



Birds in flight over the Aurukun wetlands, Wik and Kugu country, Queensland

## PILLAR 1: OPTIMISING POLICY FRAMEWORKS & MARKET DESIGN

Federal, state, territory and local governments have a critical role to play in optimising the policy frameworks and market design to scale up investment in the land sector. Investors require policy conditions and market frameworks that are stable, long-term, and allow for financial returns at scale.

### Where do we want the industry to be?

- The ERF has successfully transitioned from a publicly funded scheme, to one that's underpinned by private sector demand and investment.**  
The carbon farming industry requires a long-term, clear market signal to drive private sector investment in projects. A Federal Government policy that defines an explicit carbon price, through a market mechanism that covers large emitters, is necessary to provide an economic signal to stimulate investment in land sector abatement at scale. Emerging voluntary market drivers are increasing private sector investment, however a clear federal compliance policy signal is needed to enable the structural shift required to remain aligned with the Paris Agreement trajectory.
- Both public and private sectors are jointly developing new carbon farming methods.**  
Industry's general exclusion from the ERF method development and prioritisation process has limited the number of methods that are cost effective for landholders to implement. Following the acceptance of the King Review recommendations in 2020, the Government has engaged industry in a meaningful way - including on method development and prioritisation, data management, and improvement to the administrative and transactional processes required to implement projects, and drive increased uptake across the country.

- State and local government policy, via legislated net-zero emissions and carbon neutral targets, is driving demand and investment for carbon farming projects.**  
Industry participants agree that carbon farming emissions reductions should be incorporated into State Government net-zero emissions targets. As interest in carbon farming grows nationally, a range of State-based carbon farming programs have emerged to either directly invest in projects within the state, or to improve industry architecture and infrastructure to enhance opportunities for the local market.
- Governments have addressed issues of policy and legislative fragmentation, reconciling any competing objectives for environmental outcomes and high value, sustainable agricultural outcomes.**  
Stakeholders consulted said that Federal and State Governments must work to streamline the policy and regulatory environment, addressing complications from competing food, fibre and environmental markets. This also includes competition between state and federal consent requirements, land-clearing laws, and other prohibitive taxation, pastoral or mining legislative structures.
- Native title issues have been adequately resolved to increase participation in carbon farming among indigenous land holders and communities.**  
Industry believes strongly that ensuring native title issues are adequately addressed is critical for increasing participation in carbon farming among indigenous communities. Much work still needs to be done for national and sub-national consent frameworks to appropriately protect, and support engagement by Indigenous landholders and communities.

## How are we going to get there?

### Primary Actions

#### Government

##### Federal

- Fund carbon farming activities by continuing to allocate at least \$200 million a year until the introduction of a market mechanism to secure sustainable private sector demand for ACCUs.
- Implement a national market based approach to emissions reduction, covering the electricity sector and heavy emitters to drive private sector demand. Policy must create a clear signal for industry, providing confidence and certainty for investment in land sector projects.
- Build on existing method development work, allocate more R&D funding for land sector methods. Implement a stakeholder engagement plan to seek input from the private sector on how the method development process can be modified, prioritising methods that will lead to increased participation and the highest volumes of abatement.
- Leverage participation in the Paris Agreement - Article 6 negotiations and participate in international market developments to advocate for Australian methods and ensure they are aligned with international best practice, opening up opportunities for the export of ACCUs, and expertise.

##### State

- Incorporate emissions reductions from carbon farming into state-based zero net emissions targets.
- Work with federal government to provide funding for method R&D, to prioritise local projects within each jurisdiction.
- Establish a state government working group to address policy fragmentation, aligning and integrating regulatory frameworks for competing environmental markets.
- Create additional sources of demand for projects. E.g. require major infrastructure and/or resource projects to offset their emissions to create long term offtake agreements for emission reductions.
- Develop a state planning policy for local governments, advising them on how to treat carbon farming in their local government planning schemes.

#### Finance & Industry

- Industry and financial organisations to engage with government and contribute to market design, ensuring policy frameworks are robust and transparent for investment.
- Heavy emitting and other large corporate organisations to actively participate in developing a viable secondary market for ACCUs from land sector projects.

#### Communities & Regions

- Agricultural industry bodies provide evidence base for method development and prioritisation.
- Indigenous groups are specifically included in policy and market design, to ensure changes do not adversely impact communities, livelihoods, access to land, or culture.
- Communities and regional stakeholders contribute to policy and market design activities, including on integration of natural resource, pest and fire management responsibilities, and alignment with local land use plans and conservation strategies.

#### Carbon Service Providers

- Engage constructively with government on method development and market design to drive market activity, including support for R&D and pilot projects.
- Develop and administer a voluntary industry code of conduct.
- Engage with Indigenous communities in an early and meaningful way to ensure Native Title Holder consent can be appropriately sought, and if granted, maintained over the life of the project.
- Engage with other Eligible Interest Holders early and in meaningful ways.



Planting eucalyptus for CO2 Australia's Creating a Better Climate Project, New South Wales