

18 November 2013

Top Ten Action Items to Fix the Carbon Farming Initiative (CFI)

1. Reconstitute the Domestic Offsets Integrity Committee (DOIC)

DOIC plays an integral role in shaping CFI outcomes. However, to date the CFI has been pushed in an overly academic and theoretical direction, to the detriment of high integrity practical projects with unquestionable potential. DOIC should be re-tasked with a growth mandate and should be reconstituted to ensure that a commercial perspective is present in DOIC decisions. Previous interim DOIC members should be considered.

2. Provide certainty and transparency to the CFI process

As part of reforming DOIC, clear processes and timelines for CFI involvement need to be formalised. This includes evidence based decision making on project merit (including genuine engagement on issues of policy substance); applying precedents in Methodology Determinations to new proposals; a right of reply for applicants to DOIC decisions; and provision for minority reports from DOIC members to accompany ministerial advice.

3. Establish a risk based approach to integrity

The current additionality (common practice) test is a necessary component of the CFI. However, the assertion of common practice has been too broadly applied in the waste management sector as an excuse to deny project approval even where projects are unique to their relevant comparison group. The CFI should adopt a risk based approach to deal with uncertainty regarding carbon accounting, existing practices or existing regulatory requirements. A practical example of such an approach is to apply a discount factor to manage any risk of over-crediting.

4. Review rejected methodology applications and positive list submissions

Numerous project proponents have submitted methodology applications and suggested modifications to the positive and negative lists. Not all of these applications have been fully analysed by officials. These outstanding applications should be reviewed with the purpose of identifying methodologies and positive list applications that could be fast tracked for inclusion into an expanded CFI.

5. Apply the principle of rewarding pioneers

One major criticism of the current CFI is that it unfairly penalises the ground breaking work of pioneers in greenhouse gas abatement. One avenue of rectifying this situation is to allow methodology applications made before 30 June 2012 eligible for backdating credits irrespective of when they are finally determined. (The current clause says they have to be determined by 30 June 2013, which is unfair because applicants have no control over approval timing). This transitional issue is now even more important in dealing with the anomalous situation where supported changes to methodologies relating to credits for activity prior to 1 July 2012 cannot be enacted because the 30 June 2013 deadline has passed.



6. Establish a default value for soil carbon projects under a 'quick start' provision

Soil carbon is an example of a proposed CFI methodology that needs a practical starting point to enable 'learning by doing'. This would overcome the academic barriers to project development. A Ministerial Conservativeness Determination could establish a default value of sequestration for soil carbon projects. This default value for a list of approved carbon farming practices, in combination with an accompanying measurement regime, would enable project proponents to contribute to real-time confirmation of sequestration rates. A 'no-regrets' true up of abatement would deal with over and under crediting.

7. Establish a bridging mechanism for 'half-half' projects ahead of roll-back of carbon price

The full expansion of the CFI under Direction Action relies in part on the roll back of the carbon price to remove the status of 'covered sector' and allow credit creation for projects such as vented air methane (VAM). However there are 'half-half' sectors such as abattoirs and waste diversion that straddle both covered and uncovered sectors. These could quickly be brought into an expanded CFI program through the use of Ministerial Conservativeness Determinations to allow for the creation of CFI credits.

8. Create a fast track process of domesticating overseas methodologies

There are many methodologies, which have gone through extensive approvals processes, for use in other carbon abatement schemes across the world. Some of these could be applicable in Australia. A clear process for 'domesticating' the methodologies to ensure consistency with established CFI processes and procedures is required. This could be achieved through the use of third-party contractors working with Departmental input to produce a draft Methodology for DOIC review.

9. Provide a level playing field for carbon accounting across emissions avoidance and sequestration projects

The current CFI has entrenched different rules for project carbon accounting. For example, waste diversion projects face delayed crediting, which is where avoided emissions credits are issued over a 100-year period even though the diversion has already occurred and there is zero risk of reversal. This compares to sequestration projects that receive credits up front for a 100-year obligation (in other words, Australian Carbon Credit Units (ACCUs) are issued before the 100-year obligation is met)., Delayed crediting for waste diversion projects should be removed in order to provide a level playing field between projects.

10. Endorse productivity improvements as a valid approach to reducing greenhouse gas emissions

The United States Environmental Protection Agency identified that increasing agricultural productivity to lower carbon emissions per unit of production leads to higher levels of overall abatement because it integrates a commercial imperative for both project developers and proponents. This same approach has been adopted by the Clean Development Mechanism and needs to be expressly endorsed under an expanded CFI. Any widespread additional abatement based on the win/win outcome of productivity leading to higher levels of abatement would then be realised by the CFI.