

Department of Agriculture, Fisheries
and Forestry

Agriculture and Land Sectoral
Decarbonisation Plan consultation

submission

December 2023





Department of Agriculture, Fisheries and Forestry Agriculture and Land Sectoral Plan consultation **submission**

The Carbon Market Institute (**CMI**) welcomes this opportunity to respond to the Department of Agriculture, Fisheries and Forestry's (**DAFF**) Agriculture, Land and Emissions Discussion Paper Discussion Paper (**Discussion Paper**), which opened for consultation on 7 November 2023.

CMI is an independent member-based institute that promotes the use of market-based solutions and supports best practice in decarbonisation to limit warming to 1.5°C. CMI's 150 strong membership includes organisations from across the entire carbon value chain, including primary producers, carbon service providers, legal and financial institutions, technology firms and emissions intensive companies.

CMI's Board annually updates the CMI's Policy Positions in consultation with, but independent of, members.¹ CMI also administers the Australian Carbon Industry Code of Conduct (**ACI Code**), which was established in 2018 to promote and steward consumer protection and market integrity.² The ACI Code and other market readiness work, including example contract clauses and property valuation best practice, relates directly to carbon farming contracts with farming, Indigenous and conservation landholder stakeholders.

CMI's submission to the Discussion Paper has been informed by targeted consultation with members with agriculture and land sector expertise and interests. However, the positions below are CMI's independent view, and do not represent any CMI individual, member company or industry sector.

Strategic outlook

CMI strongly supports the Albanese Government's agenda to develop six sectoral decarbonisation plans to guide Australia's economy-wide net zero transition. We welcome this opportunity to provide feedback on the Agriculture and Land Sectoral Decarbonisation Plan (**Sectoral Plan**).

As CMI has advocated, each sectoral plan should apportion a carbon budget and include a clear roadmap to reduce emissions in the sector accordingly by driving the uptake of key actions and activities.³ Plans should use supportive market-based frameworks where appropriate, informed by a National Carbon Market Strategy (**NCMS**), as also recommended by the Climate Change Authority.⁴ We note and welcome the Government's

¹ CMI's Policy Positions were updated in November 2023. See: CMI 2023, 'CMI Policy Positions', https://carbonmarketinstitute.org/app/uploads/2023/11/CMIPolicy-Advocacy-Positions_FINAL-2023.pdf; CMI 2025 Strategy: Accelerating climate action, <https://carbonmarketinstitute.org/app/uploads/2022/12/CMI-2025-Strategic-Plan.pdf>.

² More information can be found on the ACI Code website: <https://carbonmarketinstitute.org/code/>.

³ CMI 2023, 'Climate Change Authority: Setting, tracking and achieving Australia's emissions reduction targets' (CMI submission), https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL_CMI-submission_CCA-2023-consultation.pdf, pp. 9, 9-11.

⁴ Climate Change Authority (CCA) 2022, '2022 Review of International Offsets', available at: <https://climatechangeauthority.gov.au/publications/2022-review-international-offsets>; CCA 2023, '2023 Annual Progress Report', https://www.climatechangeauthority.gov.au/sites/default/files/documents/2023-11/2023%20AnnualProgressReport_0.pdf.



in-principle acceptance of this recommendation, especially in relation to sectoral planning such as this, however encourage that an NCMS be explicitly considered and not just as part of the Net Zero Plan.⁵

With respect to agriculture and land, CMI notes the National Statement on Climate Change and Agriculture,⁶ which saw Australian agriculture ministers jointly commit to supporting the sector meet its full potential. We also recognise Australia's recent endorsement of sustainable agriculture at COP28 in Dubai, December 2023.⁷

As canvassed in the Discussion Paper, the agriculture and land sector currently comprises almost 17 percent of national emissions—a share that will grow as other sectors such as electricity decarbonise more readily.⁸ At the same time, the sector is a crucial source of nature-based sequestration.

CMI has highlighted the need for a clear strategy that allows Australia's farmers and land managers to remain productive and manage sectoral emissions, while embracing opportunities to support broader economic transition through land-based sequestration and nature repair.⁹

Recent modelling from Climateworks Centre reinforces that the agriculture and land sector can—and must—address its own emissions while augmenting broader drawdown if Australia is to contribute its fair share to Paris-aligned action.¹⁰ Carbon removal in 2050 under a 1.5°C scenario will need to scale to 17 times what Australian land currently sequesters each year—and the report finds that the bulk of this drawdown would come from scaling established land-based practices such as planting trees and ecosystem restoration.

The Sectoral Plan is an opportunity to provide important guidance, fulfil existing Government commitments and examine other policy and market levers.

A combination of incremental and transformational changes will be needed to support transition in the agriculture and land sector. While this will be challenging, CMI highlights the urgency of the climate crisis and rapidly closing window of opportunity to limit warming to 1.5°C.¹¹ It is vital that the resulting Sectoral Plan is not a 'plan for a plan', but a clear roadmap of actions that will begin to drive change.

The ACCU Scheme has been the historical and primary driver of abatement in the agriculture and land sector and CMI considers that incentives and market-based initiatives, including under the strengthened Safeguard

⁵ Department of Climate Change, Energy, the Environment and Water (DCCEEW) 2023, 'Annual Climate Change Statement 2023', <https://www.dcceew.gov.au/sites/default/files/documents/annual-climate-change-statement-2023.pdf>, p. 82.

⁶ DAFF 2023, 'National Statement on Climate Change and Agriculture', available for download at: <https://www.agriculture.gov.au/agriculture-land/farm-food-drought/climatechange/national-statement-on-climate-change-and-agriculture>.

⁷ In December 2023, Australia joined the Emirates Declaration on Sustainable Agriculture, Resilient Food Systems and Climate Action at the 28th United Nations Climate Change Conference (COP28) in Dubai <https://www.cop28.com/en/food-and-agriculture>. See: DCCEEW 2023, 'Australia endorses sustainable agriculture on world stage', <https://www.dcceew.gov.au/about/news/australia-endorses-sustainable-agriculture-world-stage>.

⁸ The Discussion Paper notes that emissions from agriculture and land were 16.8% of Australia's national greenhouse gas emissions in 2020-21. See: DAFF 2023, 'Agriculture, land and emissions Discussion paper', https://ehq-production-australia.s3.ap-southeast-2.amazonaws.com/0034b2c3d575222a75e0aa388af4c25fef01e572/original/1699249359/19d10193581ae8c77bb049f73592de97_Agriculture_land_and_emissions_-_discussion_paper.pdf?X-Amz-Algorithm=AWS4-HMAC-SHA256&X-Amz-Credential=AKIA4KKNQAKIOR7VAOP4%2F20231213%2Fap-southeast-2%2Fs3%2Faws4_request&X-Amz-Date=20231213T062229Z&X-Amz-Expires=300&X-Amz-SignedHeaders=host&X-Amz-Signature=1668ca0019919a5c0d9e7d5cc37f7f0fe64449b598e0dec9456311f85330cbca, p. 2.

⁹ CMI 2023, 'Climate Change Authority: Setting, tracking and achieving Australia's emissions reduction targets' (CMI submission), https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL_CMI-submission_CCA-2023-consultation.pdf, pp. 23-24.

¹⁰ Climateworks Centre 2023, 'Climateworks Centre decarbonisation scenarios 2023: Paris Agreement alignment for Australia', November, available at: <https://www.climateworkscentre.org/resource/climateworks-centre-decarbonisation-scenarios-2023-australia-can-still-meet-the-paris-agreement/>.

¹¹ For example, research released at COP28 in Dubai finds the world on the brink of numerous tipping points that could have irreversible impacts on earth's "life's support systems", but that urgent action can still stem risks. See: T Lenton et al. 2023, 'Global Tipping Points Report', <https://global-tipping-points.org/>.



Mechanism, will remain important abatement drivers for the sector. However, building on this foundation with a more sophisticated policy approach is now required to guide Australian producers and land managers to seize opportunities while also adjusting to the demands of a global economy in transition.

Transition risks include policy decisions in key trading partners, such as the European Union Carbon Border Adjustment Mechanism (**EU CBAM**).¹² Domestic challenges will also emerge as Australia's climate policy suite evolves, including through the introduction of mandatory climate-related financial disclosure (**CRFD**) from 2024, as well as future decisions.¹³ For example, further expansion of the Safeguard Mechanism—as recommended by CMI, the Organization for Economic Cooperation and Development (**OECD**) and the Productivity Commission, among others¹⁴—could extend compliance obligations to the agriculture and land sector. The Sectoral Plan should support producers and land managers to prepare for these future possibilities.

At the same time, the Sectoral Plan should interface with an NCMS that would help resolve tensions, balance sectoral objectives, and inform the considered use of carbon and other environmental markets, including the recently passed Bill to establish a Nature Repair market, to scale land-based and agricultural abatement to support both sectoral and broader economic transition.¹⁵

CMI looks forward to clarification of the Government's forward approach to public ACCU purchasing under the Powering the Regions Fund (**PRF**), following consultation on the potential to amend the historical 'least cost' mandate. As we have previously noted, an NCMS could guide Government ACCU purchases under the PRF such that these feed into and support key transition activities in each of the six sectoral decarbonisation plans.¹⁶

Finally, while farmers and land managers have significant potential to lead Australia's climate change response, they are also at the forefront of impacts such as more extreme, less predictable weather events.¹⁷ It is therefore critical that the Sectoral Plan addresses emissions and unlocks sequestration while building climate resilience and avoiding maladaptation or other unintended perverse outcomes.¹⁸ Here, interfaces

¹² While agricultural goods are not in the initial scope of the EU's carbon border adjustment mechanism (CBAM), should coverage broaden this could impact Australian producers' access to the European market. See: AgriFutures & Deloitte Access Economics 2023, 'Carbon border adjustment mechanisms: Implications for Australian agriculture', <https://agrifutures.com.au/product/carbon-border-adjustment-mechanisms-implications-for-australian-agriculture/>.

¹³ See: Treasury 2023, 'Climate-related financial disclosure: Second consultation', <https://treasury.gov.au/consultation/c2023-402245>

¹⁴ CMI 2023, 'Climate Change Authority: Setting, tracking and achieving Australia's emissions reduction targets submission', https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL_CMI-submission_CCA-2023-consultation.pdf; Productivity Commission 2023, '5-year Productivity Inquiry: Managing the climate transition' (Inquiry report – volume 6), <https://pc.gov.au/inquiries/completed/productivity/report/productivity-volume6-climate-transition.pdf>; OECD 2023, 'OECD Economic Surveys: Australia 2023 Executive Summary', available for download at: <https://oecd.org/economy/australia-economic-snapshot/>.

¹⁵ CMI 2023, 'Nature Repair Bill can be a positive step in mobilising investment while EPBC Act reforms are progressed' (media release), <https://carbonmarketinstitute.org/2023/12/06/nature-repair-bill-can-be-a-positive-step-in-mobilising-investment-while-epbc-act-reforms-are-progressed/>.

¹⁶ See: CMI 2023, 'ACCU Review Discussion Paper submission', https://carbonmarketinstitute.org/app/uploads/2023/10/2023.10_CMI_ACCU-Review-Discussion-Paper_submission.pdf; CMI 2023, 'Climate Change Authority: Setting, tracking and achieving Australia's emissions reduction targets submission', https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL_CMI-submission_CCA-2023-consultation.pdf.

¹⁷ For example, the Intergovernmental Panel on Climate Change (IPCC) finds that disruption and decline in agricultural production and increased stress in south-western, southern and mainland eastern Australia is a key climate-related risk with the potential to contribute to cascading compounding and aggregate impacts on cities, settlements, infrastructure, supply chains and services. See: IPCC 2022, 'Climate Change 2022: Impacts, Adaptation and Vulnerability' (Working Group II contribution) in Sixth Assessment Report (AR6), https://report.ipcc.ch/ar6/wg2/IPCC_AR6_WGII_FullReport.pdf, p. 1649.

¹⁸ The IPCC defines maladaptation as changes in natural or human systems that inadvertently increase vulnerability to climatic stimuli; an adaptation that increases, instead of reducing, vulnerability. See: IPCC 2018, 'Glossary of Terms', <https://www.ipcc.ch/site/assets/uploads/2018/03/wg2TARannexB.pdf>.



between the Sectoral Plan and state- and territory-based adaptation strategies, as well as the Australian Government's forthcoming National Adaptation Plan and ongoing Nature Positive Plan, will be integral.¹⁹

CMI Recommendations

In response to the Discussion Paper, CMI makes three overarching recommendations, as follows.

The Agriculture and Land Sectoral Decarbonisation Plan should:

- 1. Signpost a clear, long-term direction of travel for sectoral transition**, including by:
 - a) recognising the sector's dual role in supporting sustainable food and fibre production, and scaling land-based abatement to support sectoral and broader economic transition;
 - b) setting separate, indicative long-term removal and reduction targets for the agriculture and land sector to guide the sector to balance its dual role;
 - c) prioritising food systems transformation in scaling up adaptation and resilience activities to respond to the impacts of climate change; and
 - d) accounting for land-based emissions and removals separately in the National Greenhouse Accounts.

- 2. Build awareness, literacy and capacity around the transition to net zero and net negative emissions among agricultural producers, land managers, First Nations groups, and the broader community** by:
 - a) introducing a standardised approach to on-farm emissions accounting and reporting, including consistent approaches to data collection;
 - b) updating and promoting Australian state- and territory-specific emissions factors to empower organisations to measure scope 3 emissions, and identify and act on significant value chain agriculture and land sector abatement opportunities;
 - c) consulting First Nations groups who own, manage or have rights pertaining to Australia's vast Indigenous Estate; and
 - d) coordinating with the eventual Net Zero Authority to identify and build up regional jobs and skills needs associated with the transition; to do this, the Sectoral Plan should leverage existing initiatives including CMI's Market Readiness work and the Government's Sustainable Agricultural Facilitators and Carbon Farming Outreach Program, as well as supporting skills development through universities, TAFE and further educational microcredit programs.

- 3. Leverage the ACCU Scheme and complementary market-based frameworks to scale the abatement potential of the agriculture and land sector, as guided by a National Carbon Market Strategy.**

CMI recognises that the carbon farming industry needs to address social as well as natural capital benefits and dis-benefits. We encourage further development of relevant indicators to support evidence-based approaches to identifying and addressing co-benefits as well as unintended or perverse outcomes.

Informed by an NCMS, the Sectoral Plan can help resolve tensions, balance the agriculture and land sector's dual role and inform the considered use of carbon markets to support sectoral and broader economic and decarbonisation goals.

¹⁹DCCEEW 2023, 'Investing in protecting Australians from climate impacts' (media release), 6 June, <https://minister.dcceew.gov.au/mcallister/media-releases/investing-protecting-australians-climate-impacts>; DCCEEW 2022, 'Nature Positive Plan: better for the environment, better for business', <https://www.dcceew.gov.au/sites/default/files/documents/nature-positive-plan.pdf>



Opportunities, drawbacks and barriers associated with the ACCU Scheme that the Sectoral Plan should endeavour to, as informed by an NCMS, include:

- the emergence of carbon as a serious commodity, and potential for ACCUs to provide stable, diversified revenue for farmers and land managers;
- the potential for targeted Government purchases of ACCUs through the Powering the Regions Fund (**PRF**) to support agriculture and land sectoral transition, informed by an NCMS;
- ways in which ACCU Scheme participation can support farmers and land managers to respond to supply chain pressures;
- co-benefits or 'core' benefits associated with carbon projects, including those that support agricultural producers to adapt and build climate and drought resilience;
- the role of ACCU methods in supporting behavioural and practice changes that drive emissions avoidance, reductions and removals in the agriculture and land sector;
- the need to identify and address market imperfections with proportionate, evidence-based approaches to manage trade-offs, minimise dis-benefits and avoid unintended or perverse impacts; and
- ensuring that AFSL requirements associated with ACCU Scheme participation do not present unreasonable barriers to small-scale carbon projects and the development of a retail agricultural carbon market.

Detailed feedback and suggested actions to support these overarching recommendations are provided in the Attachment. Relevant Discussion Paper questions are tagged at the start of each section in [\[blue\]](#).

Should you have questions or wish to discuss CMI's submission in further detail, please contact Gabriella Warden (Manager, Research and Government Relations) at gabriella.warden@carbonmarketinstitute.org.

Yours sincerely,

Janet Hallows

Janet Hallows

Director, Climate Programs and Nature-based Solutions, CMI



ATTACHMENT

1. The Sectoral Plan should signpost a clear, long-term direction of travel for sectoral transition.

[Discussion Paper Question 7]

Addressing emissions and scaling abatement in the agriculture and land sector is key in meeting Australia's Nationally Determined Contribution (NDC) mitigation targets under the Paris Agreement.

As the Discussion Paper notes, the sector will also need to address its emissions to respond to emerging transition risks such as supply chain pressures.²⁰ These may stem from trade partner policy decisions, but also domestically as Australia's climate policy suite evolves (see more on particular transition challenges under Recommendation 2, below).

To support the agriculture and land sector to prepare for and respond to the risks and opportunities associated with the net zero and net negative transition, the Sectoral Plan should endeavour to:

a) recognise the sector's dual role in supporting sustainable food and fibre production, and scaling land-based abatement to support sectoral and broader economic transition;

As part of this, policy and market considerations to avoid land-use trade offs should be contemplated.²¹

b) set separate, indicative long-term removal and reduction targets for the agriculture and land sector to guide the sector to balance its dual role; and

Research from Climateworks Centre highlights that putting the agriculture and land sector on a 1.5°C pathway would see annual sectoral emissions stay relatively stable, peaking at 70.6 MtCO₂-e in 2026 and falling to 58.4 MtCO₂-e by 2050 (see Figure 1, below).²² Large-scale sequestration would be needed to counterbalance these residual emissions and support broader carbon drawdown, with the bulk of this coming from nature-based removals that have the potential to scale to more than 337 MtCO₂-e removals annually by 2050. This is more than 17 times current land-based sequestration volumes.

Separate emissions removal and reduction targets would provide a reference point to guide the agriculture and land sector to balance its own sequestration needs with those of the broader economy. Emissions reductions in the land sector can be achieved through a range of currently existing measures coupled with new R&D and commercially viable and scalable technological options. Direct mitigation activities include reducing methane from livestock, reducing nitrous oxide emissions in cropping and pasture systems, manure management and conversion of energy/fuel and industrial processes. Some of the technological and practice change solutions include feed supplements for ruminants, reduced fertiliser application, minimising tillage, rotational cropping or enhanced efficiency fertiliser products. Agri-business actors can follow the Science Based Targets initiative's

²⁰ DAFF 2023, 'Agriculture, land and emissions Discussion Paper', pp. 7-8, available for download at:

<https://haveyoursay.agriculture.gov.au/agriculture-and-land-sectoral-plan>.

²¹ See, for example: Climateworks Centre 2021, 'The Land Use Trade Offs Model (LUTO Model)', available for download at:

<https://www.climateworkscentre.org/resource/the-land-use-trade-offs-model/>.

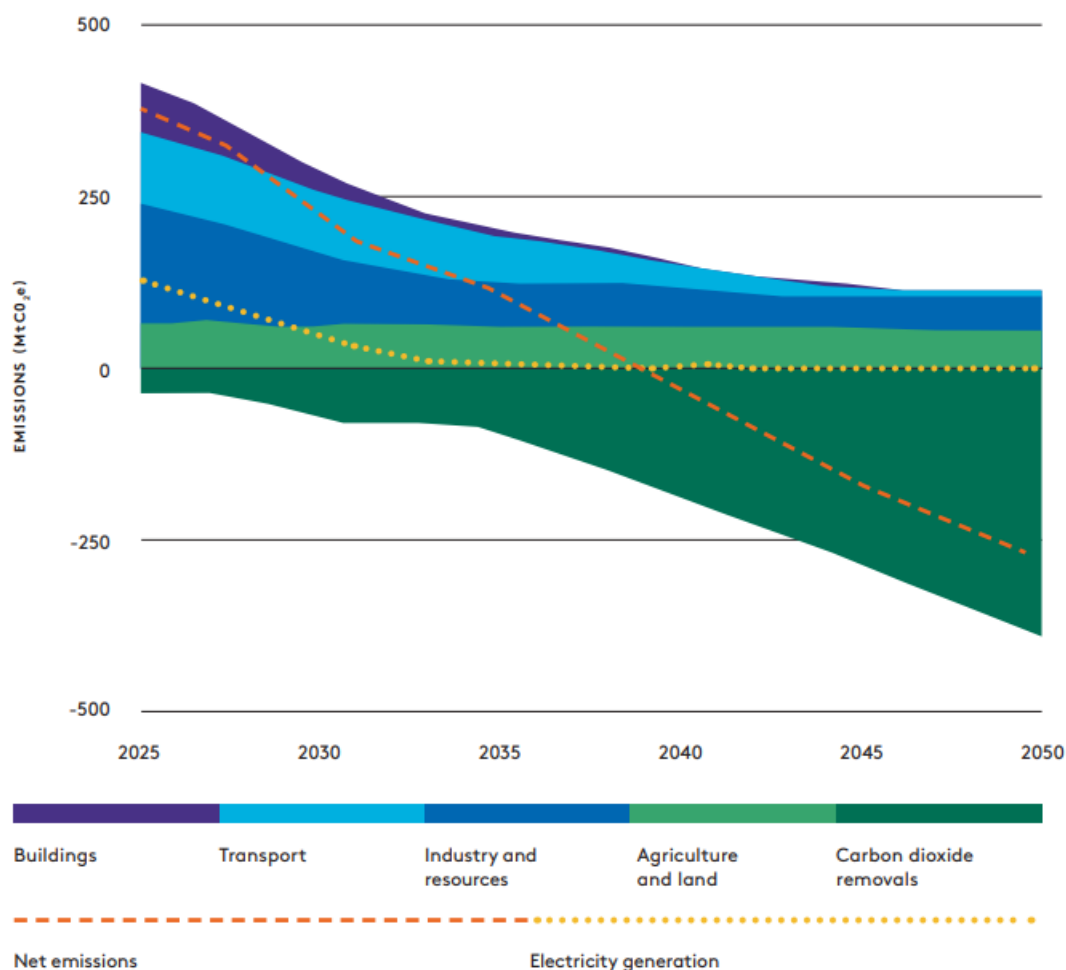
²² Climateworks Centre 2023, 'Climateworks Centre decarbonisation scenarios 2023: Paris Agreement alignment for Australia', November, available at: <https://www.climateworkscentre.org/resource/climateworks-centre-decarbonisation-scenarios-2023-australia-can-still-meet-the-paris-agreement/>.



Forest, Land and Agriculture project (SBTi FLAG)²³ to help target deforestation and to manage emissions in their supply chains. Other approaches include the Greenhouse Gas Protocol (GHG Protocol) Land Sector and Removals Guidance. CMI has previously provided feedback to the GHG Protocol on potential challenges associated with this Guidance. We consider that some of its requirements may present particular challenges in the Australian context due to persisting technology and capability gaps, which could lead to implementation risks and unintended consequences. The Government should ensure that any guidance it adopts to support land sector emissions accounting under the Sectoral Plan is fit-for-purpose for an Australian context. Activities with the biggest potential abatement outcomes in the land sector are drastically reducing land clearing and managing biomass burning through fore management and cultural burning.

As well as being informed by robust industry consultation, CMI notes that indicative targets should be evidence-based, and could draw on existing research, including from Climateworks Centre and the Climate Change Authority.²⁴

Figure 1: Emissions by sector for 1.5°C (67%) scenario



Source: Climateworks Centre, 2023

²³ Science-based Targets Forest, Land and Agriculture (FLAG) <https://sciencebasedtargets.org/sectors/forest-land-and-agriculture>

²⁴ Climate Change Authority 2023, 'Reduce, remove and store: The role of carbon sequestration in accelerating Australia's decarbonisation', https://www.climatechangeauthority.gov.au/sites/default/files/Sequestration%20Insights%20Paper%20-%20Publication%20Report_0.pdf.



c) prioritise food systems transformation in scaling up adaptation and resilience activities to respond to the impacts of climate change;

Interactions between food systems, agriculture and climate must be recognised as well as the need for building resilient food systems and climate-smart agriculture in order to ensure adaptation to a changing climate and assure food security. Outlook projections in the Intergovernmental Panel on Climate Change Sixth Assessment Report²⁵ show decreasing productivity in existing areas of agricultural production, coupled with decreasing availability and nutritional quality of food, and increasing stress on the ecosystem services upon which global food systems depend. Policies outlined in the report to support system transitions include shifting subsidies, removing perverse incentives, regulation and certification, green public procurement, investment in sustainable value chains, support for capacity-building, access to insurance premiums, payments for ecosystem services, and social protection, amongst others. Food systems transformation was put on the global climate agenda at the recent UNFCCC meeting in Dubai with the signing of a ‘COP28 UAE Declaration on Sustainable Agriculture, Resilient Food Systems, and Climate Action’²⁶ by 134 countries, including Australia. Strengthening food systems, building resilience to climate change and reducing LULUCF global emissions will be supported by agricultural research and scaling agricultural innovations.

d) account for land-based emissions and removals separately in the National Greenhouse Accounts.

The current mode of accounting for emissions from agriculture, forestry and other land use (**AFOLU**) in the National Greenhouse Accounts (**NGA**)—whereby emissions are ‘netted out’ against removals—reduces the visibility of land clearing and its impact.

Accounting for agriculture and land emissions and removals separately would make progress (or regression) towards the indicative separate sectoral targets recommended above visible, allowing this to be measured.

Separate accounting of land-based removals and emissions would also increase the visibility of emissions from land clearing and deforestation—an ongoing trend in the agriculture and land sector that CMI notes is not comprehensively canvassed in the Discussion Paper. Understanding the scale of land clearing emissions is key so that the Government can identify targeted ways to address and prevent these, including through supporting market-based incentives.

2. The Sectoral Plan should build awareness, literacy and capacity around the transition to net zero and net negative emissions among agricultural producers, land managers, First Nations groups, and the broader community.

[\[Discussion Paper Questions 3, 6, 8, 10, 11\]](#)

Building awareness, literacy and capacity around decarbonisation is a foundational precursor to transitioning the agriculture and land sector. This includes consultation with the First Nations who own

²⁵ The fifth chapter “Food, Fibre and Other Ecosystem Products” of the Sixth Assessment Report of the Intergovernmental Panel on Climate Change outlines climate change impacts whilst outlining various adaptation approaches - https://www.ipcc.ch/report/ar6/wg2/downloads/report/IPCC_AR6_WGII_Chapter05.pdf

²⁶ COP28 UAE Declaration on Sustainable Agriculture, Resilient Food Systems, and Climate Action - <https://www.cop28.com/en/news/2023/12/COP28-UAE-Presidency-puts-food-systems-transformation>



and/or care for Country across Australia's vast Indigenous Estate, and can play a leading role in supporting climate and nature repair.

The Sectoral Plan can support foundational awareness, literacy and capacity around the transition to net zero and negative emissions in the land and agriculture sector by:

a) introducing a standardised approach to on-farm emissions accounting and reporting, including consistent approaches to data collection;

Consistent data standards and frameworks will help prepare Australia's agriculture sector for transition risks and transformational adaptation. Risks may derive from trade partner policy decisions, such as the EU CBAM.²⁷ Domestic regulatory changes—such as the impending introduction of mandatory CRFD—may also have implications.²⁸ Further scaling of the strengthened Safeguard Mechanism—such as by lowering the coverage threshold to 25,000 tCO₂-e direct annual emissions—is another possible domestic policy choice that could have material implications for the agriculture and land sector.²⁹

Research from EY Net Zero Centre notes while the agriculture sector is not currently captured by the EU CBAM, in readiness for potential future inclusion, Australian and New Zealand agriculture should stay ahead of the requirements and standards being introduced in key export markets.³⁰ AgriFutures and Deloitte Access Economics similarly emphasise that supporting data standardisation and reporting uptake now would lower the cost of future trade regulations that may apply to agricultural exports.³¹ An industry co-design approach to data standardisation would reduce uptake costs.

CMI suggests that the Sectoral Plan looks to key trading partners for guidance on how to work with industry to standardise and build sectoral understanding and capacity for emissions accounting, reporting and data standardisation, such as New Zealand's approach to supporting on-farm reporting capabilities.³²

'Good' data is essential in strategic decision making. During consultation, CMI members raised the need for the Government to focus on consistent foundational data collection approaches (rather than new tools) to support emissions reporting, which itself can be undertaken through existing tools. Members conversely stressed a careful, considered approach should be taken with regards to

²⁷ Possible future implications of the EU CBAM for the agriculture and land sector are canvassed in: AgriFutures & Deloitte Access Economics 2023, 'Carbon border adjustment mechanisms: Implications for Australian agriculture', <https://agrifutures.com.au/product/carbon-border-adjustment-mechanisms-implications-for-australian-agriculture/>.

²⁸ Treasury will introduce mandatory corporate climate-related financial disclosure under a phased approach from July 2024. See more information on the latest consultation round here: Treasury 2023, 'Climate-related financial disclosure: Second consultation', <https://treasury.gov.au/consultation/c2023-402245>.

²⁹ CMI is among organisations calling for the expansion of the Safeguard Mechanism to more of the Australian economy, including through lowering the threshold for coverage. See: CMI 2023, 'Climate Change Authority: Setting, tracking and achieving Australia's emissions reduction targets submission', https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL_CMI-submission_CCA-2023-consultation.pdf.

³⁰ EY 2023, 'Carbon pricing and the new competitive edge: The EU's Carbon Border Adjustment Mechanism and what it means for your business', available for download at: https://www.ey.com/en_au/sustainability/the-carbon-border-adjustment-mechanism.

³¹ Deloitte Access Economics and AgriFutures 2023, 'Carbon border adjustment mechanisms: Implications for Australian agriculture', <https://agrifutures.com.au/wp-content/uploads/2023/11/23-176-CBAM-implications-for-Australia.pdf>, p. 32.

³² New Zealand Government 2022, 'Greenhouse gases: Farm Planning Guidance' (3rd edition), March, <https://hewakaekenoa.nz/wpcontent/uploads/2022/03/He-Waka-Eke-Noa-Greenhouse-gases-Farm-Planning-Guidance-March-2022-Final.pdf>.

CMI made further comments on the potential of New Zealand's approach as a blueprint in our 2023 submission to the Climate Change Authority (CCA). See: CMI 2023, 'Climate Change Authority: Setting, tracking and achieving Australia's emissions reduction targets submission', https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL_CMI-submission_CCA-2023-consultation.pdf, p. 23.



developing new tools, noting that many calculators and reporting tools exist and that it is the data itself (which feeds into these tools) and modes of collection that should be the focus of improvement.

CMI notes our support for the Government's \$15.5 million initial Budget commitment to develop Environment Information Australia, which could support displaying this information.³³

To support emissions accounting consistency between sectors and prepare the agriculture and land sector for potential inclusion under the Safeguard Mechanism in the longer-term, it may be useful for farming operators to report under the National Greenhouse and Energy Reporting Scheme (**NGERs**). CMI notes that the Government should carefully consult with industry to determine whether this is an appropriate or helpful approach for agriculture and land.

b) updating and promoting Australian state- and territory-specific emissions factors to empower organisations to measure scope 3 emissions, and identify and act on significant value chain agriculture and land sector abatement opportunities;

CMI members noted that Australia's value chain emissions factors have not been updated or expanded for some time, or that this information (if it exists) is not visible.

Updating Australia's state- and territory-specific emissions factors would be a useful, relatively low effort means by which the Government could empower organisational supply chain accounting, which would facilitate decision-makers to identify low-effort actions to reduce value chain emissions that may derive upstream in the agriculture and land sector. Organisations can use scope 3 emissions factors to identify large, important sources of value chain emissions that could be addressed, for example, by simple sourcing decisions.

To ensure resources are visible and accessible, emissions factor updates and resources should be promoted on a government website. A relevant department or agency (possibly the Department of Climate Change, Energy, the Environment and Water – DCCEEW) could also host education sessions and webinars to educate stakeholders on how to access and use emissions factors to account for and address value chain emissions.

c) consulting First Nations groups who own, manage or have rights pertaining to Australia's vast Indigenous Estate; and

The Indigenous Estate in Australia is vast, covering 57 percent of our land mass or 438 million hectares.³⁴ In developing the Sectoral Plan, CMI highlights the need for Government to undertake early, targeted consultation with First Nations representative groups to ensure diverse views are considered and identify opportunities for Indigenous leadership to support nature and climate repair associated with sectoral transition.

³³ In the context of the ACCU Scheme, CMI has supported the Independent Review of ACCUs' recommendation that the Government support a national data platform to display project-level details and support greater scheme transparency and recommended this be integrated with Environment Information Australia. See: CMI 2023, 'ACCU Review Discussion Paper submission', https://carbonmarketinstitute.org/app/uploads/2023/10/2023.10_CMI_ACCU-Review-Discussion-Paper_submission.pdf.

The Government announced \$15.5 million to establish Environment Information Australia in the May 2023 Budget – see: DCCEEW 2023, 'Budget 2023-24: Protecting, repairing and better managing the environment', May, <https://www.dcceew.gov.au/sites/default/files/documents/protectingrepairing-and-better-managing-the-environment-fs.pdf>.

³⁴ DAFF 2022, 'Australia's Indigenous land and forest estate (2020)', <https://www.agriculture.gov.au/abares/forestsaustralia/forest-data-maps-and-tools/spatial-data/indigenous-land-and-forest>.



- d) coordinating with the eventual Net Zero Authority to identify and build up regional jobs and skills needs associated with the transition; to do this, the Sectoral Plan should leverage existing initiatives including CMI's Market Readiness work and the Government's Sustainable Agricultural Facilitators and Carbon Farming Outreach Program, as well as supporting skills development through universities TAFE and further educational microcredit programs.**

To support the agriculture and land sectoral decarbonisation, the Government should invest in upskilling the traditional workforce that provides trusted advisory services to the sector (agronomists, bankers, property valuers, etc.). At the same time, greater workforce capacity will be needed in emerging vocations required to support the net zero transition (carbon service providers, soil scientists, carbon valuers, etc.).

The Sectoral Plan should consider and leverage existing public and industry-led initiatives as part of this. **CMI's Market Readiness work under our Carbon Farming Industry Roadmap**³⁵ is an industry-led initiative supporting awareness and understanding about carbon markets and the ACCU Scheme among existing and emerging vocations. Through this workstream, CMI is partnering with members and adjacent industry bodies to create tools and training programs focused on equipping farmers and landholders, as well as trusted professional service providers and advisors, with understanding to support informed decision-making about ACCU Scheme participation. Tools and initiatives so far include:

- **example carbon contract clauses** – work to provide best practice legal contract clauses and guidance to support financial institutions, landholders, carbon project developers and service providers to establish carbon projects;
- **banker training program** – aimed at expanding knowledge and capacity in the banking industry with regards to carbon farming and the ACCU Scheme; and
- working with key stakeholders, including the Australian Property Institute, to **support knowledge and capacity for rural property valuers and financiers** around carbon farming and project valuations.

The Sectoral Plan should also leverage existing Government initiatives such as the Sustainable Agricultural Facilitators (**SAFs**) program and Carbon Farming Outreach Program (**CFOP**). In expanding such programs, CMI notes the importance of ensuring training materials are fit for purpose to equip farmers and land managers to make informed decisions. The net zero transition offers a complex set of opportunities and challenges that these stakeholders should not be expected to navigate alone. Outreach programs should therefore not simply aim to train farmers, but also raise awareness and understanding among farmers and land managers of the advisors and service providers that can help them pivot their businesses and practices to meet demands and seize opportunities associated with decarbonisation.

As well as Government outreach programs, CMI wishes to highlight the role carbon service providers play in supporting farmers and land managers to make informed decisions and navigate complexities associated with the ACCU Scheme. To support farmers and land managers in identifying trusted carbon service providers and industry professionals, the Sectoral Plan should promote the ACI Code and its landmarks (see Figure 2, below). These landmarks indicate that an organisation is a Code Signatory and committed to best practice and ethical engagement with stakeholders and clients.

³⁵ CMI 2022, 'Carbon Farming Industry Roadmap', <https://carbonmarketinstitute.org/app/uploads/2022/03/Australian-Carbon-Farming-Industry-Roadmap-v.2.1.pdf>.



The Australian Carbon Industry of Conduct (**ACI Code**) plays a key role in upholding carbon industry integrity and consumer protection, as noted by the Independent Review of ACCUs, which recommended the Government explore wider industry accreditation and/or regulation.³⁶

Figure 2: ACI Code landmarks



Source: ACI Code website (<https://carbonmarketinstitute.org/code/signatories/>)

3. The Sectoral Plan should strategically leverage the ACCU Scheme and complementary market-based frameworks to scale the abatement potential of the agriculture and land sector, as guided by a National Carbon Market Strategy.

[Discussion Paper Questions 1, 2, 3, 5, 6, 7, 8]

CMI recognises that the agriculture and land sector will be inherently difficult to decarbonise. However, research shows that increasing agricultural productivity while reducing emissions intensity and addressing sectoral and broader residual emissions is possible.³⁷ We consider that the ACCU Scheme and emerging complementary market-based policy frameworks such as the Nature Repair market are important pillars in driving transformational change, alongside other policy measures such as protecting standing carbon in native forests.

To support and balance these outcomes, CMI recommends that the Sectoral Plan leverage the ACCU Scheme and emerging complementary market-based policy frameworks to scale sectoral abatement. An overarching NCMS should inform this, helping the sector to balance its own mitigation needs (e.g., for addressing hard-to-abate activities such as livestock emissions), while supporting broader economic sequestration.

In addition to, or as part of, an NCMS, CMI suggests that non-binding guidance on best-practice use of carbon credits to address emissions—for example, appropriate vintage windows—may support producers and land managers (as well as those in other sectors) participating in the ACCU Scheme to balance their own abatement needs with what they can sell on to support abatement in other sectors.

Further potential opportunities, drawbacks and barriers associated with the ACCU Scheme that the Sectoral Plan could investigate and/or address, as informed by an NCMS, include:

- co-benefits or ‘core’ benefits associated with carbon projects, including those that partner with First Nations people to care for Country and those that support agricultural producers to adapt to a changing climate, increase productivity and build drought resilience;

³⁶ See ‘Key Findings’ under Recommendation 12 in: I Chubb et al. 2022, ‘Final Report: Independent Review of Australian Carbon Credit Units’, <https://www.dcccew.gov.au/sites/default/files/documents/independent-review-accu-final-report.pdf>, p. xii.

³⁷ See commentary in introduction and under Recommendation 1, as well as: Climateworks Centre 2023, ‘Climateworks Centre decarbonisation scenarios 2023: Paris Agreement alignment for Australia’, November, available at: <https://www.climateworkscentre.org/resource/climateworks-centre-decarbonisation-scenarios-2023-australia-can-still-meet-the-paris-agreement/>.



- **The potential for ACCU projects to provide stable, diversified revenue for farmers and land managers.**

In 2023, ACCUs and carbon has emerged as a serious—albeit unique, regulated and still emerging—commodity market for producers and land managers to consider engaging in as the broader economy shifts to decarbonise. CMI’s Australian Carbon Farming Industry Roadmap³⁸ identifies a clear path forward for both government and the private sector to work together, addressing opportunities and challenges for the industry’s growth out to 2030. The Roadmap models that if Australia overachieved its 2030 NDC, the land sector could contribute 30–40% of Australia’s 2020–2030 abatement challenge, generating new revenue, jobs and benefits for rural communities. A stakeholder action plan in the Roadmap outlines a range of clear and defined actions for the carbon farming industry’s primary stakeholder groups, which will help to catalyse four critical pillars of industry development: optimising policy frameworks & market design; unlocking finance and investment; quantifying co-benefits and creating new markets; and communicating benefits and building capacity.

Recent findings from the AgriFutures Carbon Initiative Program show that there is considerable interest in the ACCU Scheme from farmers, however that they are seeking a trusted source of information.³⁹ Findings also showed the value of documented success stories and case studies in supporting understanding. This reinforces the importance of the Sectoral Plan supporting skills development and awareness among producers and land managers, as noted in the sub-recommendations and feedback provided above under Recommendation 2.

- **ACCU Scheme projects drive finance flows towards sustainable, climate-smart agriculture and land management practices**

Private sector investment is critical, alongside government actions, in driving systemic change, reducing emissions and drawing down carbon into the landscape. Nature-based solutions through the ACCU Scheme crowd in and incentivise corporate investment, particularly given the security provided by a sovereign-backed scheme. Enablers to de-risk investment and super charge food systems transformation include: improving data availability and access; government-defined priority outcomes; greater clarity and formal guidance on the operation of high-integrity ACCU markets. Additional support by the Clean Energy Finance Corporation, the Regional Investment Corporation and the National Reconstruction Fund will assist in underwriting private sector risk and in targeting specific investment priorities.

- **ACCU Scheme methods can support behaviour and practice changes in the agriculture and land sector that reduce and avoid emissions, and the reworked proponent-led method development model will provide additional opportunities**

During consultation, CMI members noted that ACCU methods best suited for addressing agriculture and land sectoral emissions are those that are practical, allow for aggregation across multiple properties to reduce overheads, and inclusive—including having a ‘technology agnostic’ approach. This means methods are flexible to accommodate new abatement and measurement technologies and innovations as they become available.

³⁸ Carbon Market Institute, Australian Carbon Farming Industry Roadmap, 2nd edition, <https://carbonmarketinstitute.org/app/uploads/2022/03/Australian-Carbon-Farming-Industry-Roadmap-v.2.1.pdf>

³⁹ AgriFutures 2023, ‘How to break down the barriers to carbon farming’, <https://agrifutures.com.au/news/how-to-break-down-the-barriers-to-carbon-farming/>.



There are already numerous agricultural, vegetation and savanna fire management methods achieving credited abatement and sequestration under the ACCU scheme. Some examples of potential additional methods and activities that CMI members noted during consultation that could be leveraged by the Sectoral Plan and/or would benefit from more flexible design included:

- the Integrated Farm and Land Management method (**IFLM**), currently under development, which provides a ‘whole-of-landscape’ framework, combining vegetation, soil and other farm and landscape abatement and sequestration methods to allow land managers to receive ACCUs for multiple carbon farming activities on a single property;⁴⁰
- the savanna fire management method, which provides significant sequestration as well as emissions avoidance
- methane reduction in ruminants via feed supplements, which could be algae-based (i.e., asparagopsis), synthetic, essential oils, etc.;
- nitrous oxide reduction in cropping and pasture systems, including through improved management methods, or enhanced efficiency fertiliser (EEF) products (e.g., nitrification inhibitors, urease inhibitors or controlled released products);
- addressing emissions through ‘bioenergy hubs’ to process agricultural waste—an example provided here was a proposed project to process chicken waste using anaerobic digestion that encountered barriers because chicken waste is not yet included as a feedstock in an approved ACCU method (despite there being approved methods for piggery and dairy waste).
- a new avoided clearing method to halt and reverse deforestation and retain standing carbon stocks.

As part of the Government’s implementation of ACCU Review recommendations, CMI notes that the proposed proponent-led method development model (following the ACCU Review) should allow for more methods to come online that create new opportunities to incentivise emissions reductions in agriculture and land that the Sectoral Plan should have regard to.

- **The potential for targeted Government ACCU purchases, through the PRF, to support agriculture and land sectoral transition, informed by an NCMS.**

The Government is yet to clarify its intended approach to public ACCU purchases under the PRF, and CMI looks forward to further detail following recent consultation on the potential to amend its historical ‘least cost’ mandate.⁴¹

As we have noted, an NCMS could strategically guide public ACCU purchasing to feed into and support the appropriate use of the ACCU framework within each of the six sectoral decarbonisation plans.⁴² With specific regards to agriculture and land, PRF funds could support targeted purchases of ACCUs from methods identified as driving key behavioural and practice changes needed to support sectoral transition, such as those mentioned above.

⁴⁰ See more about the IFLM method at: DCCEEW 2023, ‘Integrated Farm and Land Management method’, <https://www.dcceew.gov.au/climate-change/emissions-reduction/emissions-reduction-fund/methods/integrated-farm-and-land-management#:~:text=We%20are%20developing%20the%20Integrated,method%2C%20into%20a%20single%20method.>

⁴¹ See consultation questions on amending the least cost purchase mandate in: DCCEEW 2023, ‘ACCU Review Discussion Paper’, https://storage.googleapis.com/files-au-climate/climate-au/p/prj270072e8cbe57c2824d8b/public_assets/ACCU%20Review%20Discussion%20Paper.pdf.

⁴² See: CMI 2023, ‘ACCU Review Discussion Paper submission’, https://carbonmarketinstitute.org/app/uploads/2023/10/2023.10_CMI_ACCU-Review-Discussion-Paper_submission.pdf; CMI 2023, ‘Climate Change Authority: Setting, tracking and achieving Australia’s emissions reduction targets submission’, https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL_CMI-submission_CCA-2023-consultation.pdf.



- **The potential for ACCU Scheme participation to support farmers and land managers to respond to supply chain demands and market access issues**

Agricultural producers with carbon projects could potentially demand a price premium for stapling ACCUs to their produce to support corporate customers' CRFD reporting. In connection, members noted that while guidance and best practice around insetting is yet emerging, the ACCU framework provides a level of certainty and flexibility; ACCUs can be banked, giving land managers the option to hold them to address emissions in a future calendar year or sell them to ACCU buyers, such as facilities under the Safeguard Mechanism.

As noted above under Recommendation 2, CMI highlights the value of Government outreach programs and industry-led initiatives, as well as emerging professions such as carbon service providers in supporting farm and land management decision making and planning, including decisions around ACCU Scheme participation and project planning.

Market access demand drivers will increasingly incentivise low-carbon agriculture and farming. As trade, policy and climate concerns increasingly converge, Australian farmers will need to demonstrate low-carbon options to remain competitive globally. Australia's two-way trading partners are looking at measures to protect against carbon leakage and to adjust disparity in production standards and requirements, such as the EU CBAM, which could be extended to cover certain agricultural and agri-food products (see more under Recommendation 2(a)). The Australian Agricultural Sustainability Framework (AASF), is assisting in developing sustainable agriculture credentials for market comparability.

- **Co-benefits or 'core' benefits for farmers and land managers that are associated with ACCU Scheme participation, including supporting adaptation and drought resilience.**

The potential for carbon farming projects to generate additional 'co-benefits' or 'core benefits' in addition to emissions reductions or removals is well reported.⁴³ A recent survey by Charles Sturt University and Climate Friendly found that agricultural producers with ACCU projects were less stressed during drought.⁴⁴ Those surveyed said that during drought, supplementary income from carbon projects supported mortgage repayments and was reinvested in their properties, reducing the severity of drought. They also reported ecological benefits that improved drought resilience, such as better soil health, more water retention and less erosion, allowing faster ground cover regeneration during drought recovery.

Such findings highlight mitigation/adaptation synergies in the agriculture and land sector, underscoring the need for the Sectoral Plan to interface with adaptation planning and policy.

- **Retiring arbitrary, blanket and often duplicative rules aimed at addressing perceived trade-offs associated with the ACCU Scheme and instead favouring proportionate, targeted, evidence-based approaches to addressing market imperfections**

The NCMS should help determine market imperfections and potential trade-offs, and identify ways to address these with targeted, evidence-based approaches rather than arbitrary or inappropriate stop gaps.

⁴³ See examples of co-benefits on: CMI 2022, 'Carbon Farming Industry Roadmap', <https://carbonmarketinstitute.org/app/uploads/2022/03/Australian-Carbon-Farming-Industry-Roadmap-v.2.1.pdf>, p. 4.

⁴⁴ Charles Sturt University and Climate Friendly 2023, 'Carbon Farming and Drought Resilience', <https://www.climatefriendly.com/wp-content/uploads/DRG-Survey-CF-report.pdf>.



For example, the agriculture minister currently has veto powers over regeneration projects that are at least 15 hectares in size and cover more than 30 percent of a property in what is an extraordinary intervention into landholder decision-making. These interventionary powers may also be duplicative; for example, CMI members noted that council planning regulations already address certain land-use change risks. If rezoning is required, such as to allow for an environmental plantings project, approval or rejection is under the auspices of local planning authorities.⁴⁵

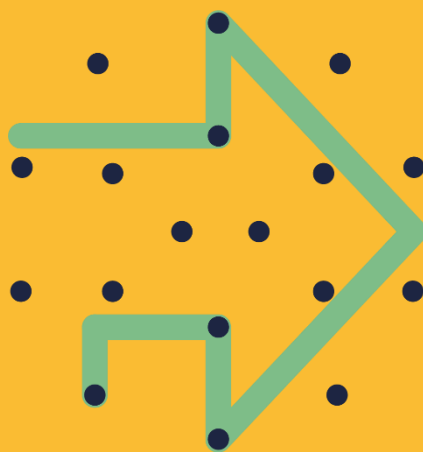
To back up local authority planning regulations, rather than ministerial veto powers or other blanket approaches, it may be more appropriate to regulate carbon project developments at the regional level. For example, proponents could be required to demonstrate their compatibility with regional Natural Resource Management Plans (**NRM Plans**) as part of a new project application. CMI notes that the forthcoming introduction of ACCU Scheme Principles as part of the Governments ACCU Review implementation plan includes a principle on 'Environmental and Regional Sustainability'. This should further help address the risk of trade-offs between traditional land use activities such as agricultural production and ACCU projects, further reducing the need or justification for interventions such as ministerial veto powers.

- **Ensure that AFSL requirements associated with ACCU Scheme participation strike the right balance of regulatory protection and inclusivity such that these do not present barriers to smaller-scale carbon farming projects**

Finally, CMI notes that stakeholders including the ACI Code Administrator have raised concerns that Australian Financial Services Licence (**AFSL**) requirements associated with ACCU Scheme participation may be unclear and/or represent an unreasonable barrier to the uptake of carbon projects, particularly small-scale projects that may be of interest to smaller farm operations.

CMI notes that AFSL requirements are an important regulatory protection for ACCUs, as financial products. However, to ensure AFSL regulations strike the right balance of consumer protections with accessibility and inclusivity and to allow for the development of a retail agricultural carbon market, CMI encourages the Government to bring together the Clean Energy Regulator (**CER**) and the Australian Securities and Investment Commission (**ASIC**) to minimise unreasonable barriers and ensure regulation is fit for purpose.

⁴⁵ A detailed summary of CMI's position on these ministerial veto powers can be found in: CMI 2022, 'Proposed Carbon Credit Rule Changes submission', <https://carbonmarketinstitute.org/app/uploads/2022/01/Proposed-Carbon-Credit-Rule-changes-CMI-Submission-Jan-2022-2.pdf>.



for more information please contact

Gabriella Warden

Manager, Research and Government Relations

gabriella.warden@carbonmarketinstitute.org

+61 (0) 418 263 296

+61 (03) 8601 1142

The Carbon Market Institute is at the centre of climate change policy and business in Australia. Independent and non-partisan, we bring business, policy makers and thought leaders together to drive the evolution of carbon markets towards a significant and positive impact on climate change.

Engaging leaders, shaping policy and driving action, we're helping business to seize opportunities in the transition to a low carbon economy.



**Carbon
Market
Institute**