GUIDANCE FOR LANDHOLDERS: A CHECKLIST FOR PARTNERING ON CARBON FARMING PROJECTS

An engagement white paper for landholders

Australian Carbon Industry Code of Conduct

Carbon Market Institute

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Acronym Glossary

Acronym	Meaning
ACCU	Australian Carbon Credit Unit
ACI Code	Australian Carbon Industry Code of Conduct
AFSL	Australian Financial Services Licence
ANREU	Australian National Registry of Emissions Units
ASIC	Australian Securities and Investments Commission
CAC	Carbon Abatement Contract
CER	Clean Energy Regulator
CFI Act	Carbon Credits (Carbon Farming Initiative) Act 2011
CMO	Carbon Maintenance Obligation
CPD	Carbon Project Developer
CSP	Carbon Service Provider
EIH	Eligible Interest Holder
ERAC	Emissions Reduction Assurance Committee
FPIC	Free, prior and informed consent
FPP	Fit and proper person
MRV	Monitoring, reporting & verification
NDA	Non-disclosure agreement
RNTBC	Registered Native Title Body Corporate

Introduction

Australia's landholders[1] are at the forefront of a rapidly growing carbon farming industry and are uniquely positioned to help the nation achieve its climate goals while reaping significant economic and environmental rewards. As stewards of vast tracts of productive land, landholders have a unique opportunity to play a pivotal role in reducing emissions, enhancing agricultural productivity, supporting natural capital and building climate resilience. Landholders can tap into the growing carbon market through carbon farming activities—such as shifting grazing rotations, planting trees, or managing vegetation—which offers financial incentives for reducing emissions and capturing carbon. The creation and trade of Australian Carbon Credit Units (ACCUs), regulated financial instruments, is at the heart of this opportunity. ACCUs represent verified reductions or removals of carbon dioxide equivalent (CO2-e), with their generation and issuance governed by strict monitoring, reporting, and verification (MRV) processes to ensure credibility and integrity.

Looking ahead, the vision for Australia's carbon farming sector is clear: a vibrant, sustainable industry that drives regional job creation, generates new income streams and makes significant contributions to Australia's economy and environment while contributing to global climate repair. With the potential for up to an eight-fold increase in carbon sequestration,[2] landholders are essential to achieving these ambitious goals.

Engaging in a carbon farming project is a strategic decision that requires careful consideration around time commitments, succession planning, administrative and regulatory processes, impact on land use, financial investment, and long-term benefits versus costs. Carbon farming involves management practice change(s) or introducing a new land practice designed to reduce greenhouse gas emissions or store (sequester) carbon in the landscape. Carbon farming is a long-term activity that places obligations on the landholder and comes with risks alongside the benefits.

Decision-making should be based on independent technical, financial and legal advice. Carbon farming represents a transformative opportunity for landholders to turn sustainable land management practices into tangible financial outcomes, diversify their activities, and increase their productivity by regenerating or repairing land and biodiversity.

As carbon farming projects require specialist knowledge to ensure their compliance with regulatory obligations, most landholders choose not to self-manage their carbon farming projects. The majority of carbon farming ACCU projects in Australia are run through a partnership arrangement whereby a landholder engages a third party to undertake some or all project requirements and activities. Several carbon farming project models are outlined in **Section 3**, and depending on the agreement, the landholder may take on more or less responsibility for delivering the project. This guidance targets a partnership model using a third party as a carbon service provider or carbon project developer.

[1] Throughout this document, "landholder" refers to a breadth of people and/or groups who may own or have rights to land. These may include families, family businesses, agribusiness, Traditional Owners, conservation organisations and governments.

[2] Climateworks Centre, *How farmers, land managers and regional communities can help us stay within 1.5°C*, in "2024 Carbon Markets Report", pages 30-33.

Scope and Purpose

This guidance document has been developed to support landholders considering carbon farming projects under the ACCU scheme in partnership with a third party. It is designed to empower Landholders to ask the right questions and obtain the necessary information and documentation before commencing a carbon farming project with a project partner. This guidance document aims to support Landholders in engaging with project partners by helping them understand their rights, responsibilities, and expectations for clear and transparent communication throughout the project lifecycle. Landholders can use this guidance to better navigate the complexities of carbon farming, optimise project success, and ensure compliance with relevant regulations.

How to use this Guidance

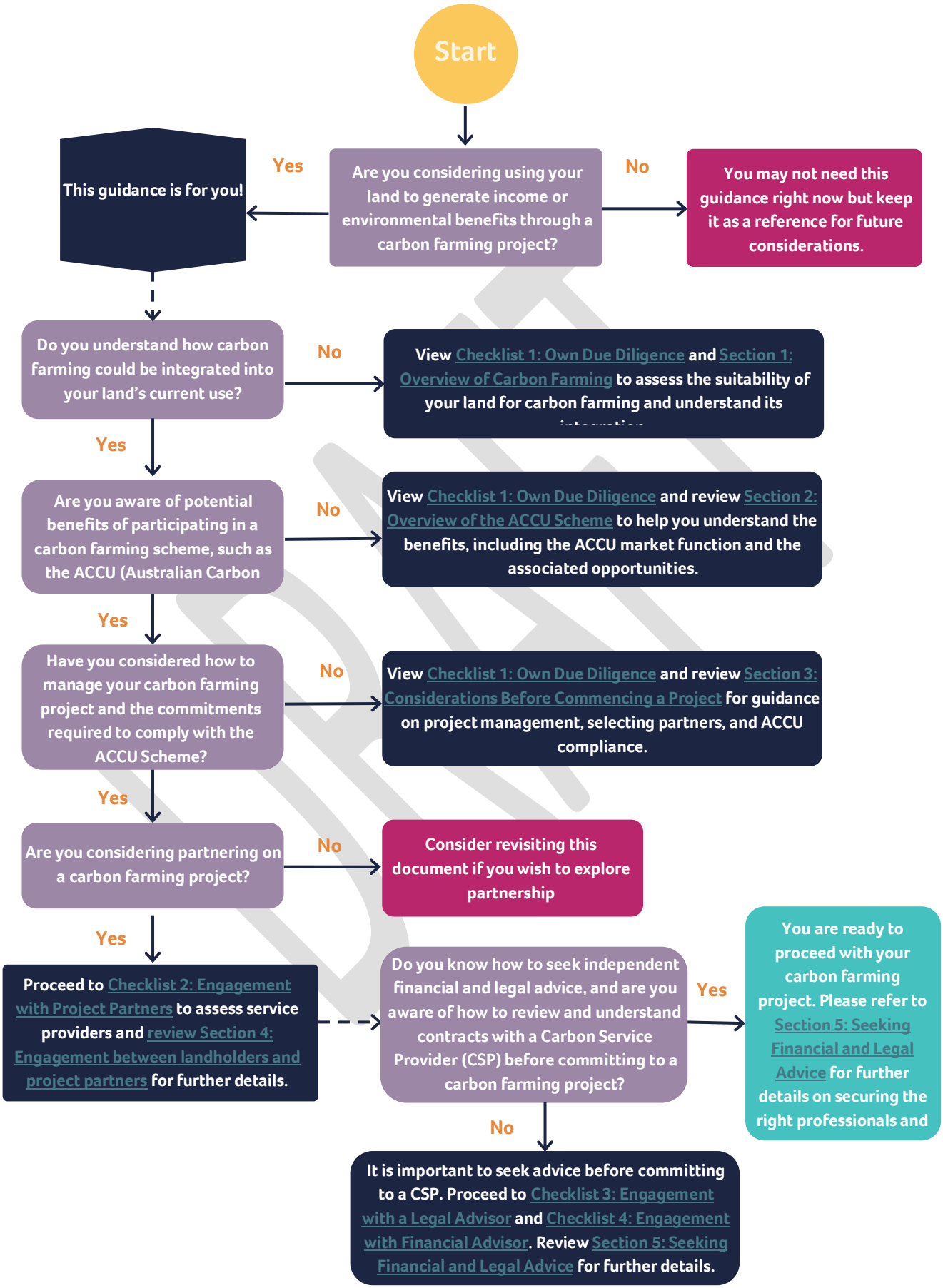
Landholders can use this guidance as a step-by-step resource to understand the different stages of a carbon farming project partnership, from initial discussions to post-project commitments.

The guidance contains detailed checklists that provide a structured approach for landholders to:

- Assess their readiness to participate in carbon farming projects
- Guide their engagement with project partners, including contract negotiations, to guide long-term land management agreements
- Determine key financial considerations and implications
- Seek appropriate legal advice

The checklists are designed to be practical, stand-alone tools to help Landholders track progress through the project cycle and ensure that all critical aspects are addressed. Following the checklists, corresponding sections are designed to provide further details on the different stages of project engagement.

Decision tree: Is this guidance appropriate for you?



Landholder checklists

The following checklists contain questions and steps that Landholders can follow and ask when engaging with potential project partners and financial or legal advisors.

Checklist 1: Own due diligence

Eligibility and suitability	Yes/No	Notes
1. Is my land suitable for carbon farming, and is there an eligible ACCU method for my property? 2. Do ACCU methods align with my whole-farm plan, existing land use, and business aspirations? 3. Have I evaluated the impact of a carbon farming project on my time, resources, and financial investment? 4. Have I considered how the project will impact my farm's operations, including land use and future business goals? 5. Does the project align with my long-term goals for my property management? **For further details on carbon farming, please refer to Section 1 of this document.**		
Understanding the ACCU scheme		
1. Do I understand how the ACCU Scheme works, including how credits are generated, monitored, verified, and traded? 2. Am I aware of the permanence obligations (25 or 100 years) and their implications for project compliance? 3. Do I understand the crediting periods, MRV processes, and audit requirements associated with the ACCU Scheme? **For further details on ACCU scheme, please refer to Section 2 of this document.**		
Risk assessment, project models and regulatory compliance		
4. Do I understand the risks and advantages of developing a carbon farming project? 5. Have I explored the different carbon farming governance models (e.g., DIY, Cooperative, Project Developer, Carbon Services) and identified the most suitable one for my needs? 6. Do I understand the responsibilities and potential risks if I choose to be the project proponent? 7. Have I identified all necessary approvals and consents required (e.g., from government authorities, financial institutions, and Native Title holders)? **For further details on considerations before commencing a carbon farming project, please refer to Section 3.**		
Approvals and consent (Native Title considerations, if applicable)		
8. Have I confirmed whether my land is subject to Native Title? See the CER's resource here. 9. Have I sought legal advice to understand the implications of Native Title on my land and any potential carbon projects?		

For further details on considerations before commencing a carbon farming project, please refer to Section 3.		
Third-party engagement (project partner research)		
10. Is the project partner based in Australia? 11. Does the project partner have a valid Australian Business Number (ABN), Australian Company Number (ACN), or Australian Registered Body Number (ARBN)? 12. Is the project partner registered with ASIC? Search ASIC's registers here. 13. Does the project partner have a well-documented and accessible complaint-handling procedure? 14. Does the project partner hold an AFSL? Search Financial Advisers register here. 15. Does the project partner have a website with comprehensive and accessible information about their business and services? 16. Does the project partner currently have carbon projects in Australia and/or in the state where I am planning my project? 17. Have I verified the potential project partner's experience and track record in successfully completing similar projects? 18. Are there publicly available reports, strategies, and plans from the project partner that outline their operations and goals? 19. Does the project partner's business model align with my long-term plans and goals? 20. Is the project partner financially transparent and able to provide information on their funding sources and revenue models? 21. Is the project partner a Signatory to the Australian Carbon Industry Code of Conduct? **For further details on considerations before commencing a carbon farming project, please refer to Section 3.**		

Checklist 2: Engagement with Project Partners

Discussion on project implications		
1. Has the project partner clearly explained the various carbon farming project models and their implications? 2. Do I fully understand the role of the project proponent and what it means for my involvement in the project? 3. Has the project partner explained how the project will affect my land use and practices during implementation? 4. Are the project's primary objectives and expected outcomes clearly outlined by the project partner? 5. Will I have an active role in the planning and decision-making processes throughout the project? 6. Has the project partner defined their role in each development model, and how does it impact my decision-making authority?		

7. Has the project partner clarified the necessary approvals and consents for the project and provided a timeline for obtaining them? 8. Does the project partner have established relationships and engagement efforts with other local landholders and the community in the surrounding region? 9. Has the project partner clearly communicated the financial arrangements, including any upfront costs and revenue-sharing models? 10. Do I understand how a carbon farming project could impact my insurance? 11. Has the project partner provided clear commitments regarding the project's monitoring and reporting, including the frequency and format of updates? 12. Is there a plan that defines when project partners will communicate key deliverables for a project, such as regular progress reports? 13. Does the project have clear exit strategies if it does not proceed as planned or if I decide to withdraw? 14. Has the project partner assured that all relevant local, state, and federal regulations will be adhered to? 15. Has the project partner provided a realistic timeline, and will they communicate any potential delays? 16. Has the project partner outlined the risks associated with the project, including environmental, financial, and operational risks, and how they will be managed? 17. Has the project partner encouraged me to seek independent legal and/or financial advice before entering into agreements or making significant commitments? **For further details on engagement with project partners, please refer to Section 4.**		

Checklist 3: Engagement with an Independent Legal Advisor

Understanding legal terms		
1. Are the terms and conditions of the agreement clearly defined? 2. Have the different options for project governance been explained to me in plain English? 3. Have confidentiality requirements – including any NDAs – been explained to me in plain English?		
Rights and responsibilities		
1. Do I have the legal right to carry out this project? 2. Have I identified all the Eligible Interest Holders and obtained their consent? 3. If I am the project proponent, do I understand my rights and responsibilities associated with this status? 4. If I designate a carbon project developer as the project proponent, do I understand how this will affect my rights and responsibilities?		

5. If I engage a carbon service provider, have we agreed to a clear Project Management Plan and division of responsibilities? 6. Have the carbon provider and I agreed to a clear and fair remuneration plan for the project? Do I understand how the plan may be linked with project performance? 7. Do I understand my obligations in delivering the project, whether they relate to reporting, monitoring, land management, land access, or other aspects? 8. Has the division of intellectual property ownership between the carbon provider and me been explained clearly? Do I understand how intellectual property interacts with confidentiality requirements?		
Potential liabilities and disputes		
1. What potential liabilities should I be aware of regarding this agreement? 2. Is there a clear dispute management process in place? 3. Do I understand the financial and legal risks of a significant reversal event? 4. Do I have a management plan to reduce the risk of disturbance or reversal events? 5. Do I understand the legal risks of a breach of confidentiality? 6. Do I understand the risks of failing to fulfil my obligations? **For further details on engagement with a Legal Advisor, please refer to Section 5.**		

Checklist 4: Engagement with an Independent Financial Advisor

Project considerations		
1. If I have a mortgage on the property, have I obtained the consent of my lending agent to commence the project? 2. Do I need to finance upfront project costs, or will a carbon service provider cover these? 3. How will these costs impact my overall financial situation? 4. What is the potential project revenue forecast? 5. Do I understand the potential impact of a carbon project on my property value? a. Do I understand that the project permanence period will continue for sequestration projects, even if I sell the property? 6. Am I aware of any potential tax implications? 7. If I am the project proponent, do I need an Australian Financial Services Licence? 8. Do I need an account with the Australian National Registry of Emissions Units?		
Financial risks		
1. Do I understand potential price fluctuations associated with selling any ACCUs I generate on the open market? 2. Do I have a plan to mitigate potential financial losses? 3. Have I considered the financial impact of a project on my estate?		

Budgeting for the future		
1. How does the carbon project impact my overall farm productivity? a. Will there be restrictions on my land use that may have a financial impact? 2. What are my additional land management costs under the carbon project agreement? 3. Do I have a forecast of the likely number of ACCUs generated? 4. Do I have a related forecast for the likely commercial value of the expected ACCUs? 5. If my project is likely to generate co-benefits, is there a framework to ensure these are factored into the price? 6. Have I budgeted for any unforeseen expenses that may arise? **For further details on engagement with a Financial Advisor, please refer to Section 5.**		

Section 1: Overview of Carbon Farming

Carbon farming is an established industry across Australia that provides a financial incentive for landholders to enhance already productive landscapes or repair degraded landscapes. Carbon farming refers to deliberate shifts in land, vegetation, fire and agricultural management activities that result in increased carbon stored in the landscape or avoided greenhouse gas emissions - particularly methane and nitrous oxide. In Australia, carbon farming activities can be registered through the Australian Carbon Credit Unit (ACCU) Scheme.

Importantly, carbon farming projects can be designed to deliver additional benefits to the property, called co-benefits. Co-benefits can be economic, environmental, social or cultural, such as regional economic diversification, new or restored native species habitat, retention and transfer of cultural knowledge, enhanced agricultural productivity, and improved water quality. Co-benefits may positively impact the price of any ACCUs sold from the project. Carbon farming projects must be aligned with the relevant regional natural resources management (NRM) plan, which provides a framework for delivering co-benefits to the local environment, community and economy. Verified co-benefits may also be required by some state-level schemes – such as the Queensland Government's Land Restoration Fund – to qualify for additional funding. Further information on state-level carbon farming grant schemes can be found in the Resources List at the end of this document.

Box 1: Co-benefits

Co-benefits are additional benefits that can arise as a result of carbon project activities. Potential co-benefits should be identified during the project planning phase so that activities support the likelihood of achieving them. Co-benefits can include:

- **Improved land management practices**: Collaborating with project developers can lead to the adoption of sustainable land management techniques, such as soil regeneration, erosion control, or reforestation efforts, which benefit Landholders by improving soil health, increasing productivity, and enhancing ecosystem resilience.
- **Increased biodiversity**: Through consideration of how biodiversity outcomes can be maximised during project planning, carbon farming projects can promote biodiversity by restoring native vegetation, creating wildlife habitats, and protecting endangered species. There are several verification frameworks for these benefits – including Accounting for Nature – that may help to achieve a price premium for ACCUs issued.
- **Economic gains**: Beyond the financial returns from selling carbon credits, co-benefits may include new income streams, such as payments for ecosystem services, increased agricultural yields, or job creation through project implementation and ongoing land management.
- **Resilience to climate change**: Through sustainable practices and environmental stewardship, carbon projects can enhance the land's resilience to climate variability, benefitting both Landholders and the wider community by reducing vulnerabilities such as drought, flooding, and bushfires.

Land-based carbon farming projects currently account for 86% of total projects registered under the ACCU Scheme and sequester around 9 million tonnes of CO_2-e annually.[3] However, this represents only a fraction of the vast potential for land-based carbon sequestration in Australia and underscores the critical role landholders can play in scaling up these efforts on the country's emissions reduction pathway. Carbon farming can offer a financial framework that enables landholders to contribute meaningfully to Australia's emissions reduction targets.

[3] Clean Energy Regulator, Quarterly Carbon Market Report, June 2024.

Land-based ACCU Scheme methods can be broadly sorted into three groups – agriculture, vegetation, savanna fire management, outlined below:

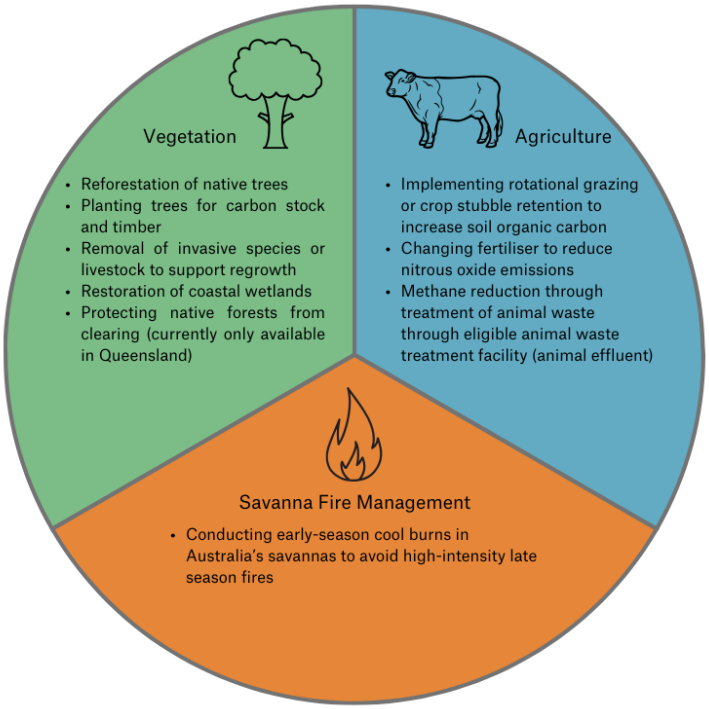


Figure 1: Land management practice changes that may form part of an ACCU Scheme method.

Information on method development can be found below.

Information on land-based methodologies can be found on the Clean Energy Regulator's website here.

Carbon Farming Risks & Opportunities

Starting a carbon farming project involves risks and opportunities like any agribusiness decision. Working with a project partner through a well-structured agreement can help you better understand these risks and opportunities and mitigate some of these uncertainties to provide greater financial and operational stability. We have outlined some of the risks and opportunities below, but it is important to seek independent advice before commencing a carbon farming project.

Project Opportunities:

- **Biodiversity outcomes:** Vegetation-based projects can achieve strong biodiversity outcomes through the regeneration or protection of habitat corridors, food sources, water sources, nesting areas, and others. Under schemes such as Accounting for Nature and the Australian Government's Nature Repair Market, these biodiversity outcomes can be verified and provide additional income opportunities.
- **Climate resilience:** land management changes as part of the carbon farming project can improve your property's climate resilience to climate change impacts such as drought, erosion, and flooding.

- **Cultural connection:** For Indigenous groups and Traditional Owners, whether as Eligible Interest Holders, landholders, or project proponents, carbon farming can provide the opportunity to reintroduce Indigenous Ecological Knowledge and land practices through methods such as savanna burning.
- **Economic opportunity:** Selling ACCUs from your carbon project can provide an additional stream of income, supporting your financial resilience.
- **Practice change:** land management practice changes integrated through carbon farming can drive sustainability, innovation and on-farm productivity.
- **Market opportunities:** With consumers increasingly demanding green products and policies such as the European Union's anti-deforestation requirement for imported products coming into effect, using ACCUs to neutralise your own on-farm emissions through insetting can open up new market opportunities.

Project Risks:

- **Climate variability:** if your project is land-based and relies on enhanced sequestration through vegetation growth or soil improvement, it can be affected by variable climate conditions which can impact the consistency and likelihood of ACCU issuance
- **Cost:** depending on the agreement, you may come across additional costs to support the practice change (e.g. building additional fences to keep livestock away from an area being regenerated or the cost of diesel to run your tractor to apply necessary nutrients to a paddock)
- **Ongoing practice change:** as part of the project delivery, you may be required to change your existing land management practices. This may restrict your ability to freely use certain areas of your land if they form part of the project. Additional costs may also be related to on-ground monitoring, reporting, and verification.
- **Time commitment:** A carbon farming project is a long-term commitment, generally anywhere between 7 and 100 years depending on the project type and a permanence period if it is sequestration-based. If you decide to sell the property during the project period, the new owner will be required to complete the project. There are also considerations for succession planning.

The above lists are not comprehensive, and given the unique nature of carbon farming projects, you should seek independent legal, financial, and project advice prior to entering into any agreement.

Section 2: Overview of the ACCU Scheme

The ACCU Scheme incentivises landholders and organisations to undertake projects that reduce, remove or avoid greenhouse gas emissions.

The Carbon Credits (Carbon Farming Initiative) Act 2011 (CFI Act) establishes the ACCU Scheme (previously referred to as the Carbon Farming Initiative or Emissions Reduction Fund). It is a market framework and is subject to market fluctuations depending on current government policies, demand, the methodology used, and whether the project delivers any co-benefits. The Clean Energy Regulator's Quarterly Carbon Market Reports provide an overview of recent market trends and ACCU issuances. They can be accessed freely here.

The ACCU Scheme is overseen by the Clean Energy Regulator (CER), the government body responsible for administering legislation for reducing greenhouse gas emissions and increasing clean energy use. The CER issues ACCUs to registered projects for activities implemented following the method

guidelines and rules known as methodology determinations or methods. These methods set out how a particular activity or project type must be undertaken, how emissions reductions are calculated, and the monitoring and reporting requirements for creating an ACCU.

A landholder, including with the assistance of or through a project partner, can generate ACCUs equivalent to the amount of avoided or reduced greenhouse gas emissions measured across a reporting period. You can work with a project partner to ensure the design aligns with your business goals and land management aspirations. Questions you should ask before entering an agreement with a project partner can be found in the checklists at the start of this document. For more detailed information on how a project partner can support you, refer to **Section 4: Engagement between landholders and project partners**.

Box 2: Registering a Carbon Project

Landholders can register a project on their land under the ACCU Scheme provided they meet the following criteria:

a) The landholder has the legal right to register the project on their land, or designate a project proponent to register the project on their behalf
b) The proposed project demonstrates alignment with an approved methodology
c) The project proponent passes the fit & proper person test as outlined in the Act
d) All eligible interest holders have been identified and provided consent*
e) Relevant regulatory approvals, licences or permits required under Commonwealth, State or Territory laws have been obtained: this is required before commencing any project activities*
f) For sequestration projects, the agreement to a permanence period of either 25 or 100 years

*if consent from EIHs and regulatory approval are not obtained, the project can only be "conditionally declared" and will not be able to earn ACCUs

ACCU Market Function

There are two sides to engaging in the carbon market. The first is registering and running a project under an approved methodology to earn ACCUs (see Section 1). The second is selling the ACCUs or using them to inset emissions from your property.

Just like a stock market allows the trading of shares, the carbon market provides the means to trade abatement - ACCUs. The ACCU market creates a price signal for entities operating in Australia. Trading can be compliance-driven (done in order to meet legislated requirements) or voluntary (done to meet voluntary goals).

The ACCU Scheme previously allowed project proponents to sell directly to the government through *fixed* or *optional delivery* agreements (Carbon Abatement Contracts), the establishment of CACs is currently paused with future direction still to be determined. However, ACCU demand is now being driven by the private sector and project owners still have several options for selling their carbon credits including:

- to Safeguard Mechanism entities to meet their legal obligations.
- to corporate buyers for voluntary climate action such as Climate Active certification; or
- To state and territory governments
- to a third-party exchange or intermediaries such as traders.

These sales may involve multi-year contracts or carbon purchase agreements, or single trades.

Voluntary markets allow organisations and different government entities to voluntarily reduce their emissions by sourcing and cancelling ACCUs. Buyers are often interested in the co-benefits associated with the underlying projects.

ACCUs can also be used to balance out emissions from on-farm activities – this is known as insetting. You should seek independent financial advice from an advisor holding an AFSL prior to making any decisions regarding the sale of potential ACCUs. A carbon service provider can help you to understand how ACCUs may be used towards insetting your own on-farm emissions, and the impact on your market opportunities.

Box 3: Reformed Safeguard Mechanism

The Safeguard Mechanism is the Australian Government's policy to reduce greenhouse gas emissions from the largest industrial facilities, in line with the country's emission reduction targets. It first came into effect in 2016 and applies to facilities with annual emissions exceeding 100,000 tonnes of carbon dioxide equivalence. The Safeguard Mechanism was reformed in 2022 to introduce a steeper baseline, which means that covered facilities must reduce their emissions more rapidly than they previously had to. Facilities unable to keep emissions at or below their baselines, or industries where there are not yet available solutions to reduce their onsite emission, may use ACCUs to meet part of their obligations. The Safeguard Mechanism is therefore a growing demand source for the ACCU Scheme.

ACCU Scheme Methodologies & their Development

A registered carbon farming project must be undertaken following an approved ACCU methodology. Under the ACCU Scheme, methods have historically been developed by the Department of Climate

Case Study 1: Bonnie Doone Soil Carbon Project

Located in the North Burnett region of Queensland, the Bonnie Doone soil carbon project was established in 2016. The region's seasonal climate means that the property can be prone to drought. Combined with fluctuating climatic conditions and cattle prices, there was a need to diversity revenue streams to ensure a resilient farm business. The co-owners of Bonnie Doone Beef Farm commenced the soil carbon project with the aim of better understanding the carbon content in their soils, improving soil health, and land productivity, while generating an alternative stream of revenue. Since shifting their land management practices to align with the soil carbon methodology, on-farm productivity at Bonnie Doone has more than doubled, with the improved soil health also increasing drought resilience on the property.

Change, Energy, the Environment and Water in consultation with external stakeholders, including scientists, academics, and relevant industry stakeholders, or by proponents. Following the 2022 Independent Review of ACCUs, the government is shifting method development to a proponent-led process. Project proponents and their partners can submit innovative new methods to an independent statutory committee formed under the CFI Act, known as the Emissions Reduction Assurance Committee (ERAC), through an expression of interest process. Method EOIs must still align with the Offsets Integrity Standards (see below) to ensure scheme integrity and have sufficient scientific evidence backing their potential to avoid or sequester greenhouse gas emissions. Potential methods are assessed by the ERAC, and shortlisted before the co-design process is commenced.

Once a method's basis is complete and a draft has been through a public consultation process, it is approved by the Minister, upon ERAC advice, and passes as a legislative instrument. To ensure they remain up to date, all methods "sunset" after 10 years. This means that they automatically expire and so need to be reviewed and then either discontinued or remade as a new method. If a method is discontinued, projects already registered under that method can still be issued ACCUs. This legal basis for carbon project methodologies in Australia grants the ACCU Scheme a higher level of assurance than some voluntary schemes.

Box 4: Offsets Integrity Standards

Under the ACCU Scheme, methods must align with legislated Offsets Integrity Standards. These are based on international standards and ensure carbon credits issued under methods represent real emissions reductions that can be counted towards meeting Australia's international emissions reduction obligations. The OIS cover the following areas:

- **Additional**: that the carbon abatement would not occur without the project
- **Measurable and verifiable**: outcomes must be able to be measured and verified
- **Eligible carbon abatement**: the project outcomes must be able to contribute to Australia's global climate change obligations
- **Evidence-based**: methods must be supported by clear scientific evidence
- **Project emissions**: any emissions as a result of project activities are deducted
- **Conservative**: estimates, projects and assumptions for project performance are conservative

Section 3: Considerations before commencing a project

Embarking on a carbon farming project is a significant undertaking. It normally involves a formal contractual arrangement with a third party to assist with project development, implementation or operation. There is a separate agreement regarding the receipt of any ACCUs when the request for credits is submitted. You can also undertake the project yourself, without a third-party partner, but you should be aware of the various regulatory, administrative, and operational responsibilities. From monitoring, reporting, and verification (MRV) processes to on-ground management, the work required to ensure compliance and project success should not be underestimated.

Like any agribusiness venture, entering a carbon farming project demands careful assessment of the potential impact on time, resources, and financial investment. If commencing a project using a sequestration-based methodology, you should know that a 25 or 100-year permanence period will apply. This is the period that you, as a landholder, are expected to maintain the carbon stored in the

landscape. It is essential to weigh these factors thoroughly before committing to a project. The risks and opportunities of different carbon farming project management models are outlined in the next section.

Carbon Farming Project Management Models

A carbon farming project is underwritten by a formal contractual arrangement between the project proponent and the CER. Thorough due diligence is essential before entering an agreement to determine whether carbon farming is suitable for both the landholder and their property. The contract agreed between the landholder and the project partner will define the commercial arrangements for sharing any benefits and revenue that result from the project. The contract will also determine which, if any, of the project-related activities the landholder will be required to undertake.

Engaging a project partner to assist with all or part of the project lifecycle can help mitigate some administrative, regulatory, and management costs and risks associated with implementing a carbon farming project. A project partner may be involved in specific project aspects, such as project design, implementation, or MRV activities, or they may take on the role of Project Proponent and be responsible for managing the entire project and receiving the ACCUs generated. For further information on the project partner you should find out before signing an agreement, view **Landholder Checklist\Checklist for engagement\Initial research on project partner**.

Project partners bring expert knowledge, the necessary capabilities, and experience to operate the project, which can significantly ease your financial, regulatory, and administrative burdens. The level of service required or the choice of model will depend on your skillset, risk appetite, time availability, diligence, and financial situation.

As with any major decision, you should seek independent legal advice on which governance type is best suited before commencing a carbon project.

There are four primary models for managing a carbon farming project. The table below outlines each model's different benefits and risks.

Model	Do-it-yourself	Farmer Cooperative	Carbon Project Developer	Carbon Service Provider*
Definition	You are the project proponent and manage the project throughout the crediting and/or permanence periods.	You join a local farmer cooperative, which supports carbon farming aggregation from the local area. The landholder is the project proponent.	You engage a CPD as the project proponent, and they manage the project.	The landholder is the project proponent but engages a CSP to assist with or provide several services, including development, implementation and management (including MRV and audits)
Pre-Project Activities	You establish the project baselines (if relevant) and the forward abatement estimate.	The cooperative may have a carbon manager or advisor with the technical expertise to undertake pre-project activities. If they do not, the cooperative could undertake the pre-project activities with a CSP.	In accordance with your agreement, the CPD will likely undertake pre-project activity, including establishing a baseline and calculating forward abatement estimates.	A CSP may be engaged to help you with some pre-project activities only, for example, the more technical activities such as establishing a forward abatement estimate, or you could engage them for the full project design process.
Registration	You must pass the FPP test and open an ANREU account before registering for the project.	The cooperative registers the project and is the project proponent. Registration is contingent on agreement from all cooperative landholders.	The CPD will register the project as the project proponent and will have an ANREU account to receive any ACCUs.	You must pass the FPP test and open an ANREU account before registering for the project, but a CSP can help you with the registration process, or may take on that role depending on the contract.
Project Activities	You undertake project activities – or contract third-party assistance – in accordance with a project management plan.	Landholders in the cooperative must undertake project activities following the project management plan.	You and the CPD will negotiate which project activities each will undertake. The CPD can help you understand what activities might be restricted by the method or the project management plan.	You may undertake some or all the project activities. You may choose to engage a CSP to assist with some activities.
Financial Arrangements	You take on the financial responsibility of the project.	The project costs are split between the properties in the aggregation.	You and the CPD will negotiate the financial arrangements. The project developer may ask for a fee-for-service, or they may negotiate to receive a portion of any ACCUs generated.	When engaging a CSP, they will likely request a share of any ACCUs, a cost-share arrangement where you split the financial costs, or a fee-for-service. You should be aware of costs before entering any agreements.

MRV	You either undertake the technical MRV requirements in alignment with the method or contract a third-party expert.	The farmer cooperative may have employees with the technical skills to undertake the MRV for the projects or the cooperative may pay an external CSP to undertake MRV.	You and the CPD will negotiate how you will undertake MRV. You may need to support some elements, such as field measurements, but you could negotiate for the CPD to do all MRV.	You can engage a CSP to undertake MRV for the project, including any required audits.
ACCU Issuance	You are the owner of any ACCUs issued.	ACCUs are issued to the cooperative's ANREU account. The cooperative must negotiate how ACCUs are distributed to different landholders.	As project proponent, the CPD will receive ACCUs issued in their ANREU account. Prior to project registration, you will negotiate a percentage offtake or split.	You will receive any ACCUs issued. If the agreement with the CSP includes splitting any ACCUs issued, you will need to transfer them to their ANREU account.
Trade of ACCUs	If you plan on selling the ACCUs to a third party, you must obtain and retain an AFSL.	The cooperative must agree on how any ACCUs issued will be traded or used for on-farm insetting.	The CPD could trade any ACCUs issued on your behalf, or you could obtain an AFSL and trade them yourself.	If you hold an AFSL, you can trade any of the ACCUs you receive, or engage a CSP to trade on your behalf.
Risk Profile	You take on the legal and financial risk, including if there is a reversal event.	Financial and legal risk is split between yourself and other landholders in the cooperative.	The financial and legal risk is split between yourself and the CPD. This division is subject to an agreement.	As project proponent, you take on the legal risk, but you can negotiate how the financial risk is split between you and the CSP.

*It is important to note that there are multiple options under the Carbon Service Provider model depending on the level of service you require. Further information on how you might engage a Carbon Service Provider can be found in *A farmer's handbook to on-farm carbon management*, published in 2022 by AgriFutures and Ryzo, Part 7.

Working with project partners

Working with external parties can bring valuable expertise, resources, and support to your carbon farming projects. However, it's crucial to carefully consider key aspects, including legal, financial, and operational arrangements. These considerations are essential for you when working with a project partner, such as a project developer, consultant, or CSP, to ensure the partnership aligns with your goals and interests.

A) Deciding who to work with

Selecting the right project partner is one of the most important decisions you will make for your carbon farming project. The partner you select will influence how your project is managed, the time you'll need to commit, and the financial outcomes you can expect. Before engaging with a third party, it's important to define your goals and priorities.

To help guide your decision, use the **Checklist for Engagement with Project Partners.** This checklist includes key questions to help you evaluate potential collaborators and ensure their services meet your needs.

B) The Role of the Australian Carbon Industry Code of Conduct (ACI Code)

The Australian Carbon Industry Code of Conduct (ACI Code) is designed to protect landholders like you by setting a clear standard for the integrity and transparency of carbon service providers and other participants in the carbon market. When carbon service providers become Signatories to the ACI Code, they commit to upholding high ethical behaviour, accountability, and transparency standards. As a landholder, this provides you with added confidence that the partners you're working with are dedicated to maintaining these best practices.

Before entering into any agreements, it's important to check whether the project partner is a Signatory to the ACI Code. Being a Signatory can serve as a strong indicator that they are committed to meeting these high industry standards, which can make a significant difference in your experience throughout the project. Landholders

For more information about the Role of the ACI Code of Conduct, refer to the **ACI Code Fact Sheet 01 - The Code's Role in the Market.**

C) State Government Registries for Project Developers and Advisors

Some State governments also maintain registries of accredited project developers and independent advisors. These registries serve as authoritative references for verifying the legitimacy and compliance of businesses operating within the carbon farming sector.

The official state registry should be consulted when assessing potential partners to ensure they are authorised and recognised by the government. This step can offer an additional safeguard in the decision-making process and help avoid potential risks associated with non-compliant operators.

- Queensland Land Restoration Fund Approved Advisers
- Tasmanian List of Approved Advisers
- Victorian Register of Project Advisers
- Western Australian Service Provider Directory

The Carbon Market Institute's **Market Directory** also contains a list of potential project partners, and clearly displays whether they are a Signatory to the Code of Conduct. You can access the Directory here.

Compliance with the ACCU Scheme

a) Permanence obligation & considerations

Under the ACCU Scheme, carbon farming sequestration projects have permanence obligations, or an obligation to maintain the stored carbon, to be met within the project's 'Permanence Period'. These obligations are twofold:

1) Firstly, the project must be maintained for 25 or 100 years (for projects with a 25-year permanence period, a 20% permanence discount is applied). The permanence period applies unless there is an exemption in the method.
2) Secondly, the landholder must undertake management to mitigate the risk of a 'significant reversal' occurring during the permanence period.

The carbon farming model you choose will determine your responsibilities for maintaining carbon permanence. If you are the project proponent, you will be fully responsible for maintaining the carbon stored on your land throughout the agreed period. This includes being accountable for any non-delivery or significant reversals of carbon. As the project proponent, you may be required to give back (relinquish) Australian Carbon Credit Units (ACCUs) to offset any reversals that occur for reasons other than natural disturbances. Non-compliance can have serious consequences, so it's important to fully understand your obligations.

If your project partner—such as a developer—is the project proponent, they may take on more of these obligations. However, it's important to know that depending on the terms of your agreement, you could still have responsibilities to maintain the carbon. In cases of avoidable significant reversals, the Clean Energy Regulator (CER) may issue you a Carbon Maintenance Obligation. Make sure that your project partnership agreement clearly outlines the roles and responsibilities for managing the project. This will help you avoid misunderstandings and ensure everyone involved is clear about their obligations. One advantage of working with a project partner with a large carbon farming portfolio is that they can manage the risk across their portfolio. This can help reduce your individual exposure to risk while ensuring the long-term success of the project.

b) Approvals & consent

Before commencing a carbon farming project, numerous approvals and consents must be obtained from several parties. When engaging in a partnership agreement, the project partner can assist in obtaining these, if it is part of their contractual agreement. The table below outlines parties whose consent or approval may be required.

Party	Reason to engage
Local, State, and Federal governments	Projects must comply with environmental, land use, regional NRM plans, and other regulatory requirements, which protect the project legally. If the proposed project covers crown land, the Crown Lands Minister must give consent before the project is issued any ACCUs.

Financial Institutions	If a mortgage is over the project property, there are any outstanding loans to a financial institution, or the Landholder is seeking project finance support, the bank or financial institution must provide consent as they are an Eligible Interest Holder.
Native Title Group	If there is a Native Title Determination on the land designated to run a carbon project on, consent of the Registered Native Title Body/Bodies Corporate (RNTBC) should be obtained before commencing the project, in a process known as free, prior and informed consent (FPIC). If there is an active Native Title Claim on project land, the related RNTBC should also be considered in the FPIC process as they may become an EIH.
Certification Bodies	If the property is covered by a certification, such as Australian Organic Limited, the landholder must notify them.

Other EIHs might also exist, such as an easement on the property or a caveat on land use. Further information can be found in the CER's **Native title, legal right, and eligible interest-holder consent guidance**.

Given the complexity involved, landholders are advised to seek independent legal and financial advice to navigate the approval process effectively and ensure compliance with all necessary obligations.

Review the **Checklist for Financial Advice** **and** **Checklist for Legal Advice** for further guidance on questions you can raise when obtaining independent legal and financial advice.

Case Study 2: Boobera Carbon Project

Located in the Paroo Shire of South Queensland, Boobera Station was purchased in 2021 by Corporate Carbon. The property runs a Human Induced Regeneration (HIR) carbon project initially registered under the ACCU Scheme in 2015 by the station's former landholder.

Project registration required approval from the Queensland government and consent from the traditional owners of the land, who hold native title over part of the property.

When Corporate Carbon purchased the station, it entered into a revised agreement which updated the terms of consent in line with evolved best practices. Today, Corporate Carbon's staff manage the station's cattle operations, and the carbon project which focuses on regenerating the land with in-situ seed sources.

Delivering a variety of economic benefits for the local community, Boobera Station serves as a regional centre for Corporate Carbon's Southwest Queensland operations. To date, the Boobera Carbon Project has generated more than 200,000 ACCUs.

c) Native Title Considerations

Before commencing a carbon farming project, the project proponent needs to establish if there is a Native Title Determination or Claim across part, or all, of the proposed project area. If Exclusive Possession Native Title has been determined to exist on the area, then the Registered Native Title Body Corporate (RNTBC) holds the rights to carbon sequestration or emissions avoidance. If a Non-Exclusive Possession Native Title exists in the area, then the RNTBC is an Eligible Interest Holder in the project.

If the project is subject to a Native Title claim or determination, Landholders should ensure the project respects Native Title rights, assess potential impacts, and secure the appropriate approvals and consents in alignment with best practice. The carbon farming project can be conditionally registered, meaning it can commence without consent from the RNTBC. However, conditionally registered projects must obtain consent from all EIHs to be issued ACCUs.

The *CFI Act 2011* is intended to be amended to require Free, Prior, and Informed Consent (FPIC) prior to project registration.[4] The FPIC engagement framework is considered an international best practice standard for engaging with Indigenous stakeholders, and compliance is essential. This is in addition to reviewing existing Indigenous Land Use Agreements and maintaining transparency and collaboration with Native Title holders throughout the project's lifecycle. Therefore, this is recommended for all landholders starting a new project.

Seeking legal advice will help Landholders understand the implications of Native Title and the necessary engagement with Native Title holders or claimants.
Current Native Title claims and determinations can be found on the National Native Title Tribunal's website.

Further information on FPIC can be found in the Indigenous Carbon Industry Network's **Indigenous Carbon Projects Guide** and the CER's **Native title, legal right and eligible interest-holder consent guidance.**

d) Crediting Period, and Monitoring, Reporting & Verification (MRV) Audits

Each carbon farming project has a crediting period, during which it can earn ACCUs if outcomes are monitored, reported, and verified in accordance with the carbon farming method requirements. The process steps are outlined in the diagrams below:

[4] The proposed amendment to the CFI Act is outlined in Recommendation 11 of the Independent Review of ACCUs, which suggests that to further enhance integrity in the ACCU Scheme, the government should remove the option to conditionally register a project on Native Title Lands and require free, prior and informed consent (FPIC) prior to commencing project activities. Currently, proponents could commence activity on land with Native Title without having full consent of the RNTBC. This is known as "conditional registration.". However, proponents must still obtain full consent of all EIHs (including RNTBCs) before they can be issued any ACCUs.

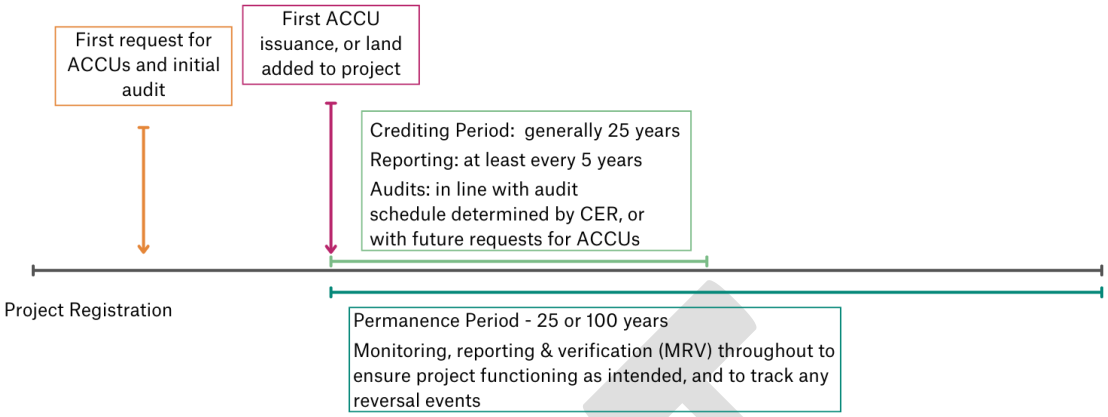


Figure 2: ACCU Project Path for Sequestration-Based Project.

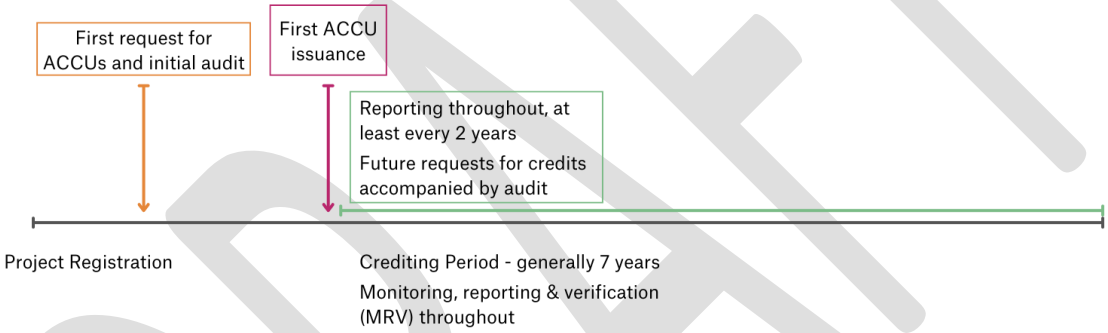


Figure 3: ACCU Project Path for Emissions Avoidance Project.

Depending on the method, reporting periods can be between 1 month and 5 years. At the end of each reporting period, an offset report is submitted to the Clean Energy Regulator, and an application for a certificate of entitlement may also be submitted. This certificate allows ACCUs to be issued based on the amount of carbon abatement achieved. ACCU projects must also undergo third-party independent audits during their crediting period. The first audit must occur during the initial reporting period, followed by at least two more audits throughout the remaining periods. Some classes of projects are eligible for what is known as alternative assurance arrangements, whereby they are determined to have a lower risk of reversals and/or reporting errors and can have fewer audits. Additional audits beyond these may be required by the CER or included in the method as with the gateway regeneration checks required under the Human-Induced Regeneration method and the Native Forest through the Managed Regrowth method. These audits must be undertaken by an auditor registered under the National Greenhouse and Energy Reporting Regulations 2008.

Section 4: Engagement between landholders and project partners

This section outlines the four key stages of engagement in the ACCU project lifecycle to guide you through selecting and working with a project partner – such as a carbon service provider (CSP). It explains the type of information the project partner must provide to you throughout the project.

You may choose to engage a CSP as a partner for specific components of your project only, including:

- Project planning and design.
- Project implementation.
- Monitoring, reporting and verification; or
- Auditing.

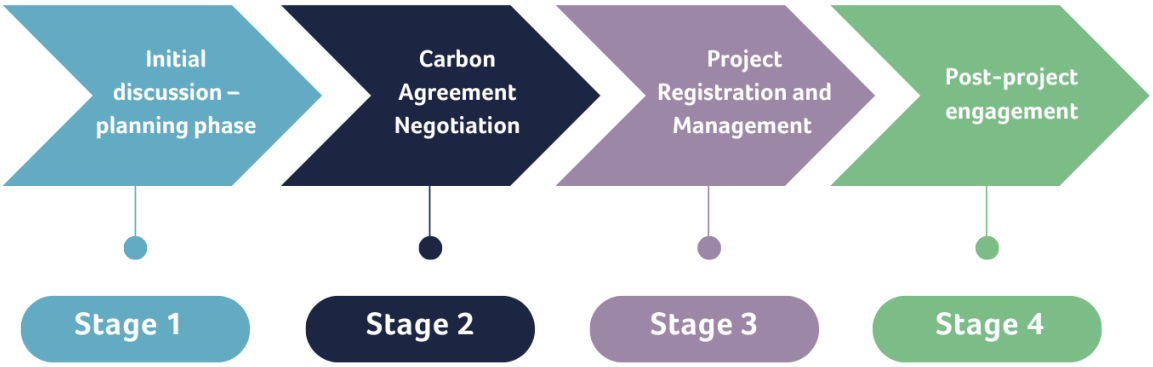


Figure 4: Engagement Stages with a Project Partner

Stage 1: Initial Discussion

Before entering an agreement with a project partner, it's important that you engage in detailed discussions to fully understand the implications of participating in a carbon farming project. Below are key considerations and the type of information your project partner should provide during these initial discussions:

a) Overview of project models:

- **Types of models:** landholders should be informed about the different project management models available for carbon farming projects. These models determine how the project will be managed, who will act as the project proponent, and how responsibilities will be shared between the landholder and the project partner. For more detailed information, refer to Section 3: Carbon Farming Management Project Models.
- **Detailed information on management and accountability:** The level of detail and transparency your project partner provides will depend on the project management model chosen. You need to understand how the management structure impacts decision-making processes and your role in the project. At this stage, you should clearly understand who holds the decision-making power at

each stage of the project, how responsibilities are divided for management, and also in the case of a reversal event.

b) Understanding the project stages

- **Overview of project lifecycle:** Your project partner should clearly explain the various stages of the carbon farming project, from design and registration to implementation, monitoring, and reporting. Understanding each stage will help you to clarify your roles and responsibilities throughout the project's lifecycle in line with the management plan.
- **Project feasibility and forecasts:** You should receive projections on the project's viability under the chosen methodology, along with an estimation of abatement potential and credit generation.
- **Project timeline:** The CSP should also provide you with an estimate of the project's overall timeline, including key milestones, to help you understand the length and timing of the project plan activities.
- **Project start and flexibility:** You need to be informed about any flexibility regarding the project start date and any timing limitations that could affect eligibility or crediting periods.

c) Risks related to the project

- **Risk assessment:** Your project partner must advise you on potential risks, including environmental, financial, and regulatory risks. This will help you assess the project's feasibility.
- **Mitigation strategies**: It's crucial that the project partner explains how they will manage and minimise these risks throughout the project's duration and outline the risks you may need to manage. This will include approved management activities to reduce the risk of a reversal event.
- **Contract Closure**: Before finalising your agreement, make sure you understand the conditions for ending the contract. This includes reviewing the terms for modifying or ending the agreement if the project does not proceed as planned or if unforeseen circumstances affect the project's viability. Your partner should clearly outline the process for contract termination, including any penalties, exit clauses, and the responsibilities of each party at that stage.

d) Approvals, consents, and compliance obligations

- **Legal approvals and consents:** You must be informed about all necessary approvals and consents that need to be obtained before the project can proceed.
- **Compliance requirements:** Your project partner should outline the project's compliance obligations under the applicable methodology and any other relevant laws. As your responsibilities may vary depending on the agreement you enter, your project partner must ensure you know your responsibilities.

e) Cost division and financial considerations

- **Project costs:** The project partner should provide clear information on the division of costs, including setup, ongoing management, and reporting expenses. You need to understand how these costs will be shared or covered.
- **Financial forecasts:** Your project partner may provide general estimates of potential financial returns from carbon credits and an overview of costs that could affect your profitability. For more specific guidance, you should seek assistance from a qualified financial adviser to understand how the risks and division of costs may impact your individual situation.

f) Proposed project information

- **Carbon credit estimates:** You should receive clear estimates of the expected carbon credits from the project and the risks and uncertainties associated with these estimates. The method used to calculate these estimates must also be provided.
- **Environmental and operational impacts:** The project partner must explain to you how the project may impact your existing use of the property and its resources.
- **Compliance and infrastructure:** You should be informed about any required land modifications or infrastructure, as well as any legal and regulatory obligations, such as approvals.

Stage 2: Carbon Agreement Negotiation

When in the project life cycle, you establish a formal agreement with your project partner; it will depend on the project management model you choose to use. For example, if you register the project yourself but decide to engage a project partner down the line, this will change the timeline of the agreement. If you decide to engage a project partner from the outset, you must ensure a formal agreement that defines your and your partner's roles and responsibilities before the project is registered and activities commence. The agreement should be based on the discussions held during **Stage 1: Initial Discussions** and should contain clear information on respective responsibilities. This information may also be outlined in a Land Management Strategy.

Key Information to Discuss

a) ACCU scheme method requirements and project administration:

Before signing a contract, ensure you and your project partner agree on your administrative, operational, and financial responsibilities throughout the project. The partner should clearly explain any required land management changes. Here's what you should understand:

- The type of activity covered by the method
- Specific requirements of the chosen method
- Eligibility criteria for participation
- Baselines and abatement calculations
- Monitoring obligations
- Tools and documents required for the method
- Project registration process, including eligibility criteria
- Establishing 'legal right' to undertake the project
- (If applicable) Consent from eligible interest holders
- Reporting periods and reporting obligations
- Submission of offset reports and audit requirements
- Certificates of entitlement for ACCUs
- Record-keeping responsibilities

You should also discuss with your project partner the flexibility to modify the project, if necessary, triggers for project relinquishment or revocation and any associated consequences.

b) Carbon Project Management Plan

You must have a project management plan in place for the life cycle of your carbon project. If you are working with a project partner, they will work with you to develop a detailed project management plan. This plan should only be developed after thorough discussions with you and other relevant stakeholders. The plan clearly addresses the following:

- Roles, responsibilities, and obligations of all parties involved.
- Compliance with the relevant ACCU Scheme methodology and other legal requirements.
- Potential risks or challenges and strategies to manage them.

Once **Stages 1 and 2** are considered and negotiated, the project contract can be signed, and the two parties will enter into an agreement based on those terms. For examples of how a contractual agreement might look, view the Carbon Market Institute's Example Contract Clauses here.

Stage 3: Project Registration and Management

After finalising your project management plan, your carbon project will be registered with the CER. From this point forward, all activities on your property should follow the agreed-upon project management plan unless otherwise approved by the CER.

This stage focuses on executing your project effectively while meeting regulatory requirements and the terms outlined in your contract.

a) Ongoing advice on Project Activities

Your project partner should contact you regularly to ensure that the project and land management plans are being implemented properly. This ongoing communication will help address any issues promptly and ensure that the project stays on track.

As part of this ongoing relationship, you must provide timely and accurate information on the project's implementation. Regular communication with your project partner is critical for maintaining compliance with regulatory requirements and effective risk management. This includes updates on any changes to land management practices, unforeseen challenges, or other developments that could impact the project.

Here's what you can expect in terms of ongoing advice:

a) **Project Risks:** Regular updates on potential risks, such as environmental, financial, or operational challenges that might affect the project's success.

b) **Compliance:** Your project partner should ensure the project complies with the relevant methods and regulations. They should also explain any regulatory changes that could impact your project during its lifecycle.

c) **Guidance and Support:** Your partner should provide you with access to relevant guidance documents and legislation to help you understand your rights, responsibilities, and the regulatory framework.

b) Offset reporting and audit requirements

As a landholder, understanding offset reporting and audit obligations is essential to maintaining compliance. The agreement you enter with your project partner will detail any management or financial obligations you have in this process. Regardless of responsibility, your project partner should still clearly explain the following key areas:

- **Reporting Requirements:** Your partner should explain the project reporting obligations under the CFI Act, ACCU Method, or other applicable schemes. This includes how often reports need to be submitted, the required format, and the specific data required. In some instances, they may require your support to gather field data.
- **Audit Obligations:** The project partner should provide clear information about requirements, including mandatory audits prescribed by the methodology or regulatory authorities. You'll be informed about the timing of audits and the documentation you may need to supply.
- **Site Visits:** If auditors need to visit your property, your project partner should explain what to expect and how to prepare for the visit.
- **Statutory Declarations:** In some cases, you may need to provide a statutory declaration to support the audit process. Your project partner should guide you on how to complete this accurately.
- **Record Keeping:** Clear and accurate records of your project activities and emissions are essential for compliance. This includes tracking any changes to your project management plan and maintaining a history of operations. Your project partner may guide you on how information should be tracked and recorded. Good record-keeping makes reporting and audits much easier, as you can provide the required information when needed.
- **Restricted/Prohibited Activities:** Your project method may have rules about prohibited activities. Your project partner should explain these clearly to ensure all activities comply with the method.
- **Notification Requirements:** You may need to notify the CER about certain aspects of your project under the CFI Act or your specific method, such as if a reversal event happens. Your project partner should guide you on what notifications are required, when to submit them, and how to ensure they are accurate.

Stage 4: Post-project engagement

When your crediting or permanence (in the case of sequestration-based projects) period ends, you'll have important decisions about your land. Understanding your options will help you make informed choices about future land use.

There are several key considerations for landholders to keep in mind at this stage and that can be discussed with a new carbon service provider or an existing project partner:

a) Review of project outcomes

- **Performance assessment:** You can request that your project partner review the project outcomes, including an analysis of the carbon credits generated and any co-benefits achieved during the project's crediting and permanence periods.
  Lessons learned: A summary of lessons learned throughout the project, which can inform future carbon projects or land management strategies.

b) Options for continuing the carbon project

- **Extension of carbon project:** You can extend your carbon project for another crediting period. Your project partner can help you explore this option, including any updated regulatory requirements or changes in the carbon market that could affect your decision.
- **Transition to new projects:** Alternatively, they can help you explore transitioning to a new carbon project, outlining eligibility and support for the next steps.

c) Land use decisions

- **Reverting land use:** You may have the option to return to previous land uses or adjust your management practices. Understanding how these changes could affect any carbon credits already generated, and their future value is important.
- **Alternative uses:** Your land could also be repurposed for other activities, such as agriculture, conservation, or development. Each option has potential benefits and risks, so it's key to evaluate how they align with your long-term objectives.

d) Financial and market considerations

- **Financial implications:** You may want to explore the financial implications of different options available after the crediting or permanence period. This could include potential income streams from continuing carbon management or transitioning to alternative land uses, depending on your goals and market conditions.

Section 5: Seeking financial and legal advice

Before starting your carbon farming project, seeking independent financial and legal advice is crucial. This will help you clearly understand your roles and responsibilities and those of other parties involved. Being informed ensures you can make decisions that align with your goals and protect your interests throughout the project.

a) Legal considerations

Legal advice is essential to ensure your agreements are fair and tailored to your needs. Here are some key points to consider:

- **Project Models:** Different project models determine how responsibilities are divided between you and your project partner. Legal advice can help clarify your rights and obligations and ensure you fully understand the long-term implications of these arrangements.
- **Estate Considerations:** Carbon farming projects often involve long-term commitments. It is vital to consider what might happen to the project if you sell your property or as part of

succession planning. Legal professionals can explain the permanence period requirements, which must be adhered to even if ownership changes due to sale, inheritance, or other reasons.

- **Mitigating risks:** Each agreement has its own risks. A lawyer can help identify and address these, protecting your interests and ensuring the terms are reasonable, particularly in cases of project failure or compliance issues.
- **Ensuring compliance:** Carbon farming projects must meet regulatory standards under schemes like the ACCU scheme. A lawyer experienced in the carbon market can ensure your agreements comply with these rules, minimising the risks of penalties or delays.
- **Tailored advice for Landholder needs:** Whether you want to be hands-on or work with a developer, legal advice specific to your situation will help you set up a strong foundation for your project.

Box 5: Confidentiality agreements (commonly referred to as non-disclosure agreements (NDA))

When you are considering entering into agreements, you or another party may need to share private or sensitive information. A confidentiality agreement (sometimes called a non-disclosure agreement or NDA)) helps protect that information. It is important to seek legal advice on proposed NDA agreements to ensure that you understand your responsibilities when you sign an NDA.

b) Financial considerations

In addition to legal advice, financial guidance can help you navigate the costs and benefits of a carbon farming project:

- **Clarifying financial arrangements**: Financial advisors can help you understand the project's cost structure and income potential, including the upfront investment, ongoing costs, and expected earnings from carbon credits. They can also identify hidden expenses to ensure you're fully prepared.
- **Eligible Interest Holders:** If you have a mortgage on your property, you must consult with your financial institution before signing any agreements. Their consent is required as an Eligible Interest Holder.
- **Upfront and Ongoing Costs:** You should seek advice on registration fees, land preparation, and other initial costs, as well as the project's long-term financial feasibility within your broader agribusiness model.
- **Estate Considerations:** You should consider how the project might affect your property's value, especially given the permanence period requirement for sequestration projects. While carbon farming can offer significant benefits, these obligations may impact the property's saleability and transitional arrangements within family estates.

Understanding Carbon Project Agreements – Third-party Contracts

As a landholder, entering into a carbon project agreement is a significant, long-term commitment. These agreements establish the legal foundation for your partnership with a third party and set out the terms under which your carbon farming project will operate. The specific agreement will depend on the carbon farming governance model you choose, as well as the needs and commercial arrangements of both parties.

Many terms are used for these contracts, such as 'Carbon Project Agreements,' 'Carbon Project Services Agreements,' or 'Services Deed (Carbon Project).' Regardless of the name, the terms within these agreements should be negotiated to ensure your rights and interests are documented, fair, and transparent.

There are two common types of agreements you may encounter:

a) A 'Project Development Agreement' where a carbon service provider (as project developer) is the Project Proponent; and
b) A 'Services Agreement' where you, as the Landholder, are the Project Proponent but engage a carbon service provider to support you with technical processes as needed.

To help you navigate these contracts, the Carbon Market Institute has developed example contract clauses and a Guidance Note. These resources are intended to provide guidance and assistance to landholders and project partners when they are negotiating the terms of a carbon project agreement in order to:

- facilitate contracting on balanced terms both in respect of revenue and benefit sharing, but also risk allocation; and
- enhance your understanding of the agreement's terms and their practical implications for your project

These resources also set out some risks and benefits you will need to consider before entering into any agreement with a carbon services provider.

While these example clauses provide a strong starting point, they are not a one-size-fits-all solution. Every landholder's situation is unique, and your contract should reflect the specific needs of your land and long-term goals. As with any business decision, you should seek independent financial and legal advice to ensure that the agreement suits your specific circumstances and protects your interests throughout the project's duration.

The Checklists **at the beginning** of this document provide a list of questions you should ask before signing an agreement.

Key Definitions

Australian Carbon Credit Unit	An Australian Carbon Credit Unit (ACCU) represents one tonne of carbon dioxide equivalent (CO_2-e) avoided or removed from the atmosphere. An ACCU is a financial product under the *Corporations Act 2001*, meaning parties dealing with ACCUs may be required to hold an Australian Financial Services Licence (AFSL) Further advice should be sought on these requirements during the project planning phase.
Australian Financial Services Licence	An AFSL is required to conduct any financial services business in Australia. The regulatory framework is overseen by the Australian Securities & Investments Commission (ASIC). A registered licence certifies that the holder is competent to undertake the relevant financial services business, has sufficient financial resources to undertake the proposed business, and can meet other obligations required of them.
Australian National Registry of Emissions Units	The Australian National Registry of Emissions Units (ANREU) is an online system for issuing, holding, transferring, and acquiring ACCUs.
Carbon Abatement Contract	A Carbon Abatement Contract is an agreement to sell ACCUs to the Commonwealth Government. They can either be fixed delivery or optional delivery. Fixed delivery means that ACCUs **must** be delivered to the Commonwealth Government, whereas optional delivery means that ACCUs **may** be delivered.
Carbon farming	Carbon farming refers to practices that increase carbon storage in our landscapes or avoid the release of greenhouse gases such as methane and nitrous oxide through active management of vegetation, fire, soil or livestock.
Carbon Maintenance Obligation	A Carbon Maintenance Obligation (CMO) compliance measure under the Act helps protect remaining carbon stores and prevent further losses in a significant carbon sequestration disturbance or reversal event. CMOs continue to apply for their duration, even if the land is sold to a third party. For more information on relinquishment requirements in the event of a disturbance or reversal event, view Carbon Maintenance Obligations | Clean Energy Regulator.
Carbon Project Developer	A carbon project developer is responsible for planning, implementing, and managing the carbon farming project. They may be the project proponent. For the project developer to be the Project Proponent, the Landholder must grant the project developer the 'legal right' to undertake the project and to be issued all ACCUs generated by the project. A carbon project developer can also be a carbon service provider (see below).
Carbon Service Provider	A carbon service provider (CSP) is an entity with specialist knowledge on parts of or all elements of commencing and running a carbon farming project. The CSP can be the project proponent, if their agreement with the Landholder authorises them to be so. A CSP can assist with providing specialist services such as the development, implementation and management of a project in exchange for either a monetary fee, a share of the ACCUs generated, or a combination of both. A CSP may draw up a Carbon Farming Services Agreement to establish the terms on which the project is to be developed and

	maintained. CSPs may provide solely advisory services, undertake project management, or oversee the trading of ACCUs.
Co-Benefits	Co-benefits are positive outcomes associated with carbon farming projects that are additional to the emissions avoided or carbon stored. Co-benefits may be social (e.g. increased population in rural communities), economic (e.g. additional cash flow to Landholder and community), environmental (e.g. increased biodiversity or return of threatened species to project area), or cultural (e.g. reintroduction of Indigenous Ecological Knowledge through project activities). Co-benefits may also be required upon registering the project with a State-based standard. Co-benefits can result in a price premium for ACCUs, especially when certified under a verification scheme.
Crediting Period	The time over which a project can generate ACCUs. This period is often shorter than the permanence period for sequestration projects, and it is generally 7 years for emissions avoidance projects or 25 years for sequestration projects. A method may also specify a different number.
Discount Rate	The discount rate is the percentage of ACCUs automatically deducted from the total issuance to account for any variation in calculation and ensure that the amount represents genuine abatement. There are a few different discount rates – either scheme-wide (eg. Risk of reversal buffer) or method-based, included in a methodology (eg. permanence period discount rate, see below).
Eligible Interest Holder (EIH)	An eligible interest holder (EIH) is a person or organisation that has a legal interest in the project land, as listed in the Act. EIHs include banks (where a mortgage is in place), the Crown Land Minister if the project is on Crown land, and registered native title body corporates if native title rights and interests have been determined to exist. The Landholder may also be an EIH if they are not the project proponent.
Failure, or likely failure, to comply with the relinquishment notice	If the project fails to comply with a relinquishment notice, this may result in a debt becoming due to the Commonwealth, up to 200% of the market value of each ACCU not relinquished, or a Carbon Maintenance Obligation being declared for the project land.
Fit and proper person test	The fit and proper person (FPP) test is a key control to protect the integrity of the scheme administered by the Clean Energy Regulator. It must be satisfied before registering a project or opening an ANREU account. A project proponent must pass and satisfy the FPP requirements. Generally, FPP requirements consider a person's past compliance with the law, whether they are insolvent, and whether they have the necessary capabilities and competence to undertake an ACCU project effectively. Guidelines for FFP expectations are provided by the CER to provide minimum standards of behaviour.
Natural capital	Natural resources, including vegetation, soils, water, and biodiversity, can be referred to as "natural capital." This is due to their intrinsic value and the indirect benefits they provide to an ecosystem, such as tree root systems reducing soil erosion. The services provided by natural capital can be referred to as "ecosystem services."
Natural disturbance	A natural disturbance is an event that could not be reasonably prevented by the project proponent (or land manager) for a sequestration-based project and can include floods, bushfires, drought, pest attacks or disease. In the event of a natural disturbance that causes, or is likely to cause, a reversal event, the project proponent

	must inform the CER. The CER will then determine whether remediation is required from the project proponent.
Permanence Period	Permanence periods refer to the length of time that proponents are required to maintain sequestered carbon. A sequestration-based project can have a permanence period of either 25 or 100 years, during which there cannot be a "significant reversal" in relation to the project. The permanence period may be different to a project's crediting period.
Permanence period discount rate	If the project uses a sequestration-based methodology, the discount rate for a project with a 25-year permanence period is 20%. The discount rate for a project with a 100-year permanence period is zero, unless otherwise stated in the method.
Project Proponent	The project proponent is the person or entity responsible for carrying out a project, and may be the landholder or a carbon project developer, depending on the type of agreement between the parties. The project proponent has the legal right to carry out project activities in the project area, and the exclusive right to be issued all ACCUs that may be generated because of the project.
Reversal Event	A reversal event is the release of carbon back into the atmosphere. It is considered "significant" if it affects greater than 5% of the carbon project area, or more than 50 hectares. Reversals can be the result of natural disturbance, or mismanagement of land activities. If there is a significant reversal event during the permanence period, the Clean Energy Regulator may require the project proponent to return a specific number of ACCUs to account for the reversal. Following a reversal event, the CER may also place a Carbon Maintenance Obligation on the project to ensure that no further reversals occur.
Risk of Reversal Buffer	The risk of reversal buffer is an ACCU scheme-wide buffer designed to mitigate the risk of reversals, or carbon loss and applies to all sequestration projects. This blanket buffer typically reduces the total ACCUs issued to a project by 5% to protect the Scheme against the potential loss of carbon. The buffer percentage may be different for specific kinds of projects.

Resources

ACI Code of Conduct

Complying with the Code: Guidance for Signatories and Stakeholders

ACI Code Fact Sheet 01: The Code's Role in the Market

Carbon Farming

2023 Carbon Farming Scorecard

AgriFutures and Ryzo: A farmer's handbook to on-farm carbon management

Australian Farm Institute: Carbon Opportunities Decision Support Tool

Carbon Farming Industry Roadmap

Carbon Market Institute Fact Sheet: Carbon Farming – An Overview

NRM Regions Australia: Carbon Farming Knowledge Hub

NRM Regions Queensland and Queensland Farmers' Federation: Carbon Farming Resource Handbook

Carbon Markets

Clean Energy Regulator – Australian Carbon Credit Unit Scheme

Carbon Market Institute Fact Sheet: ACCU and the Australian Domestic Market

Carbon Market Institute Fact Sheet: Carbon Markets – An Overview

Carbon Market Institute Fact Sheet: Key Stakeholders in the Carbon Market

Carbon Service Provider Registries

Carbon Market Institute Marketplace Directory

Queensland Land Restoration Fund Approved Advisers

Tasmanian List of Approved Advisers

Victorian Register of Project Advisers

Western Australian Service Provider Directory

Indigenous Engagement

Clean Energy Regulator – Native title, legal right and eligible interest-holder consent guidance

Indigenous Carbon Industry Network – Indigenous Carbon Projects Guide, Chapter 7: Free Prior and Informed Consent

Legal Agreements

Example Contract Clauses

Property Valuation Information

Australian Property Institute – Carbon Farming Projects Valuation Guidance Paper