

Consultation Paper

Positive and Negative Lists for the Carbon Farming Initiative

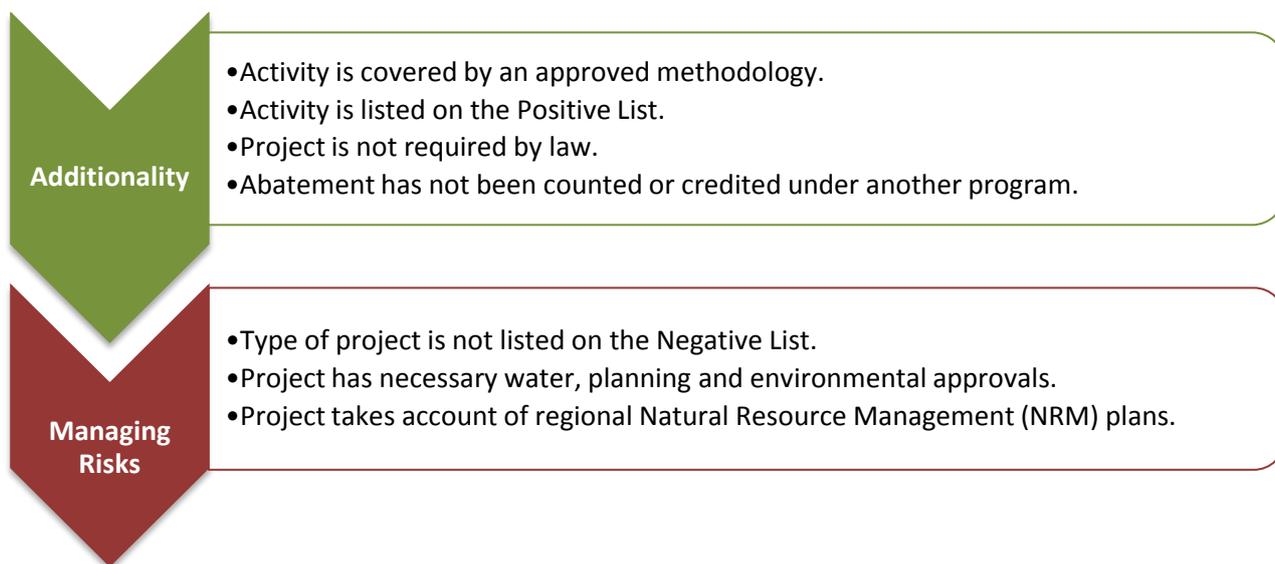
The Australian Government is establishing the Carbon Farming Initiative (CFI) to provide new economic opportunities for farmers, forest growers and landholders. The CFI will credit real, additional greenhouse gas abatement while avoiding unintended consequences for communities and the environment.

The Government consulted broadly on design options for the CFI from October 2010 to February 2011. Legislation for the scheme was introduced to Parliament on 24 March 2011. This consultation paper provides an opportunity for stakeholders to comment on the approach to developing the Positive and Negative Lists and to propose activities which might be included.

The sample Positive and Negative Lists (attached) are for illustrative purposes only and do not include all of the possible activities. Before relying on any material contained in this document, readers should obtain professional advice suitable to their particular circumstances.

The CFI eligibility requirements ensure that each carbon credit issued under the scheme represents one tonne of genuinely additional greenhouse gas abatement. They also protect communities and the environment from unintended consequences of greenhouse gas abatement projects (Figure 1). Some eligibility requirements relate to ‘activities’ such as reforestation or savanna burning, while others relate to an individual landholder’s ‘project’.

Figure 1. Eligibility requirements to ensure additionality and avoid unintended consequences.



The Positive List

The Positive List is an important part of the CFI additionality test, which also includes a regulatory additionality test (meaning the project is not required by law) and a methodology, which sets the project baseline (the normal level of carbon, against which improvements are measured). The Positive List identifies activities that would be considered additional and hence eligible to participate in the scheme.

What is 'additionality'?

The concept of additionality, in effect, asks the question: Would the activity have occurred anyway, even in the absence of the Carbon Farming Initiative? If the answer to this question is "no", the activity is additional.

People and businesses buy carbon offsets to 'cancel out' their emissions. If an emitter buys offsets from someone who would have planted trees or burned landfill gas anyway, they would not really cancel out their emissions, but merely subsidise an activity that would have happened anyway.

Only activities that are additional provide a net environmental benefit that can 'cancel out' emissions. If the activity would have happened anyway, then including it as a Positive List activity would actually allow an increase in greenhouse gas emissions.

The CFI will be one of the first carbon offset schemes in the world to use a more efficient and transparent 'Positive List' approach to additionality. Under the Positive List approach, additionality is assessed for activities, rather than individual projects. This means fewer assessments and less subjectivity because all projects of the same type are treated equally.

Why does the CFI have a 'Positive List'?

There are two approaches to assessing additionality: the project-by-project approach, and the standardised or 'positive list' approach.

The project-by-project approach can be time-consuming and expensive to administer. Other carbon offset schemes have had long delays in approving projects because of the time taken to assess the additionality of each individual project.

The standardised or 'positive list' approach is more streamlined and cost effective. It involves assessing the additionality of activities, rather than individual projects. Under this approach, a landholder can look at the Positive List and see whether their activity is additional. They do not need to undergo an intensive additionality assessment for their individual project.

The CFI uses a Common Practice Test as the basis for identifying additional activities. Put simply, the Common Practice Test asks whether there are any circumstances where an activity is not common practice. Activities are considered additional in particular circumstances if they are *not* common practice. The Common Practice Test involves comparing farmers who are operating in similar environments or with similar access to information, skills and technologies. This allows "apples to be compared with apples".

Why does the CFI use a 'common practice' test?

Unlike the CFI, other carbon offset schemes rely heavily on financial or investment additionality tests to determine whether activities are additional. Under these tests, activities that have productivity benefits, such as composting for soil carbon or improved herd management, might not be considered additional and could be excluded from participating.

The CFI common practice test recognises that there are many reasons why land sector abatement activities are not common practice. For example, a soil carbon activity might improve productivity, but it does not commonly occur at the moment because most farmers are not aware of it.

The CFI approach also avoids penalising landholders who adopted new practices in anticipation of a carbon price before the scheme was announced. These landholders would be ineligible under other tests used by other offsets schemes. Under the CFI common practice test, they can still be credited for new abatement occurring since 1 July 2010.

The Negative List

The Negative List identifies activities that would otherwise be additional, but are ineligible in circumstances where they pose a significant risk to communities or the environment.

Activities will be included on the Negative List if there is a high risk that they will have a significant adverse impact on the availability of water, the conservation of biodiversity, employment, or the local community. Risks will be assessed in accordance with *AS/NZS ISO 31000:2009, Risk management - Principles and guidelines*.

The Negative List will identify the specific circumstances in which an activity poses a risk, and could take account of actions to mitigate the risk. For example, an activity could be listed because it poses a risk for water availability, but the exclusion only applies in areas already under water stress, and only if the risk isn't mitigated through purchase of water access entitlements.

Building the Positive and Negative Lists

The Positive and Negative Lists will grow over time as new abatement activities are identified, methodologies are developed, or risks are identified. The sample Positive and Negative Lists (attached) are for illustrative purposes only and are expected to grow considerably over time as more activities are assessed.

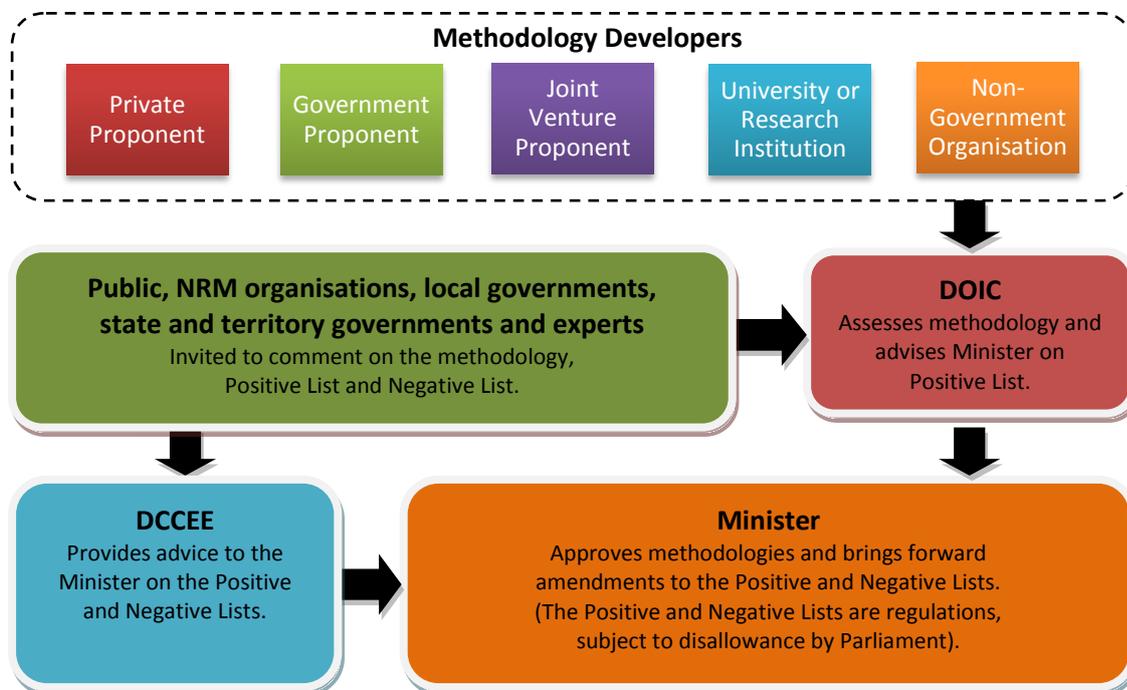
The Minister for Climate Change and Energy Efficiency will recommend activities be added to the Positive List after receiving advice from the Domestic Offset Integrity Committee (DOIC) (figure 2). The DOIC's advice will be publicly available. The Minister can also seek advice from the Department and other independent experts.

The Minister can recommend activities be added to the negative list at any time, and can seek advice from the Department and technical or industry experts to assist with assessing risks.

Activities will be assessed for additionality and risks as methodologies are nearing completion. Before they can be approved for use under the CFI, methodologies are subject to a 40 day period of public scrutiny. This provides an opportunity for stakeholders, local governments, state and territory agencies, NRM organisations, non-government organisations and experts to comment on technical aspects of the methodology, as well as whether the activity should be included on the Positive or Negative Lists.

The Government will also review the lists periodically with a view to keeping the list current with respect to technological developments and the latest scientific research or potential environmental impacts. In determining whether an activity should be removed from the Positive List, the effect of the CFI will be factored out. Projects would continue to receive credits for the duration of their crediting period, even if the project activity is removed from the list.

Figure 2. Adding activities to the Positive and Negative Lists.



ILLUSTRATIVE EXAMPLE OF THE POSITIVE LIST – ADDITIONAL ACTIVITIES

Activity that goes beyond common practice	Explanation
Biosequestration activities	
Establishment of permanent environmental (mixed native species) forest greater than 1 ha after 1 July 2007 ¹ .	Large permanent environmental plantings are not common practice anywhere in Australia. Establishment of permanent environmental plantings for wind breaks (typically less than 1 ha) is common practice.
Management of vegetation to increase carbon by promotion of residual seed sources, coppicing or animal management.	
Application of biochar to soil.	
Emissions avoidance activities	
Capture and combustion of methane from legacy waste.	
Early season burning of large areas of savanna (greater than 1 km ²) to reduce the intensity and frequency of fires in savanna regions.	Broad scale, early season savanna burning is not common practice. Burning of savanna for asset protection is common practice and typically occurs in patches less than 1 km ² .
Culling of feral camels.	
Reduced enteric fermentation - using tannins as a feed supplement for cattle.	
Reduced enteric fermentation - incorporating <i>Eremophila</i> into feed for livestock.	
Reduced enteric fermentation - manipulation of gut flora in livestock to reduce methane Rumen manipulation.	
Reduced enteric fermentation - selective breeding of livestock to reduce residual feed intake.	
Capture and combustion of methane from manure.	
Application of urea inhibitors to reduce nitrification to manure.	
Application of nitrification inhibitors to fertiliser.	
Other	
Projects that have been assessed as additional under the Australian Government's Greenhouse Friendly Program.	Projects under the Greenhouse Friendly Program have undergone a rigorous additionality assessment as part of the application process.

¹ The Government recognises that some landholders commenced action in anticipation of a carbon price. Projects that commenced since 1 July 2007 are considered additional, though only abatement after 1 July 2010 can be credited under the CFI.

ILLUSTRATIVE EXAMPLE OF THE NEGATIVE LIST – MANAGING RISKS

Excluded projects	Reason or risk
Biosequestration activities	
Establishment of vegetation on land cleared of native vegetation (other than a weeds) since 1 July 2007 ² or within three years of project commencement (whichever is more recent).	Significant risk that clearing vegetation in order to establish a carbon planting would have adverse impacts on biodiversity.
Establishment of a known weed species.	Significant risk that weed species planted for carbon sequestration could spread, create adverse environmental impacts on their local environment.
Cessation or avoidance of harvest in monoculture plantations ('avoided deforestation'). This does not apply to improved forest management in monoculture plantations.	Significant risk that the forest could become a net source of emissions. Monoculture forests degrade over time as biomass moves to the debris pool and then decays. If not managed, these forests can become a net source of emissions. Plantation was established on the basis that harvest would occur.
Cessation or avoidance of harvest ('native forest protection') after removal of a conservation covenant.	Significant risk that landholders may seek to have covenants revoked in order to receive carbon credits. This would lead to crediting of non-additional abatement, and create risks for the environment.
Establishment of forest as part of a Managed Investment Scheme.	Significant risk of distortions to markets for agricultural land, resulting from the additive effects of up-front tax incentives and carbon revenue for commercial (harvest) plantings.
Establishment of forest that is greater than 2 ha and not a permanent environmental planting in the following circumstances: <ul style="list-style-type: none"> • The relevant jurisdiction does not have an accredited regime for meeting their National Water Initiative commitments to adequately manage water interception by plantations; and • The proponent does not hold the appropriate high security water access entitlement to offset the plantations water use over the entire life of the plantation; and • The project area is in a zone that receives more than 600mm annual rainfall, or more than 800mm if it also overlays a shallow saline groundwater table. 	Significant risk of impacts on groundwater and reduced water availability for other uses including environmental watering.
Emissions avoidance activities	
None identified at this stage.	
Other	
Any CFI eligible activity which was required by law prior to 24 March 2011, when the CFI legislation was introduced.	Significant risk of crediting non-additional abatement and environmental impacts if Governments are pressured to repeal regulations to allow more activities to access CFI credits.

² The Government recognises that some landholders commenced action in anticipation of a carbon price. Projects that commenced since 1 July 2007 are considered additional, though only abatement after 1 July 2010 can be credited under the CFI.