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Feedback on the consultation draft Carbon Credits (Carbon Farming Initiative— Improved Forest Management in Multi-use Public Native Forest) Methodology Determination 2025

To whom it may concern,

The Carbon Market Institute's (CMI) Integrated Farm and Land Management (IFLM) Taskforce welcomes the opportunity to provide feedback on the draft *Carbon Credits (Carbon Farming Initiative— Improved Forest Management in Multi-use Public Native Forest) Methodology Determination 2025* (the INFM method). This submission reflects the views of Taskforce members who have reviewed the draft method and its alignment with the objectives of the Australian Carbon Credit Unit (ACCU) Scheme and the Offsets Integrity Standards (OIS).

The Taskforce strongly supports the development of robust, high-integrity methods that create pathways for the forest sector to contribute to Australia's climate goals while delivering important environmental and community benefits. A method that genuinely incentivises improved management of native forests to reduce emissions and preserve carbon stocks is an essential addition to the ACCU Scheme.

Whilst we acknowledge the intent of the INFM method, we raise several issues identified by Taskforce members regarding its current design. As drafted, the method could: present material risks to the integrity of the ACCU scheme; be too narrow in scope to achieve geographically broad impact; and miss important opportunities to deliver broader forest health and community benefit outcomes.

We believe the method requires substantial revision to address fundamental gaps in its approach in consideration of:

- a) Meeting the legislated OIS, particularly regarding additionality, leakage, and measurability.
- b) Broadening its scope and utility, which is currently limited and concentrates benefits, failing to unlock the full abatement potential of the native forest estate.
- c) Integrating broader co-benefits and consideration of socio-economic impacts, especially in relation to Indigenous participation and regional communities.
- d) Catalysing the opportunity to establish a more comprehensive framework method that strengthens, rather than fragments, Australia's carbon market.

This response was informed by Taskforce technical expert input and feedback from the IFLM Taskforce Technical Working Group. Due to time constraints, the whole of Taskforce has not had the chance to review this submission.

Thank you for considering our input into the draft INFM method. We welcome the opportunity to discuss the content with the NSW Government and to further contribute to improving the integrity, applicability of the method and consistency and alignment across ACCU methods.

About the IFLM Taskforce

In 2021, the Carbon Market Institute (**CMI**) formed the Integrated Farm and Land Management method Taskforce (**IFLM Taskforce**). The IFLM Taskforce is made up of a broad cross-section of CMI members and stakeholders that are committed to a high-integrity, fit-for-purpose carbon market in Australia.

Since its creation, the IFLM Taskforce has sought to develop and provide technical advice to the Australian Government on the creation of an IFLM method for the Australian Carbon Credit Unit Scheme (**ACCU Scheme**), including as part of the initial method prioritisation process.

The IFLM Taskforce also wants to see widespread consultation and clear development timelines in a way that ensures adequate public consultation and expert input from a wide range of experts and stakeholders.

The views of the IFLM Taskforce do not necessarily represent the views of CMI, nor any individual CMI member.

Summary of the IFLM Taskforce feedback on the proposed INFM method

To progress to an Exposure Draft, CMI's IFLM Taskforce believe the method needs to address the aforementioned feedback on issues and integrity gaps.

The following sections outline the Taskforce's detailed feedback on these issues and provides recommendations for improvement.

Key Concerns and Recommendations

1. Meeting the Offset Integrity Standards (OIS)

The Taskforce is concerned the proposed method does not currently meet the OIS, as outlined below and that there are integrity levers that could be tightened to address these issues.

Additionality

The method's eligibility rules create a substantial risk that ACCUs will be issued for abatement that is not additional—that is, for reductions in harvesting that were already planned, for political or conservation reasons.

This is most evident in the treatment of pre-existing government decisions. Stakeholder feedback has consistently highlighted the risk of crediting activities in areas already subject to conservation-targeted policy announcements. The draft method appears specifically designed to accommodate such scenarios. While Section 11(1) of the Draft Determination aims to exclude areas where a prior decision to stop harvesting was made, Section 11(2)(a) provides an exemption for any decision that was an "interim or temporary measure to enable an assessment" for a conservation reserve. This provision directly enables the inclusion of such areas, allowing proponents to be credited for fulfilling what appear to be existing policy commitments.

This risk is compounded by the economic realities of the native forestry sector. Discussions have highlighted that harvesting of public native forests may have declined regardless of carbon market incentives due to financial or political pressures. A method that fails to robustly account for these pre-existing realities does not meet the additionality standard.

Recommendation: To ensure genuine additionality, the eligibility requirements must be strengthened. We recommend removing the exemption in Section 11(2)(a) of the Draft Determination. Projects should only be eligible where the decision to reduce or cease harvesting is demonstrably a direct result of the incentives provided by the ACCU Scheme.

Leakage

The method uses a small, fixed discount for leakage that does not appear to reflect real-world market dynamics, leading to a likely over-estimation of net abatement.

The proposal in Section 44 of the Draft Determination to apply a fixed 5% deduction for indirect leakage is not supported by a clear evidence base. **Creating** incentives to preserve native forests may inadvertently increase pressure on agricultural land for plantation forestry, or drive harvesting to private native forests, or shift demand to international markets, which may have weaker

environmental and governance standards. Reducing or stopping harvest in a public project area may also result in substitution of timber with more carbon intensive products (e.g. cement) in perpetuity.

The Taskforce believes a flat 5% rate is insufficient to account for this direct market substitution within the same jurisdiction. Furthermore, the approach in the Design Outline to disregard international leakage on a technical accounting basis ignores the real-world climate impact of displacing timber demand to overseas markets, where such demand is unlikely to be met from domestic plantation resources.

Recommendation: We recommend that the fixed 5% leakage deduction be replaced with a strengthened, evidence-based approach. The development of jurisdiction-specific leakage discounts should be considered to reflect differing market conditions.

Measurable & verifiable

The proposal relies on modelling tools (FullCAM), but key methodological documents were not released as part of the consultation, preventing assessment of the technical rigour of rules for measurement.

While FullCAM is nationally applicable, there is significant concern that calibrations developed for plantations are not suitable for modelling native forests. Management actions common in native forests, such as selective thinning based on stem size, may not be adequately captured by existing activities in FullCAM.

The method's integrity depends on establishing a realistic and conservative baseline. This requires clarity on how different historical harvesting practices (e.g., clearfell vs. selective thinning) and initial forest conditions affect carbon sequestration potential. Without robust, localised inventories to start from, relying on regional averages risks miscalculating abatement.

Recommendation: All referenced technical protocols and guidelines must be released for public review to enable a transparent and robust assessment of the method's scientific rigour and integrity.

Conservativeness

The method lacks safeguards to prevent the same carbon abatement from being counted twice—once by the State Government toward its own emissions reduction targets, and a second time through the sale of ACCUs.

As drafted, a state government acting as the project proponent could potentially claim the carbon sequestration from a project area to report progress against its own legislated climate targets, while simultaneously selling the corresponding ACCUs on the voluntary or compliance markets. This practice is inconsistent with the treatment of other landholders and undermines the principle that an offset represents a unique unit of abatement, thereby failing the standard for conservativeness.

Recommendation: The method should incorporate safeguards to prevent the double counting of abatement, such as a requirement for the project proponent to make a binding public declaration as to how the abatement will be accounted for, ensuring it is not used to meet both national market obligations and separate state-level targets.

Permanence

The proposed 15-year crediting period with a 100-year permanence obligation creates a misalignment that poses long-term risks to stored carbon and creates perverse social incentives.

The misalignment between the short crediting period and the long permanence period presents a significant risk. It provides no funding mechanism for the ongoing management of the forests for the remaining 85 years, including essential activities like pest, weed, and fire management. After the 15-year crediting period, forests may become unmanaged liabilities, undermining the permanence of the carbon stocks. Furthermore, compressed crediting saddles landowners with multi-generational obligations in exchange for a short-term revenue stream, creating potential for stranded assets and future social backlash against carbon farming. The argument that this structure is justified for state-owned assets is weak, as it does not account for the costs of active management needed to maintain carbon stocks against threats like wildfire.

Recommendation: We recommend that crediting and permanence periods be better aligned, with consideration for a 25-year crediting and 100-year permanence option, in line with the standard provisions of the CFI Act. This should be coupled with a requirement for ongoing monitoring and a long-term Land Management Strategy to ensure credited carbon is maintained throughout the permanence period.

2. Broadening the Scope & Utility

The current proposed method's eligibility criteria are restrictive in terms of land tenure, project scale and eligible activities. Practical application is likely to be severely limited, undermining its potential to achieve meaningful, widespread carbon abatement.

The INFM method applies solely to the cessation or deferral of harvesting within multi-use public native forests, which represent a small fraction—less than 8%—of Australia's total native forest estate. This immediately excludes most forests, including private and Indigenous-held lands, from participation.

Furthermore, the method's utility is constrained by design choices that limit its uptake even within the eligible tenure. Section 12 of the Draft Determination requires that a project area consist of "at least one whole forestry region." These regions are defined as either Regional Forest Agreement (RFA) areas or, for non-RFA areas, a minimum of 1.5 million hectares. This large-scale requirement effectively makes state governments the only feasible proponents, locking out smaller landholders or regional bodies who may wish to participate but do not manage an entire region.

Stakeholder discussions indicate that several state governments have already expressed no interest in using this method. This suggests its practical application will likely be restricted to a single jurisdiction, namely New South Wales, undermining its potential as a national instrument.

This narrow design means the method will not catalyse widespread forest carbon abatement. Instead, its utility appears confined to a limited set of circumstances in a single state, failing to create a scalable solution for improved forest management across Australia.

Recommendation: To broader uptake, we recommend that the scale requirements be reviewed and pathways for the inclusion of private native forests be explored, significantly expanding the method's reach and impact.

3. Integrating Broader Benefits & Co-benefits

The current proposed method fails to deliver on commitments for Indigenous participation and is silent on the potential adverse socio-economic impacts in regional communities, risking perverse outcomes and undermining social licence.

The method's design overlooks the opportunity to integrate Indigenous land management. While the initial Expression of Interest for this method highlighted "significant opportunities for Aboriginal co-design," the draft Determination contains no such provisions. The only relevant clause, Section 49(1)(d), is a passive reporting requirement on "engagement," falling well short of genuine partnership, benefit-sharing, or pathways to incorporate practices like cultural burning. This effectively excludes Indigenous forest estates from participating.

Moreover, there are foreseeable negative impacts on regional communities dependent on the timber industry. The method risks disrupting domestic supply dynamics, incentivising imports from regions with higher deforestation risks, and potentially leading to the collapse of domestic sawmills. A decision to cease large-scale harvesting in a region has direct consequences for local employment and associated industries. Experience from other jurisdictions has shown these transitions can be costly and damaging to regional economies if not proactively managed.

Recommendation: The method should integrate meaningful provisions for Aboriginal co-design, participation, and benefit-sharing, consistent with the initial EOI commitments. This should include pathways for the inclusion and recognition of Indigenous Forest management practices. Projects should undertake a socio-economic impact assessment and develop transition support strategies for affected communities, ensuring a just and equitable transition.

4. Catalysing the Opportunity for a Framework Method

The INFM method's current proposed design as a narrow, single-activity tool represents a significant missed opportunity to create a scalable and adaptive framework that could genuinely improve forest management across Australia.

The current proposal is limited to one action—the cessation or deferral of harvesting. However, as raised consistently in technical discussions, "improved forest management" encompasses a wide array of beneficial interventions beyond simply stopping activity. The method's restrictive design gives overtones of a "lock it and leave it" approach, which may not deliver the best long-term carbon, ecological, or climate resilience outcomes.

A more effective and inclusive approach would be a comprehensive framework that enables a wider range of management activities. This would allow proponents to tailor projects to their specific landscapes and objectives, creating pathways for activities such as:

- Adaptive silviculture and selective thinning to improve forest health and carbon sequestration rates.
- Integration of cultural burning and other Indigenous land management practices.
- Active management to mitigate fire risk and enhance biodiversity.

By focusing only on a single activity, for a single tenure, the INFM method is creating another bespoke, standalone method rather than contributing to a coherent, integrated national system.

Recommendation: We strongly recommend that the INFM method be redesigned as a broad, tenure-inclusive framework method that supports a range of adaptive management activities. This framework should be modular, allowing for the inclusion of multiple eligible activities across public, private, and Indigenous-held forests. This would maximise long-term carbon and forest health outcomes, enable integration with other land management strategies, and improve the scalability and inclusivity of the ACCU Scheme.

Conclusion

The CMI IFLM Taskforce believes a method for improved native forest management could be a valuable and important addition to the ACCU Scheme. However, the method must be appropriately designed to address the significant integrity, technical, and social concerns outlined in this submission.

We urge the NSW Government to reconsider the fundamental design and scope of the current proposed INFM method. A more inclusive, transparent, and adaptive approach is essential to deliver genuine, measurable, and equitable carbon abatement that meets Australia's climate goals while supporting forest health, biodiversity, and the resilience of our regional communities.

We welcome the opportunity to engage further with the NSW Government to refine the method and ensure its alignment with the ACCU Scheme's integrity standards and broader sustainability objectives.