



23 February 2024

Carbon Market Institute
Australian Carbon Industry Code of Conduct

Dear Sir/Madam,

RE: Australian Carbon Industry Code of Conduct – Independent Review

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the length and breadth of the supply chain.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

Introduction

The NFF is pleased to provide a submission to the independent review of the Australian Carbon Industry Code of Conduct (the code). The NFF highlights that for farmers the code is an intertemporal issue. Farmers might not interact with the code on a regular or annual basis which is the case for many other codes. Rather, farmers make a considered business decision prior to entering the market and might not do so again for several years. This is an important consideration that the review must take into account. The NFF is not individually engaged within the carbon market, however, it does represent the agriculture sector, and therefore plays an important role in this discussion.

There are several factors which contribute to farmers becoming sceptical about the carbon market. We have outlined some of those factors below, by no means is this an exhaustive list.

Reduction in productive land. Some producers are hesitant to engage in a carbon market due to transferring productive land to carbon projects that cannot be actively managed. With permanence periods of vegetative ACCU's either 25 or 100 years a farmer is obliged to commit an area of land for that extended period. Agricultural land in Australia has already declined by 14%, to maintain food security globally there cannot be a continued loss of productive land. Carbon offsets must focus on less productive land for establishment, otherwise, offsets will create perverse social, economic, and environmental outcomes. The fundamental issue is that vegetative offsets are not a medium- or long-term solution for



polluting sectors. If they are simply balancing their emissions by creating offsets, the loss of productive land and the permanence of the sequestration via woody perennials exacerbates that problem.

Additionally, as we have recently seen, farm scale analyses show carbon sequestration plateauing. There are diminishing returns on landscape sequestration as vegetation matures past peak sequestration.

Pestilence. An inadvertent, yet concerning, outcome of carbon projects is that vegetative sinks (which are likely to be one of several mechanisms of choice to support a national 2050 net zero target) can become havens and safe harbours for invasive plant and animal species. As a result, this can cause destruction of crops and pastures, damaged fence infrastructure, biosecurity incursions and predation of livestock and biodiversity. This promotion of pestilence can lead to far greater negative impacts on not only farm production but also biodiversity, outweighing any positive impacts occurring from carbon sequestration.

This issue has been highlighted in research from the University of Adelaide published in January 2024. The paper found that activities undertaken for carbon do not always lead to positive biodiversity outcomes. For example, a particular tree species planted to store carbon may not be useful to animals in the area and cause problems such as spreading weeds, which can add to biodiversity decline. Reinforcing farmer's concerns around carbon projects.

Carbon Prices. Concerns from farmers around the market also stems from pricing. Undertaking a land management intervention to sequester or abate carbon at times may cost more than the price of selling the ACCU's generated. As a result, a farmer may not wish to enter to the market simply as it may not be financially viable. Additionally, some farmers may choose to make the decision of holding the ACCUs and wait until the value of ACCUs peak. A peak which is forecasted for 2031 driven by the safeguard mechanism.

Inset before offsetting. A growing sentiment amongst farmers is that they are better off on holding onto ACCU's to inset their own business rather than offsetting for another sector. By selling ACCUs to offset another sector the farmer is unable to use those sold credits for their own business as it is double counting. This need to offset their own business is due to the emergence of scope 3 reporting and potential emission requirements that may be imposed by businesses seeking to reduce scope 3 emissions.

¹ Bond, AJ. O'Connor, PJ. Cavagnaro, TR. 2024. "Carbonsequestration with Demonstrated Biodiversity and Carbon Gain Carbon Can Pay But Biodiversity Must Lead", *Environmental Management*, doi: 10.1007/s00267-023-01928-4



Some other points of concern include:

- Diminished regional employment opportunities;
- Greater fire risk from carbon projects; and
- Diminished farm income earnings potential and business resilience.

Dispute and Complaints mechanism.

It is critical that dispute and complaints mechanisms are robust and lead to real action. In order for the code to be worth the paper it's written on it needs to have real teeth, or consequences. If entities are willing to breach the code as the consequences of doing so are not legitimate the point of having the code itself is questioned.

Additionally, if dispute and complaint mechanisms are too complex, inaccessible, or strenuous, farmers will be less likely to follow through with a complaint.

Conclusion

The NFF is thankful for the opportunity to provide a submission to guide the review of the code. Please do not hesitate to contact Warwick Ragg, General Manager (Natural Resource Management) via email: WRagg@nff.org.au at the first instance to progress this discussion.

Yours sincerely,

TONY MAHAR
Chief Executive Officer