
have an important role to play in
our nation's clean energy future.**

The Carbon Farming Initiative will give farmers and landholders access to carbon markets, providing a new source of revenue for those who undertake projects to restore degraded soils and landscapes or adopt farm management practices that build carbon stores and reduce harmful greenhouse gases.

Farmers and landholders can generate carbon credits from these actions and sell the credits in carbon markets.

Already four methodologies have been approved for use under the Carbon Farming Initiative. These include manure management in piggeries, establishing environmental plantings, capture and combustion of landfill gas and management of savanna fires.

Further agricultural and land care methodologies are under development through partnerships between the federal Government, agricultural industries and the scientific community.

The roll out of these methodologies will see farmers across the country participating in the world's first nationally-backed carbon offset market for the land sector. This will put Australian farmers and land holders at the forefront of pollution reduction practices and provide valuable opportunities for farmers to trade carbon offsets internationally.

Climate change poses a serious risk to Australian agriculture and food production, with scientists confirming a strong link to less predictable and more intense weather events.

The Government's plan for a clean energy future will transform the way Australians care for and manage our natural resources, to ensure our farming sector and our nation have a long and sustainable future.

All farmers and landholders are encouraged to find out more about this important initiative and get involved.

This handbook will help explain the Carbon Farming Initiative and how you can participate.



A blue ink signature of Greg Combet AM, MP.

**The Hon
Greg Combet AM, MP**

Minister for Climate
Change and Energy
Efficiency

Minister for Industry and
Innovation



A blue ink signature of Senator the Hon Joe Ludwig.

**Senator the Hon
Joe Ludwig**

Minister for Agriculture,
Fisheries and Forestry



A blue ink signature of The Hon Mark Dreyfus QC, MP.

**The Hon
Mark Dreyfus QC, MP**

Cabinet Secretary

Parliamentary Secretary
for Climate Change and
Energy Efficiency

Parliamentary Secretary
for Industry and
Innovation

April 2012

Part 1

Carbon markets and the Carbon Farming Initiative



The Carbon Farming Initiative

The Carbon Farming Initiative (CFI) allows farmers and other land managers to earn carbon credits by storing carbon or reducing greenhouse gas emissions on the land. These credits, known as Australian Carbon Credit Units (ACCUs), can be sold to people and businesses wishing to offset their emissions.

The CFI also helps rural communities and the environment supporting sustainable farming by creating incentives for landscape rehabilitation.

Participation in the CFI is voluntary; farmers and landholders can choose whether or not to be involved.

The carbon market and carbon credits

In much the same way as financial markets trade in different currencies, carbon markets trade different types of carbon credits. For example, carbon permits are generally issued by governments as part of a carbon pricing mechanism and carbon offsets are issued for abatement projects through schemes like the CFI.

Each carbon credit represents one tonne of carbon dioxide equivalents (CO₂-e). Abatement from all sorts of activities, including those that reduce methane or nitrous oxide emissions, can be measured in tonnes of CO₂-e. This standardisation allows the credits from different activities to be traded more easily.

Carbon credits can be traded and used to meet mandatory obligations and voluntary commitments.

Under Australia's carbon price mechanism, around 500 companies have a mandatory obligation to pay for or offset their direct emissions using certain types of carbon credits. There are other carbon price mechanisms overseas, including the European Union Emissions Trading Scheme and the New Zealand Emissions Trading Scheme.

Carbon credits are also bought by individuals and organisations wishing to voluntarily offset their emissions. This is referred to as the voluntary carbon market. Some companies choose to participate in Australia's carbon neutral program, which is administered by Low Carbon Australia. These companies estimate their carbon footprint, reduce their emissions and offset the remainder using carbon credits that comply with the Australian Government's National Carbon Offset Standard. More information is available at www.climatechange.gov.au

Kyoto and non-Kyoto CFI credits

Australia has signed up to the Kyoto Protocol and agreed to constrain our overall emissions. The Kyoto Protocol and other international agreements set out the rules for what emissions must be included in our greenhouse accounts, and how we should go about measuring them.

Some CFI activities are not included in our greenhouse accounts under the Kyoto Protocol and do not count towards our national target. These include soil carbon, feral animal management, improved forest management and non-forest revegetation. Through the CFI, these activities can earn *non-Kyoto ACCUs*.

Activities that count towards our national target include reforestation, avoided deforestation, and reducing emissions from livestock, manure, fertiliser and waste deposited in landfills before 1 July 2012. These activities can earn *Kyoto ACCUs*. After the Kyoto Protocol commitment period ends in 2012, these activities will continue to receive ACCUs that can be used to meet liabilities under Australia's carbon price mechanism. After 2012 these ACCUs are referred to as compliance ACCUs.

Kyoto ACCUs can be traded into the international compliance market established under the Kyoto Protocol. To facilitate export into these compliance markets, Kyoto ACCUs can be exchanged for an equivalent number of Kyoto units. For more information please visit the Australian National Registry of Emissions Units website at www.climatechange.gov.au/Home/government/initiatives/anreu

Carbon brokers

Carbon brokers help to market and trade carbon credits by linking suppliers and buyers. CFI credits will be financial products for the purposes of the *Corporations Act 2001* and the *Australian Securities and Investments Commission Act 2001*. This means that carbon brokers will be regulated by these Acts, and will need to hold an Australian financial services licence to be able to provide financial advice about, or deal in, carbon credits.

Individuals selling their own carbon credits or buying credits on their own behalf do not need to hold a financial services license.

The Government will also buy some non-Kyoto ACCUs, using revenue collected as companies pay the carbon price. The \$250 million *CFI non-Kyoto Carbon Fund* will be operational from July 2013. The Government will purchase non-Kyoto ACCUs via competitive tender. The price the Government will pay for non-Kyoto ACCUs will be no higher than the price of Kyoto ACCUs in the compliance market.

ACCUs do not have an expiry date, and can be banked or sold for future use.

Australia's carbon price mechanism

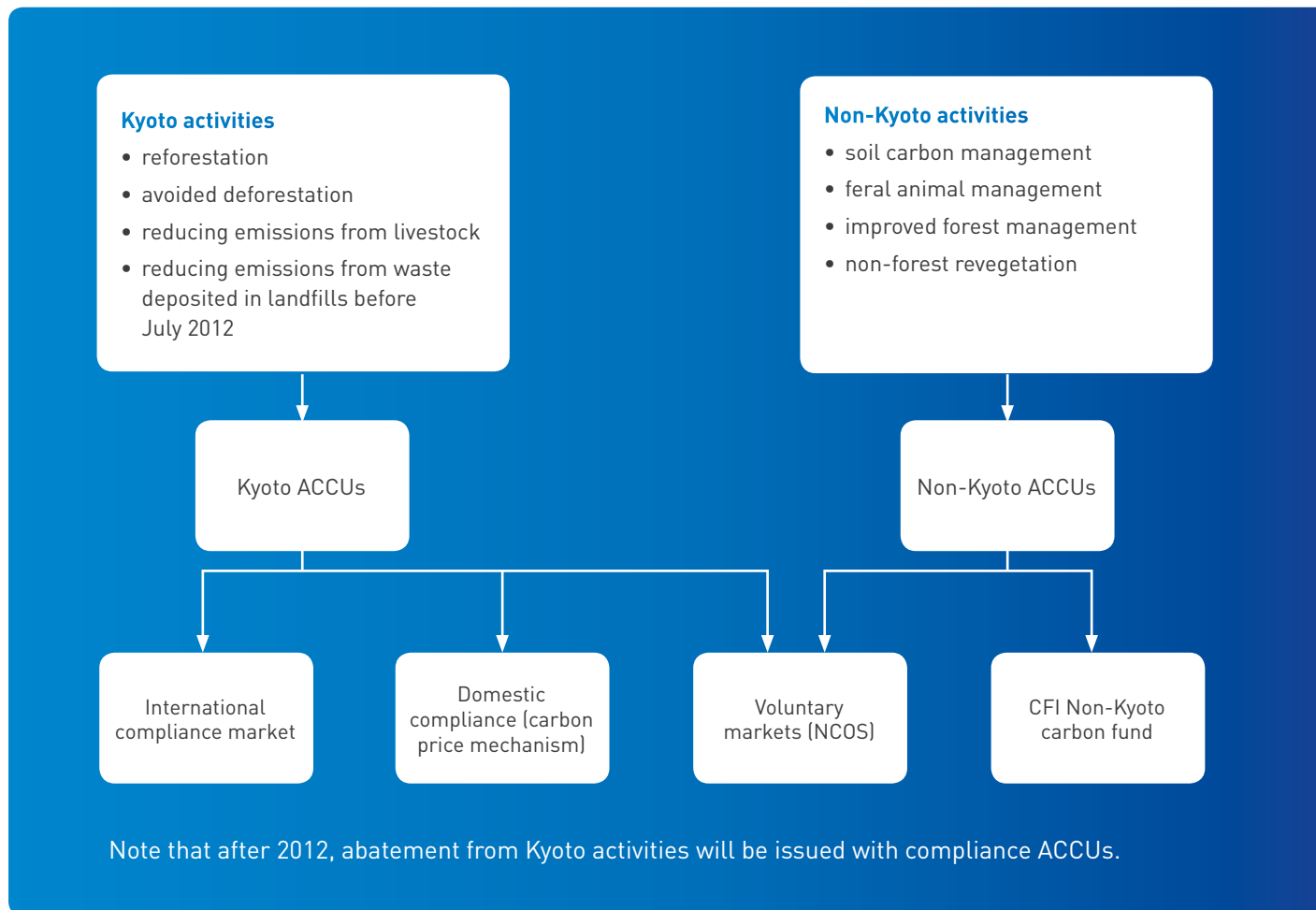
Australia's carbon price mechanism will start in July 2012 with a fixed carbon price of \$23/tCO₂-e, rising at 2.5% per year until 2014/15. This is known as the fixed price period.

In the fixed price period, businesses can use Kyoto or compliance ACCUs to offset up to 5% of their carbon price liabilities. Landfill operators can use Kyoto or compliance ACCUs to offset 100% of their carbon price liability.

In the flexible price period, which commences in 2015, the Government will allocate and auction a fixed number of carbon permits and the carbon price will be set by the market. From the start of the flexible price period, liable companies can meet up to half of their obligations using credible abatement from overseas. There is no limit on the use of Kyoto or compliance ACCUs in the flexible price period. To limit price spikes and plunges in the flexible price period, there will be a price ceiling and a price floor. Australia will have a price cap starting \$20 higher than the expected international price, and a price floor starting at \$15/tCO₂-e.

**Australia's carbon price
mechanism will start
in July 2012**

Figure 1 Types of activities and where you can trade your credits.



What are CFI carbon credits worth?

Kyoto ACCUs

Companies with liabilities under the carbon price mechanism will buy CFI credits if doing so is more cost-effective than undertaking abatement within their own operations or meeting their obligations by paying the carbon price (in the fixed price period) or buying carbon credits (in the flexible price period).

This suggests that the value of ACCUs eligible to be used under the carbon price mechanism (see *Australia's carbon price mechanism*, above) could be around \$23 during the fixed price period. In the flexible price period the value of these credits is likely to be above \$15/tCO₂-e.

Voluntary market

In 2010, 131 million carbon credits were traded in the voluntary carbon market worldwide, 34% more than in 2009 (Peters-Stanley et al 2011). The prices of these credits ranged from US\$0.10 to US\$136.3/tCO₂-e.

Several factors contribute to this variability, including the credibility of the offsets program, the integrity of offset credits and whether the project provided social or environmental co-benefits.

Reference: Peters-Stanley, M, Hamilton, K, Carcello, T, Sjardin, M. 2011. Back to the Future: State of the Voluntary Carbon Markets 2011.

The Carbon Credits Administrator

The CFI is administered by the Carbon Credits Administrator. The Administrator is responsible for approving CFI projects, issuing CFI credits and managing the holding, transfer, retirement, relinquishment and cancellation of units through the Registry. The Administrator is also responsible for undertaking compliance action when someone fails to comply with the CFI or Registry rules. The Clean Energy Regulator will have the role of administering the CFI from 2 April 2012.

Australian National Registry of Emissions Units (the Registry)

The Australian National Registry of Emissions Units is an electronic system used to track the issuance, trade and retirement of emissions units under the carbon price mechanism, the CFI and under the Kyoto Protocol.

When someone earns credits through the CFI, the Administrator will issue the credits into their Registry account. Opening a Registry account is part of applying to participate in the CFI.

When someone sells their CFI credits, the Administrator transfers those credits to the new owner's Registry account. The new owner can then sell the credits to a third person or can relinquish the credits to offset their emissions. If the credits are Kyoto ACCUs, a project proponent can elect to exchange these for internationally recognised units and sell these internationally. The Administrator manages all of these functions through the Registry.

For further information please visit the Australian National Registry of Emissions Units website at www.climatechange.gov.au/Home/government/initiatives/anreu

What activities are covered by the CFI?

The CFI covers sequestration and reductions in emissions from sources that are not covered by the carbon price mechanism. To be eligible to receive ACCUs, activities must also be on the positive list, covered by an approved methodology and not on the negative list (further information found on pages 12 to 16).

The CFI does not cover reductions in emissions from electricity or fuel use, even if these reductions are achieved in the agriculture sector. It does not cover waste emissions from abattoirs, wineries or other agricultural or food processing facilities. It does not cover reductions in emissions from waste that enters or would enter landfill after 1 July 2012.

Sequestration offsets projects

Sequestration projects generate abatement by removing carbon dioxide from the atmosphere through sequestering carbon in plants as they grow and increase organic matter in soil. Projects that avoid losses of vegetation or organic matter in soils are also sequestration projects. Examples of sequestration activities include reforestation, revegetation, restoring rangelands, increasing soil carbon and protecting native forests or vegetation that is at imminent risk of clearing.

Carbon stored in vegetation and soils can be released to the atmosphere, reversing the environmental benefit of the sequestration project. For this reason, all sequestration projects are subject to permanence obligations.



The CFI offers opportunities
through emissions reduction projects
and sequestration projects

Legacy landfill waste emissions

The carbon price will not apply to emissions from landfill waste deposited prior to 1 July 2012 because landfill operators cannot recover the cost of emissions from waste deposited in the past. Waste deposited before 1 July 2012 is referred to as legacy landfill waste.

Waste will continue to decompose and emit greenhouse gas for many years. Landfill operators can continue to earn CFI credits after 2012 for reducing emissions that are attributable to legacy landfill waste.

Diversion of legacy waste away from landfill could also be eligible until 1 July 2012. After 1 July 2012, the carbon price mechanism will provide an incentive for waste diversion and these activities will no longer be eligible under the CFI.

Emissions avoidance projects

Emissions avoidance projects generate abatement by reducing or avoiding emissions of methane (CH₄) and nitrous oxide (NO₂), or by converting methane into carbon dioxide (CO₂) which is a less potent greenhouse gas. The CFI Act lists three types of emissions avoidance projects that could be eligible under the CFI.

1 Agricultural emissions avoidance projects

Projects that avoid emissions of:

- a methane from the digestive tract of livestock
- b methane or nitrous oxide from the decomposition of livestock urine or dung
- c methane from rice fields or rice plants
- d methane or nitrous oxide from the burning of savannas or grasslands
- e methane or nitrous oxide from the burning of crop stubble in fields, crop residues in fields or sugar cane before harvest
- f methane or nitrous oxide from soil.

2 Introduced animal emissions avoidance projects

Projects that avoid emissions of methane from the digestive tract of an introduced animal or emissions of methane or nitrous oxide from the decomposition of introduced animal urine or dung.

3 Landfill legacy emissions avoidance projects

Projects that avoid emissions of greenhouse gases from the operation of a landfill facility, to the extent to which the emissions are attributable to waste accepted by the facility before 1 July 2012.





Avoiding negative outcomes and supporting co-benefits

Many land sector abatement activities have the potential to produce benefits for agricultural productivity, biodiversity and local communities. However, the wrong project in the wrong place could also have negative impacts. The CFI legislation contains several provisions to ensure projects do not result in adverse impacts on the environment or communities.

First, projects must comply with the water, planning and environment requirements of all levels of government, and obtain all necessary approvals.

Second, project proponents must take account of regional natural resource management plans. These provide a mechanism for local communities to have their say about the type and location of abatement projects. Proponents must declare whether their project is consistent with a relevant plan, and this information is included in the Register of Offsets Projects.

Third, the CFI excludes high-risk activities through a regulated 'negative list'. Activities that pose risks for the availability of water, the conservation of biodiversity, employment, the local community, or land access for agricultural production can be included on the negative list. Negative list activities, such as planting weeds, are not eligible to receive carbon credits under the CFI.

The CFI will also include provisions to promote projects that provide benefits for biodiversity or Indigenous communities. Projects that meet certain criteria will be able to advertise this feature of their project and seek a premium price for their carbon credits. This will also assist buyers to identify projects that go the extra mile to provide biodiversity or Indigenous community co-benefits.

The Government will also support projects that deliver biodiversity co-benefits through a \$946 million Biodiversity Fund.

Regional Natural Resource Management Plans

Through Australian Government initiatives such as Caring for Our Country, regional natural resource management organisations have had nearly a decade of experience promoting sustainable land management.

The Government will provide an extra \$44 million over 5 years for natural resource management organisations to plan for climate change. Landholders will be able to use these regional plans to identify and develop carbon farming projects that deliver maximum social and environmental benefits. Natural Resource Management plans are based on catchments or bioregions. There are 56 regions covering all of Australia.



Recognised offsets entity

A project proponent is the entity (a person or organisation) who is responsible for the offsets project and has the legal right to carry out the project. A project proponent must be a 'recognised offsets entity' (ROE).

An entity can become a ROE if they pass the 'fit and proper person test': they are who they claim to be, have not been convicted of a crime relating to dishonest conduct, breached the CFI or Registry legislation or the *National Greenhouse and Energy Reporting Act 2007* in the past, and are not insolvent.

The integrity of CFI offsets

The CFI allows farmers and land managers to earn carbon credits by storing carbon or reducing greenhouse gas emissions on the land.

The value of CFI credits is dependent on whether they are equivalent to, or compensate for, emissions from other sectors. The CFI has been designed to provide consumers with confidence that each carbon credit issued can genuinely offset a tonne of emissions.

There are two key components of the CFI that deliver the integrity of CFI credits: offsets integrity standards and measures to minimise fraud and dishonest conduct.

The CFI offsets integrity standards are based on internationally accepted principles to ensure that CFI credits are only issued for genuine offsets. The offsets integrity standards are described in more detail below, but can be summarised as follows:

- abatement must be measureable and verifiable
- measurement methods must be supported by peer reviewed science and consistent with Australia's international accounts
- measurement methods must account for leakage and variability and use conservative assumptions
- abatement must be additional to what would occur in the absence of the project, and
- sequestration must be permanent.

The CFI is supported by legislation and includes several measures to minimise fraud and dishonest conduct. These include:

- crediting only after abatement has occurred
- a test to ensure project proponents are 'fit and proper' persons
- issuing and tracking credits in a central national registry, managed by an administrator with powers to suspend trade or cancel accounts
- project reporting, notification and auditing requirements
- requirements for project information to be published
- legislated enforcement provisions and financial penalties to address non-compliance, and
- regulation of marketing and trading of ACCUs as financial products.

Methodologies

CFI methodologies set out the rules and instructions for undertaking projects, estimating abatement and reporting to the Administrator. Each CFI project must use an approved CFI methodology to ensure that abatement is *measurable* and *verifiable*.

CFI methodologies vary for different abatement activities, but they all contain:

- a description of the activity and how it reduces emissions or stores carbon
- a list of the emissions sources and sinks affected by a project
- instructions for determining a baseline that represents what would occur in the absence of the project
- procedures for measuring or estimating abatement relative to the baseline, and
- project-specific data collection, monitoring, reporting and record keeping requirements.

The Government is working with industry, research organisations and other government agencies to develop methodologies that have broad application across the land sector. Anyone interested in developing a new methodology is strongly encouraged to contact the Department of Climate Change and Energy Efficiency at CFI@climatechange.gov.au for further information before commencing.

An independent expert committee, the Domestic Offsets Integrity Committee (DOIC), has been established to assess methodologies. The DOIC ensures that methodologies meet the offsets integrity standards.

As part of the DOIC assessment process, methodologies are released for public consultation for at least 40 days. The Minister for Climate Change and Energy Efficiency considers the advice of the DOIC and other feedback and makes the final determination to approve a methodology.

Guidelines for methodology developers, approved CFI methodologies and methodologies being assessed by the DOIC are available at www.climatechange.gov.au/cfi



Livestock

Reductions in emissions from livestock could be achieved through:

1. Dietary supplements for dairy cattle
2. Earlier feed lot finishing for grazing cattle
3. Optimised stocking rates
4. Selective breeding for reduced residual food uptake
5. Enhancement of cattle diets through improved forages

A CFI project must use an approved methodology and meet the additionality requirements

Additionality

To earn credits under the CFI, abatement must be additional to what would occur in the absence of the project. Only activities that are additional provide a net environmental benefit that can 'cancel out' emissions that occur elsewhere and have value in an offsets market.

The CFI includes a two-part additionality test to ensure credits are only issued for additional abatement.

First, projects must not be required by law. Activities that are required by law must take place and therefore are not additional. For example, some native forests and native vegetation are protected already.

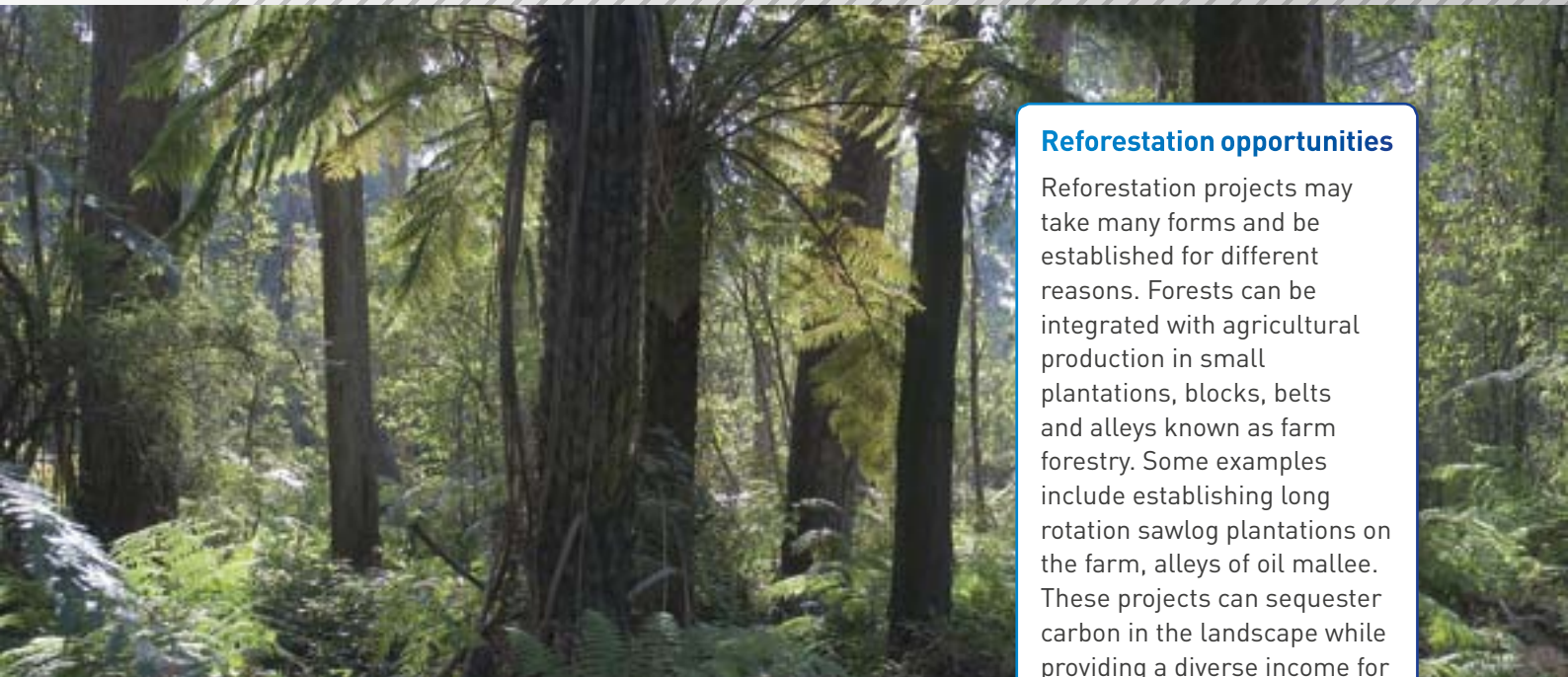
The second part of the additionality test looks at common practice. Activities that are already common practice or in widespread use are not additional. Activities that are identified as *going beyond common practice* will be listed on the CFI positive list, which is established in regulations. Some activities could be common in some situations and not others. For example, savanna burning might be common in small patches for asset protection but uncommon on a large scale. In these cases, the positive list will identify parts of an industry or environmental conditions where an activity is uncommon. The positive list is available at www.climatechange.gov.au/cfi

Activities pass the additionality test if they are not required by law and are on the positive list.

The positive list will grow over time as new abatement activities are identified and methodologies are developed. If a landholder wants to undertake a project that is not on the positive list, they can propose that it be considered for inclusion on the list. Guidelines on proposing activities for the positive list are available at www.climatechange.gov.au/cfi

The Minister for Climate Change and Energy Efficiency will recommend activities be added to the positive list following consultation and after receiving advice from the DOIC and other experts.

Activities pass the additionality test
if they are not required by law
and are on the positive list.



Each CFI project must use an approved methodology that sets out the baseline against which abatement is measured. The baseline is an estimate of what would happen in the absence of the project. Measuring abatement against a baseline also ensures that only improvements beyond what would otherwise occur can be credited under the CFI.

Permanence—sequestration projects only

Carbon in vegetation or soils can only offset emissions if it is stored permanently. If the carbon was subsequently released back into the atmosphere, for example because vegetation was cleared, it could not offset emissions.

For this reason sequestration projects are subject to *permanence obligations*. Emissions reductions projects are not subject to permanence requirements because they stop emissions from entering the atmosphere in the first place.

The internationally accepted timeframe for ensuring sequestration is equivalent to emissions is 100 years. This is based on the estimated life of one tonne of carbon pollution in the atmosphere. The permanence arrangements for the CFI have been designed to ensure that carbon stored by CFI projects is maintained for at least 100 years, while allowing flexibility to change land uses in the future.

Landholders can choose to cancel their project at any time, for example because they wish to sell the land without the project or use the land for something else, by relinquishing (handing back) credits to the Administrator. Credits could be purchased at the prevailing market price or the proponent could use credits from another of their projects.

Reforestation opportunities

Reforestation projects may take many forms and be established for different reasons. Forests can be integrated with agricultural production in small plantations, blocks, belts and alleys known as farm forestry. Some examples include establishing long rotation sawlog plantations on the farm, alleys of oil mallee. These projects can sequester carbon in the landscape while providing a diverse income for landowners.

Individual landholders may restore vegetation along waterways or in less accessible parts of their property.

A number of co-benefits are available to landowners and to the public from well planned reforestation projects. Trees can boost landscape resilience by stabilising and sheltering the soil, which works to reduce the effects of salinity and erosion while helping to improve water quality. Native habitats can be nurtured by planting a mix of local plant species. A combination of grasses, shrubs and trees creates food and shelter for wildlife. Through environmentally sensitive planting, isolated areas of native vegetation can be linked back together, reducing the impacts of fragmentation on biodiversity. Large scale landscape plantings may also prove to be resilient to climate change impacts as they provide large scale corridors that enable the migration of plant species and wildlife.

Register of Offsets Projects

Information about each CFI project will be set out in the Register of Offsets Projects maintained by the Carbon Credits Administrator. This information will include the name of the project proponent, the type and location of the project, the number of credits issued, whether all regulatory approvals have been obtained, and whether the project is consistent with the relevant natural resource management plan. This information will be available to the public and assist offset buyers to make informed choices about CFI projects.

Natural disturbances

If carbon is lost because of bushfire, drought, disease or requirements to establish firebreaks, landholders are not required to return credits.

Landholders must take reasonable action to ensure that carbon stores are re-established following natural disturbances. Carbon stores may recover naturally after drought or bushfire with only modest intervention by the project proponent, but in some cases active re-establishment or management may be necessary.

Project proponents will not receive credits while the carbon stores are recovering. Once carbon stores reach and exceed pre-disturbance levels, credits will start to be issued again. This provides an incentive to manage losses and to re-establish carbon stores as quickly as possible.

Risk of reversal buffer

A risk buffer of five per cent of the carbon sequestered by the project will be applied to all sequestration projects. This means that for every 100 tonnes of carbon stored by a project, only 95 credits will be issued. The remaining five per cent will insure the entire scheme against some residual risks that can't be managed by the other permanence arrangements, including:

- the temporary losses associated with a disturbance event such as bushfire, and
- the long term losses that may result from a proponent failing to re-establish carbon stores and relinquish units.

The risk of reversal buffer does not insure project proponents against the potential loss of income following a disturbance or for the costs of re-establishing carbon stores. Other mechanisms such as private insurance, or carbon pooling and diversification, may be suitable options for proponents to manage these risks.

Carbon maintenance obligations

A carbon maintenance obligation will apply if there are unmet relinquishment obligations in relation to the project. This can occur if carbon stores are not allowed to regenerate following a natural disturbance or if a project is not properly terminated or transferred, for example if a project proponent becomes insolvent.

A carbon maintenance obligation prevents the destruction of carbon stores which have been credited under the CFI project. It does not prevent land from being used for productive purposes, so long as the carbon on the land when the obligation is applied is maintained.

The carbon maintenance obligation will be lifted if all the credits that have been issued for the abatement are handed back and any penalties are paid.

CFI sequestration projects can be noted on the land titles to ensure that anyone buying the property is aware of the project. Buyers can consult the Register of Offsets Projects to check the location of the project, how many credits have been issued and other project details.

Reporting, monitoring and verification

Methodologies set out the specific monitoring and reporting requirements for different types of projects, and the CFI legislation sets out the requirements that apply to all projects.

CFI project proponents can choose when to submit a project report and receive carbon credits. A project report must be submitted at least once every five years and not within 12 months of a previous report. A report must also be submitted at the end of the crediting period (see box on crediting periods).

Sequestration projects will not have to submit project reports once they are in a maintenance phase and no longer sequestering additional carbon, for example once forests are fully grown. The maintenance phase will commence automatically at the end of the crediting period, if the proponent does not apply for a subsequent crediting period. The project proponent can also request the commencement of a maintenance phase, for example if the costs of reporting would outweigh the benefits of additional credits. Notification and permanence obligations will continue to apply during the maintenance phase of the project.

Most project reports must be accompanied by an audit report prepared by a registered greenhouse and energy auditor.

Crediting periods

The CFI legislation sets out the length of time that different activities can generate credits using an approved CFI methodology. This is known as a 'crediting period'.

Unless the project proponent agrees, changes to the project methodology would only apply from the start of the next crediting period (if any). This provides investment certainty for project proponents.

In general projects have a 7 year crediting period. Reforestation will have a 15 year crediting period and native forest protection projects have a 20 year crediting period.

Projects can be approved for a subsequent crediting period provided that the project activity remains eligible.

**A project report must be submitted
at least once every five years and not
within 12 months of a previous report.**



The audit framework, together with the reporting and notification requirements, is designed to ensure that the Administrator receives accurate and timely information about projects and abatement. The Administrator will use this information to issue credits and for compliance purposes. This is to demonstrate that real reductions in greenhouse emissions or increases in carbon sequestration have occurred prior to issuing any ACCUs.

An audit report will verify the information, including the details of abatement calculations, presented in the offsets report. A robust audit framework provides buyers with confidence that offsets represent genuine abatement.

The scheme relies on the existing audit framework established under the National Greenhouse and Energy Reporting Act 2007. This audit framework has been developed in consultation with the audit community and is well tested.

The regulations may exempt some types of projects from the requirement to submit an audit report with the offsets report. This is to reduce compliance costs for small projects, which present minimal risk to the overall integrity of the scheme.

The CFI legislation and methodologies also require the Administrator to be notified about certain events or occurrences. These include changed circumstances for the project proponent, such as loss of project proponent status for any reason, when carbon is lost from the project due to vandalism or natural disturbance (e.g. bushfire), and if a project changes and becomes inconsistent with the relevant National Resource Management (NRM) plan.

The Clean Energy Future Plan and the CFI

The Australian Government (the Government) has committed to reducing Australia's carbon emissions by between 5 and 25 per cent from 2000 levels by 2020, depending on the scale of global action. The Government has also adopted a new long-term target, committing to reduce Australia's carbon emissions by 80 per cent from 2000 levels by 2050.

On 10 July 2011 the Government announced its plan for a Clean Energy Future. The plan has four elements: a carbon price, renewable energy, energy efficiency and action on the land (the Land Sector Package). The plan also details how the Government will support Australian households, businesses and communities to transition to a clean energy future.

Farmers, forestry operators and other land managers will not pay a price for emissions from their activities.

Further details on the plan can be found on the Clean Energy Future website at www.cleanenergyfuture.gov.au

The Land Sector Package is a key element of the Government's comprehensive plan to move Australia to a clean energy future. The Land Sector Package:

- recognises that farmers and land managers have an important role to play in reducing emissions along with governments, households and the wider business community, and
- creates new income streams for land managers.

Around \$1.7 billion will be spent over the next six years through seven specific land sector measures, creating opportunities for rural and regional Australia to benefit from the carbon market. The **Land Sector Carbon and Biodiversity Board** has been established to provide advice on implementation of the measures.


The Land Sector Package
is complementary
to the CFI

Soil Carbon

Increasing soil carbon is likely to enhance the long term sustainability of farms as it plays a central role in the physical, chemical, and biological health of the soil and hence the productive capacity of arable soils. Increasing the biomass input, decreasing the decomposition rate and increasing the potential of a soil to store carbon will all act to increase soil carbon. Soils with the greatest potential to sequester carbon will be those that have suffered a significant loss of carbon with clearing of native vegetation and have a capacity to increase biomass production or can protect added carbon from decomposition (Baldock et al 2009).

Farmers wanting to build soil carbon may be able to achieve this though maintaining and enhancing vegetation cover, maximising vegetation growth, minimising soil disturbance, and changing the soil texture. Activities that broad acre farmers may consider to increase soil carbon include:

- converting cropping land to productive pastures and increasing the pasture phases in crop rotations
- increasing practices to retain stubble
- green manuring, particularly legume crops
- the application of soil ameliorants such as biochar, compost, or manure (Sanderman et al 2010), and
- alterations to soil texture through the addition of clay to lighter textured soils.



The following programs are collectively referred to as the Land Sector Package:

Biodiversity Fund—Nearly \$1 billion will provide support for land managers to plant, restore, manage and enhance biodiverse carbon stores, including the establishment of wildlife corridors. The fund will improve the resilience of Australia's unique species to the impacts of climate change and enhance the environmental outcomes of carbon farming projects. The Biodiversity Fund will promote investment so that, over time, significant and strategic national biodiversity conservation gains can be made. Landholders will be able to use biodiversity grants to establish new biodiverse revegetation or reforestation projects under the CFI. The fund has commenced operation and further information is available at www.environment.gov.au/cleanenergyfuture/biodiversity-fund

Carbon Farming Futures—will provide \$429 million over six years to help farmers and land managers benefit from carbon farming. Farmers will be able to access direct support to demonstrate new and innovative practices that can reduce emissions and store carbon. The Carbon Farming Futures program has the following components:

- Filling the Research Gap—\$201 million invested in emerging technologies and innovative management practices to improve soil carbon, reduce emissions from livestock and crops, and enhance sustainable agriculture practices. Further information is available at www.daff.gov.au/climatechange/carbonfarmingfutures/ftrg

- Developing Estimation Methodologies—\$20 million will be invested to convert research into estimation methodologies for use in the CFI. This will include the development of practical, low cost estimation and reporting tools for the CFI. This component will be delivered by the Department of Climate Change and Energy Efficiency and will commence in July 2012.
- Action on the Ground—\$99 million over six years for grants for on-farm action to reduce emissions. This will include testing new research findings and demonstrating them on-farm and ensuring that laboratory results can be replicated in real farming situations. Further information is available at www.daff.gov.au/climatechange/carbonfarmingfutures/action-on-the-ground
- Conservation tillage farming—farmers will be able to claim a 15 per cent refundable tax offset for new eligible conservation tillage equipment ready for use between 1 July 2012 and 30 June 2015. Participants in the scheme will be required to assist in soil carbon research.
- Extension and outreach—\$64 million for farm extension and outreach activities to help land managers benefit from carbon farming. Further information is available at www.daff.gov.au/climatechange/carbonfarmingfutures/extension-and-outreach

Carbon Farming Initiative Non-Kyoto Carbon Fund—\$250 million over six years to purchase CFI credits that are not Kyoto-eligible and cannot be used by liable entities under the carbon pricing mechanism. This will provide incentives for activities such as revegetation and soil carbon projects. The fund will commence operation in July 2013 and will be delivered by the Department of Climate Change and Energy Efficiency. Further information on the fund is available at www.climatechange.gov.au/en/government/initiatives/carbon-farming-initiative-non-kyoto

For further information on the

Land Sector Package please visit

www.cleanenergyfuture.gov.au

Regional Natural Resource Management (NRM) Planning for Climate Change Fund—\$44 million over five years to improve regional planning for climate change. The fund is delivered in two streams:

- Stream 1—Will provide \$28.9 million over five years to support the 56 regional NRM organisations revise existing regional NRM plans to help identify where in the landscape adaptation and mitigation activities should be undertaken. This stream will be administered by the Department of Sustainability, Environment, Water, Population and Communities and will commence in July 2012. Further information is available at www.environment.gov.au/cleanenergyfuture/regional-fund
- Stream 2—Will provide \$15 million over five years to support development of regional-level information in the form of scenarios about the impacts of climate change (water, temperature, storms) which can be used for medium term regional NRM land use planning. This stream will be administered by the Department of Climate Change and Energy Efficiency and will commence in July 2012. Further information is available at www.climatechange.gov.au/government/initiatives/regional-nrm-planning-and-climate-change-fund



Indigenous Carbon Farming Fund—\$22 million over 6 years to help Indigenous Australians benefit from carbon farming. The Fund will be ongoing, commencing from July 2012, and delivered in two streams:

- A Research and Development stream (\$5.2 million over five years) will provide funding for research and reporting tools for CFI methodologies. This funding will be directed towards low-cost methodologies likely to have high Indigenous participation to help create real and lasting opportunities for Indigenous Australians. This stream will be delivered by the Department of Climate Change and Energy Efficiency.
- A Capacity Building and Business Support stream (\$17.1 million over five years) will help Indigenous communities establish or participate in carbon farming projects. This stream will be delivered by the Department of Sustainability, Environment, Water, Population and Communities. Further information is available at www.environment.gov.au/cleanenergyfuture/icff. Support will include giving Indigenous communities access to:
 - knowledge and information to help guide their decision-making in relation to participation in the carbon market
 - carbon market specialists and business development tools to help them to build their capacity to maximise carbon project investments, and
 - expert legal advice and other assistance to develop governance and contractual arrangements for carbon projects involving multiple land interest holders, for example Indigenous groups, pastoralists, and the Crown.

Carbon Farming Skills—The \$4.2 million Carbon Farming Skills program will establish a new qualification in carbon farming and an accreditation scheme for carbon aggregators under the CFI. This will promote the integrity of the CFI and ensure that landholders have access to high quality carbon services. The program is delivered by the Department of Climate Change and Energy Efficiency. Further information is available at www.climatechange.gov.au/government/initiatives/carbon-farming-skills

CFI Eligibility Flow Chart

Do you have the legal right to undertake the project?

- In most cases, the land owner or lessee has the right to undertake a CFI project. If your project involves entering someone else's property (e.g. to remove feral animals), ensure you have the right to do so.
- If your project is a sequestration project, you will also need to hold the applicable carbon sequestration right and have the consent of eligible interest holders.

YES

Is there a methodology?

- Check the CFI website to check if a methodology is available.
- Make sure the methodology is applicable to your project.
- If a methodology is not available, you can contact **CFI@climatechange.gov.au** to find out if one is under development.

YES

Are you legally required to do the activity?

- If so, your project will not pass the additionality test

NO

Is the activity on the Positive List?

- The Positive List and Guidelines for adding activities to the list are available at **www.climatechange.gov.au/CFI**
- If your activity is not on the list, but you believe it should be, you can propose it be added using the Guide and Proposal Form on the website

YES

Is the activity on the Negative List?

- The Negative List is available at **www.climatechange.gov.au/CFI**
- If you would like to propose a change to the Negative List, you can do so using the Negative List Guide and Proposal Form on the website.

NO

The activity is an eligible CFI activity

Part 2

Participating in the Carbon Farming Initiative

Decide who will own and manage the project

There are different ways to participate in the CFI, each with a different arrangement for sharing the costs, benefits, and responsibilities for projects on your land.

CAUTION It is your responsibility to ensure you are aware of your obligations under the CFI before you consent to a project, sell a carbon right, or procure professional services.

Independently

Landholders can undertake a project themselves and be the ROE. The landholder retains all responsibility for the project and receives all of the carbon credits. You can nominate a representative to act on your behalf in dealing with the Administrator.

ROE

Cooperative

Some landholders will choose to form informal co-operatives to share knowledge and reduce costs. A co-operative could be facilitated by an NRM organisation or a government agency. Each landholder in the co-operative would be an ROE, be responsible for the project on their land, and receive the carbon credits.

ROE ROE ROE

Multiple Project Proponents

A single CFI project can have multiple ROEs, for example if the project land is owned by a couple or a group that jointly holds the right to undertake the project. One of the ROEs must be nominated to act on behalf of the project and receive the carbon credits. If the project is a sequestration project, the ROEs share responsibility for permanence. If carbon stores are destroyed, the obligation to return credits applies equally to all ROEs—it is not divided between them. This model is therefore suitable for spouses and similar relationships but is not recommended for other business arrangements.

ROE + ROE
(nominee)

With service providers

Landholders can use professional service providers to undertake any part of their project, including obtaining approvals and reporting on the project, or undertaking the project activity. The landholder would be the ROE, be responsible for the project, and receive the carbon credits. The benefits to the service provider would depend on the contract with the landholder.

ROE
+ Service
Provider

Aggregators

Landholders can sell the carbon rights to their land to another person, for example a project aggregator. Carbon rights are an interest in land, which is registered on the landholder's title. The landholder may become subject to a carbon maintenance obligation if something goes wrong and the aggregator cannot be held responsible for the project, for example because the aggregator is insolvent. For this reason, the Administrator will only approve projects that have the consent of the landholder. The aggregator would be the ROE, be responsible for the project and receive the carbon credits.

ROE
(aggregator)
1 2 3

Undertaking a CFI project

This part sets out the steps to undertaking a CFI project.



Step 1 Become a Recognised Offsets Entity and open a registry account

To be eligible to participate in the CFI, an applicant must be recognised as an offsets entity (ROE). An applicant can be an individual, body corporate, a trustee, a corporation sole, a body politic or a local governing body, and must pass a 'fit and proper' person test.

The fit and proper person test examines whether the applicant is who they claim to be and whether the applicant has been convicted of dishonest conduct that may be relevant to the CFI as well as matters such as insolvency. This is one of many safeguards designed to protect the integrity of the CFI.

Applicants will be asked to provide information about themselves (individuals), or about their organisation, key personnel who hold positions of trust and beneficiaries (all other entities). Certified copies of specific documents as well as the applicant's consent for the Administrator to undertake a police check must also be submitted to assist in verifying identity and fit and proper person claims.

Applicants seeking to become a recognised offset entity may also elect to authorise other individuals or entities to act on their behalf in relation to carbon farming matters as well as the operation of their Australian National Registry of Emissions Units (registry) account. Separate identity documentation is required for individuals authorised to operate registry accounts.



When you apply to become a ROE the Administrator will issue you with a unique ROE number.

Project proponents must have a registry account in order to receive ACCUs. Anyone wishing to trade ACCUs must also hold an account in the registry.

You can apply to open a registry account when you apply to be a ROE.

Step 2 Have your project approved

Australian carbon credit units can only be issued for eligible offsets projects.

Applicants may submit their project application, using their ROE number, in advance of finding out whether the Administrator has recognised the applicant as an offsets entity. However, the applicant's offsets project will not be declared eligible until the applicant is recognised as an offsets entity.

For an offsets project to be declared eligible under the CFI, there are specific criteria that must be met. Projects that store carbon in plants or soil (sequestration projects) are subject to permanence obligations and must meet additional requirements.

If the Administrator approves your project, the Administrator will issue you with a Declaration of Eligible Offsets Project and record your project on the Register of Offsets Projects.

The Administrator will notify state or territory land title officials when a sequestration project is approved. This allows a note to be included on the relevant land title register alerting future buyers that CFI obligations may apply.

The Administrator will consider the following criteria when assessing your application:

- **You must be the project proponent and a ROE**
- **If the project is a sequestration project, you must hold the applicable carbon sequestration right.**

For sequestration projects, the project proponent must hold the carbon sequestration right created under state and territory legislation for all the relevant project areas. For the purposes of the CFI, a carbon sequestration right is the exclusive legal right to obtain the benefit of sequestration of carbon in the relevant vegetation or soil carbon pool on the relevant land.

Most states allow landholders to register and sell separate forestry and carbon sequestration rights to their land. Arrangements for registering carbon rights as a separate interest in land differ from state to state.

On freehold land, the carbon sequestration right is generally held by the landowner unless a separate carbon property right has been registered and sold to someone else. Pastoralists and other leaseholders may have the carbon right depending on the conditions of their lease.

- **If the project is a sequestration project, you must have the consent of others with an eligible interest in the land.**

You will need to obtain the consent of anyone with an interest registered on the land title. For example if a bank has a mortgage over your land you would need to have their written consent to undertake a CFI project. If the project is on crown land, you may need the consent of the relevant state government minister. If there is a native title determination with respect to the land, you will need to obtain consent from the registered native title body corporate.

- **You must have regulatory approvals.**

All necessary environmental, planning and water approvals must be obtained before ACCUs will be issued for a CFI project. However, projects can be declared eligible pending regulatory approvals. This is to allow landholders to ensure they are eligible under the CFI before going through expensive approvals processes.

- **You must include a statement of consistency with the relevant regional NRM plan**

When you submit your application, you will need to declare whether your project is consistent with the regional NRM plan for the project area. This information will be recorded on the

Nitrous oxide emissions from soil

Nitrous oxide is emitted from the soil when the supply of nitrogen exceeds plant uptake. Emissions from N₂O from soils under crops and pastures could be reduced by matching the supply of mineral nitrogen (from fertiliser applications, legume-fixed N, organic matter) to the needs of the crop or pasture. Broad acre farmers should be able to achieve this under the CFI by:

- replacing standard nitrogen fertiliser formulations with slow release (urease and/or nitrification inhibitors, physical coatings) fertilisers
- improving the timing of nitrogenous fertiliser application, in particular by splitting applications, and
- reducing the overall quantity of nitrogenous fertilisers used on crops or pastures.

Methodologies for these activities are currently under development.

public register of offsets projects. Projects that are inconsistent with the relevant plan can still be approved under the CFI. Buyers can consider the declaration when deciding which projects they will buy credits from.

A copy of the relevant NRM plan can be obtained from the relevant catchment management authority or NRM body.

- **Your project must use an approved CFI methodology that is applicable to your project**

There must be an approved CFI methodology that is applicable to your project.

Some methodologies are only applicable in certain circumstances. For example, the first methodology developed for savanna burning under the CFI is only applicable in high rainfall areas of Australia. The Administrator must be satisfied that the methodology you nominate is applicable in your circumstances.

- **Your project must meet the additionality requirements**

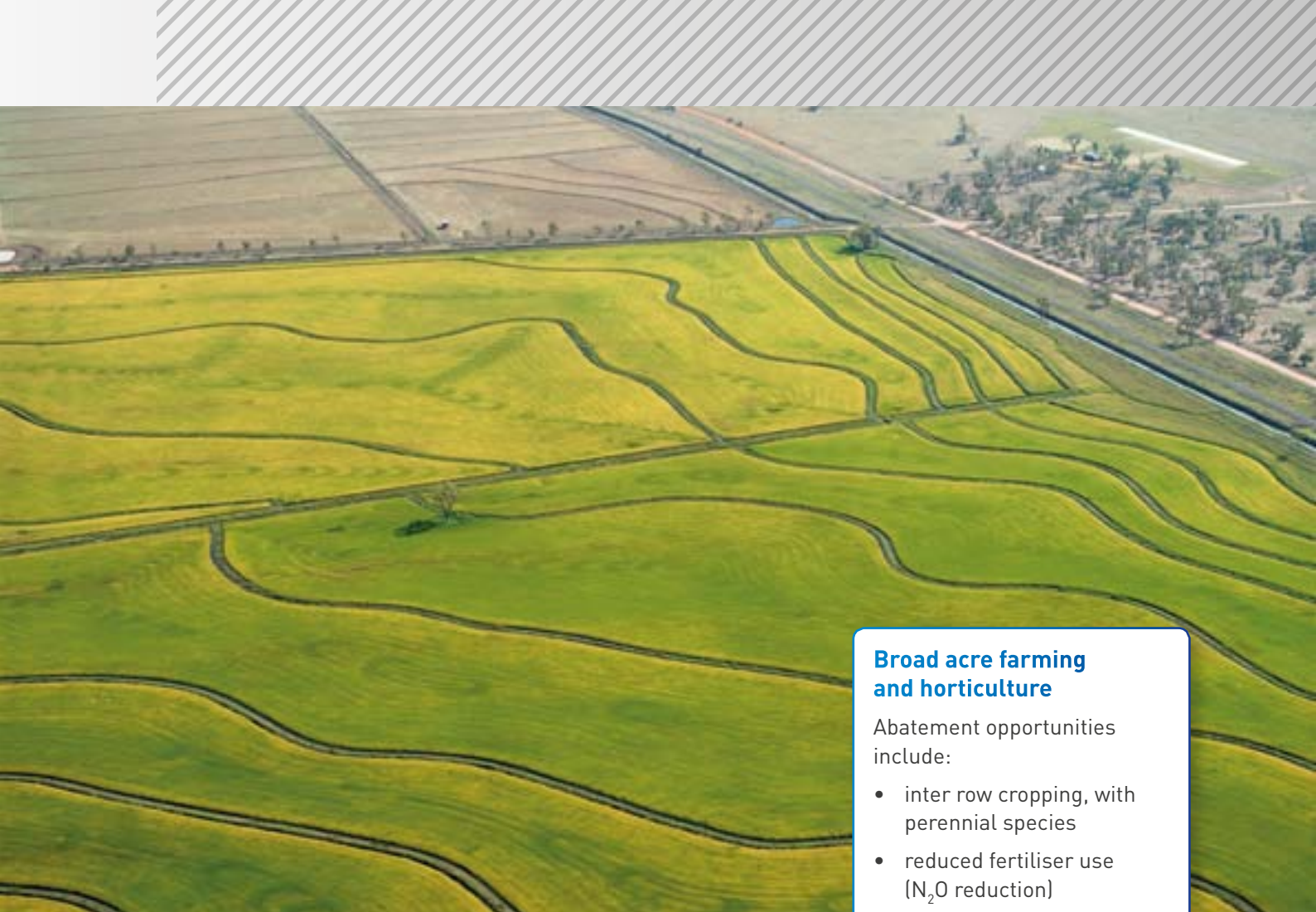
Your project must not be required by law and the activity must be on the positive list.

- **Your activity must not be on the negative list or involve the clearing of native forests.**

The CFI uses the negative list to identify ineligible activities. These activities are ineligible because they pose a significant risk to communities or the environment. Projects cannot involve the clearing of native forest or the use of material obtained as a result of clearing or harvesting of native forests.

- **You can ask to have your project recognised as providing co-benefits**

If your project provides benefits for biodiversity or Indigenous communities, you can apply to have these co-benefits recognised under the CFI. The criteria for recognising co-benefits will be set out in the CFI regulations. Projects that meet these criteria can advertise their credentials on the Register of Offsets Projects and when they are promoting their carbon credits.



Step 3 Undertake your project

Once the applicant's offsets project has been declared eligible, the applicant can commence the activity as set out in their chosen methodology. The methodology may also include project monitoring and record keeping requirements for the project. It is a legal requirement that the applicant keep records to support the information that they have provided to the Administrator for a minimum of seven years.

The project declaration will also set out the date from which the crediting period begins. The crediting period is the timeframe during which a project proponent can apply for Australian carbon credit units for the project. Credits are calculated according to the rules set out in the chosen methodology, and, for sequestration projects, the reserve buffer in place at the time of the project was declared eligible.

The CFI regulations will also contain rules to ensure that there is no double counting of abatement for existing projects that have participated in other prescribed offsets schemes.

Broad acre farming and horticulture

Abatement opportunities include:

- inter row cropping, with perennial species
- reduced fertiliser use (N₂O reduction)
- nitrification inhibitors (N₂O reduction)
- soil carbon (carbon sequestration), and
- reduced tillage and/or controlled traffic (carbon sequestration and N₂O reduction).

Hypothetical example

Bill Smith's Carbon Company is developing a project that aggregates small areas of revegetation across multiple properties.



Bill approaches landholders in the region, including the Green Sheep Co, seeking to buy their carbon rights. Some landholders agree. Bill pays these landholders for their carbon rights upfront and then manages every aspect of the revegetation project on their land. In this case, Bill is an aggregator and the recognised offsets entity. He has responsibility for the project and he receives the carbon credits.

However, if Bill were to cease operating, a carbon maintenance obligation would be applied to the land. The Green Sheep Co would not have to submit reports, but they could not destroy the carbon stores unless they removed the carbon maintenance obligation by relinquishing credits. The carbon maintenance obligation would also apply to future owner of the land unless the Green Sheep Co or the purchaser relinquished sufficient credits to lift the obligation.

The Green Sheep Co is not interested in selling their carbon rights to Bill. The company director wants to plant trees on a portion of each of his six properties, retain his carbon rights and sell the ACCUs he receives for the project. The Green Sheep Co becomes the project proponent and pays Bill a fee to develop, manage and report on the company's reforestation project. In this case, Bill is a service provider. The Green Sheep Co is the recognised offsets entity and receives the carbon credits.

If an applicant's circumstances change, the applicant must notify the Administrator in writing. Events that might occur during the applicant's reporting period that require notification include:

- the applicant stops being the project proponent
- the methodology requires the applicant to notify the Administrator of an event
- carbon is lost from the project due to a natural disturbance such as fire or flood
- carbon is lost from the project due to vandalism
- a project changes so that it is no longer consistent with the regional NRM plan, and
- the applicant is convicted of an offence relating to dishonest conduct under Commonwealth, state or territory legislation or becomes insolvent.

Failure to notify the Administrator in writing of such changes in the applicant's circumstances may attract a civil penalty.

Step 4 Report on the progress of your project

Once the applicant's offsets project is up and running, the applicant will need to submit an offsets report on their project to the Administrator. Timely information about the integrity and abatement of an offsets project is required to enable the Administrator to decide whether to issue credits, to vary or revoke a project, or to issue a carbon maintenance obligation.

The offsets report for the applicant's project will need to contain information on:

- the activity, technology or management practice, and the circumstances or conditions under which the project was implemented
- the greenhouse gas assessment baseline
- all calculations that demonstrate how the applicant estimated abatement for the reporting period (formulas are provided in the methodology), and
- any relevant information and documentation required by the applicable methodology.



Piggeries

Piggeries across Australia will be able to earn carbon credits by capturing methane emissions to produce heat and electricity for use in their sheds or destroy it through flaring. This activity makes use of proven technology used in management of emissions from landfill sites and applies it on a scale accessible to piggeries. A methodology for this activity has already been developed and approved for use in the CFI.



In most cases the applicant will need to arrange for their offsets report to be reviewed by a greenhouse and energy auditor who has been registered under the *National Greenhouse and Energy Reporting Act 2007*. Keeping offsets project records in good order will help applicants and their auditor(s) to substantiate their project's activities and the carbon abatement that the applicant's project delivers.

Applicants can choose when it is most cost effective to report, provided that their first offsets report (and accompanying audit report) is submitted to the Administrator between 12 months and five years from the date their project was declared eligible. For example applicants may submit an offsets report in years four and five to align with the maximum growth phase of their project. Each subsequent reporting period begins immediately after the previous reporting period.

Project proponents are required to notify the Administrator of relevant changes to the project.

Steps 5 and 6 Receiving credits for a CFI project

The Administrator will not issue Australian carbon credit units automatically on receipt of an offsets report.

If applicants wish to receive Australian carbon credit units for their project for any reporting period they must apply for a *certificate of entitlement*. Applicants can do this at the same time as they submit their offsets project report by completing the relevant part of the eligible offsets report application form.

The *certificate of entitlement* specifies the number and type of Australian carbon credit units that the project proponent is entitled to receive for abatement over the reporting period and lists the account number in the Australian National Registry of Emissions Units (the registry) into which the credits are to be issued.

Details of the project proponent's registry account will need to be provided, as well as information on whether there are any outstanding relinquishment requirements or related penalties.

A *certificate of entitlement* is not transferable. This means the project proponent must apply for and receive the Australian carbon credit units before transferring them to someone else.

The Administrator will issue a *certificate of entitlement* if satisfied that:

- the applicant is a recognised offsets entity
- the applicant is the project proponent identified in the project declaration
- the reporting period is within the crediting period
- all regulatory approvals have been met, and
- the applicant is not required to pay any penalties and does not have an outstanding obligation to relinquish credits.

When an applicant has received a *certificate of entitlement*, Australian carbon credit units will be issued by the Administrator into the registry account listed on the *certificate of entitlement*.



Applicants may choose to hold the Australian carbon credit units, exchange or convert them to another type of unit (rules permitting), cancel them and/or exchange them for another domestic or international units (rules permitting).

Once the Administrator has issued carbon credits to the registry account, various details such as the total number of credits issued, the financial year in which they are issued, and the person to whom they have been issued will be published in the Register of Offsets Projects.

There are a number of safeguards built into the registry to protect the integrity of the scheme. For example, if the Administrator identifies suspicious transactions the Administrator may delay or suspend transactions or accounts. Accounts can also be closed by the Administrator where the account holder has contravened or is contravening Registry rules. Account holders are given notice of the closure and any credits remaining in the account after the notice period has elapsed are automatically cancelled.

Step 7 Project transfer and closure

A project proponent can choose to withdraw from the CFI at any time by notifying the Administrator. If the project is a sequestration project, all Australian carbon credit units issued (or their equivalent) will need to be handed back to the Administrator.

Alternatively, an offsets project can be transferred to another person (individual or organisation) provided that they are a ROE. The declaration for the project must also be varied to reflect the name of the new project proponent. A project declaration can be unilaterally revoked by the Administrator if the new project proponent is not a ROE at the end of 90 days. You can apply to transfer your project to another ROE at any time.

For further information on the

Carbon Farming Initiative visit

www.climatechange.gov.au/cfi

Checklist for your project planning

- Is your project eligible?**
(see CFI Eligibility Flow Chart on page 26)
- Will you undertake the project yourself, as part of a co-operative, or will you allow an aggregator to undertake a project on your property?**
- What professional assistance will you need?**
Don't forget that all CFI projects are required to submit at least one verification report prepared by a qualified greenhouse and energy auditor. You may want to secure the services of an auditor early. It is important to factor fees payable to professional service providers into your project planning.

If your project is a sequestration offsets project:

- Ensure you are aware of the permanence requirements for the project.
- Check that you hold the carbon sequestration right to the land.
- Check whether you need the consent of other interest holders.

