Australian Government

cleanenergyfuture

FACT SHEET

New opportunities for land sector participation in carbon markets

The Government has improved opportunities for landholders to participate in carbon markets by broadening land sector coverage under the Kyoto Protocol.

The carbon pricing mechanism delivers the market that supports farmers and other landholders to generate revenue from reducing carbon pollution.

Some important land sector activities – including soil carbon activities and revegetation – have not been able to benefit from the carbon pricing market while they remained outside coverage of Australia's Kyoto target.

Cropland management, grazing land management and revegetation will now be counted towards Australia's national emissions target.

This means that Carbon Farming Initiative (CFI) credits generated from these activities will become eligible for surrender under the carbon pricing mechanism and can be sold to businesses with carbon price obligations. For example, liable businesses may choose to use a CFI credit from cropland management when previously they intended to purchase an international permit for the same tonne of emissions.

The Government is continuing to work with industry stakeholders and research organisations to investigate new methodologies for use under the CFI, including for the storage of carbon in agricultural soils, the application of biochar to agricultural soils and restoration of Australia's rangelands. Subject to being assessed as scientifically robust by the CFI's Domestic Offsets Integrity Committee, methodologies may then be approved that would enable farmers to generate CFI credits from these new land sector activities.

Voluntary markets and Non-Kyoto Fund

All types of CFI credits are, and will remain, eligible for use in voluntary carbon markets, such as companies selling carbon neutral products under the National Carbon Offset Standard.

In recognition of the weaker demand in voluntary markets and the potential for the adoption of broader land sector coverage in the future, the $250 million CFI Non-Kyoto Carbon Fund was designed to support these non-Kyoto activities and was scheduled to commence in 2013-14.

However, by expanding land sector coverage under the Kyoto Protocol, the CFI Non-Kyoto Carbon Fund is no longer needed.

Under the past rules, farmers who generated carbon credits under the CFI for activities such as storing carbon in agricultural soils or reducing emissions through changes in land clearing practices would not have been able to sell their credits to businesses with carbon price obligations. Using a Government fund to purchase credits is inherently less efficient than a market mechanism which provides opportunities for greater innovation.

The very small number of activities that remain outside of the Kyoto accounting framework and remain ineligible, such as feral animal management, can continue to access support from other land sector programs established under the Government's Clean Energy Future Plan, including the Biodiversity Fund, Indigenous Carbon Farming Fund and CFI Methodology Development Program.

How can farmers and landholders benefit from the broadened land sector coverage?

The CFI provides the foundation for land sector climate change action by allowing landholders to generate carbon credits for projects that reduce greenhouse gas emissions or store carbon. The CFI is a voluntary program and the incentive to participate comes from the ability to diversify farm income by selling these credits.

The carbon pricing mechanism provides an important market for CFI credits. Businesses that must pay for, or offset, their emissions, can deliver CFI credits instead of paying the carbon price. However, only CFI credits from activities that contribute to Australia's Kyoto Protocol emissions target are eligible offsets under the carbon pricing mechanism.

The Government's decision to include additional land sector activities will enhance opportunities for farmers and other landholders to participate in the CFI and access the carbon pricing market.

Any CFI credits generated from activities such as enhancing soil carbon, applying biochar to agricultural soils and restoring Australia's rangelands will now be eligible offsets under the carbon pricing mechanism and can be sold to businesses that must pay for, or offset, their emissions. While no methodologies in these areas have yet been formally approved, the Government is working with stakeholders to develop CFI methodologies for these activities to help landholders take advantage of these new opportunities.

Why weren't these activities covered by the Kyoto target before?

The Government decided not to cover some land activities for its first Kyoto target because of concerns that these activities could deliver significant emissions as a result of natural phenomena like bushfire and drought. These emissions are beyond the control of land managers.

Countries that are signatories to the Kyoto Protocol recently agreed to some rule changes that mean that some of these emissions that are the result of natural causes are no longer counted towards countries' Kyoto targets.

In addition, the Government has recently implemented a series of improvements to the way it estimates emissions from land activities. This will reduce the risk of emissions from fire and vegetation loss due to natural causes being counted for the second Kyoto target.

These improvements have been accepted by the international review under the United Nations Framework Convention on Climate Change that Australia participates in every year.

Further Information

For further information about the Carbon Farming Initiative please visit www.climatechange.gov.au/cfi.