



CARBON MARKET
INSTITUTE

Submission to the proposed change to the *Carbon Credits (Carbon Farming Initiative) (Human-Induced Regeneration of a Permanent Even-Aged Native Forest—1.1) Methodology Determination 2013*

Carbon Market Institute

February 2016

Background and introduction

The Carbon Market Institute (CMI) thanks the Department of Environment (DoE) for the opportunity to make a submission on around the proposed variation to the *Carbon Credits (Carbon Farming Initiative) (Human-Induced Regeneration of a Permanent Even-Aged Native Forest—1.1) Methodology Determination 2013* (HIR Variation).

The Emissions Reduction Fund (ERF) has been a resounding success to date, and HIR projects have been an important component to this success. The CMI fully supports the ERF and supports the continued uptake of HIR projects.

The CMI membership is made up of many companies that have successfully bid into the ERF auctions and secured contract for abatement delivery. CMI's recognises that within our membership base there project developers and advisors that have deep experience with the development and application of ERF methodologies. A number of these companies have expressed to us their concerns that the changes to the HIR methodology will have a number of unintended outcomes. We support our members making individual submissions to highlight and detail their specific issues regarding the proposed changes to the methodology.

CMI recognises it has a diverse membership base and while the submission reflects the broad view of members, no comments or viewpoints are attributed to any individual or organisation.

The issues that have been brought to our attention include:

- The rationale and science behind imposing a 25% (arbitrary) limit
- Project viability if the changes go ahead
- The impact of the variation on landholder participation
- The timing of the proposed changes
- The nature of the consultation process

CMI's submission

Our submission reflects some overarching principles that should be taken into account in the determination to make any changes to this or other methodologies. These principles include:

- **CMI wants to ensure that any changes to ERF methodologies do not have the potential to undermine confidence in the ERF** - Confidence in the ERF is fundamental to its uptake among market participants, its longevity as a policy mechanisms and its contribution to Australia's emissions reduction goals. ERF methodologies are a core enabler of participation and determining factor in achieving abatement toward national targets. While methodologies may need to be adjusted over time to reflect changed circumstances, it is critical that any change does not undermine confidence in the ERF and impact participation in the scheme.
- **A process should be established for any proposed material changes to ERF methodologies** - Any material change to an ERF methodology and the possible implications for existing or potential projects must be fully consulted on. The Department should employ a robust process for consultations to provide industry with an opportunity to contribute. The consultation process must be made clear and communicated broadly within the marketplace. The approach needs to allow for the gathering of evidence regarding potential adverse outcomes through stakeholder engagement and put forward solutions that are designed to deal with the identified problem.

- **Sufficient time should be allocated for consultation** - In line with the need for a full and proper consultation process on any proposed material changes to ERF methods, sufficient time needs to be allocated for consultation. Consultations need to allow sufficient time for the provision of a range of views and for sufficient input and evidence to be gathered to understand the implications of the proposed change. Time is also required to synthesise the information presented and formulate possible solutions to identified problems.
- **Material changes to methodologies must be made with consideration given to the timing of ERF auctions** - Linking with previous points, it is critical that any proposed material change to ERF methodologies is made with consideration of the timing of ERF auctions. This does not allow sufficient time for project owners and developers to understand how the proposed change would operationalise. A material change to an ERF methodology has the potential to influence the composition of projects in an auction, therefore having a significant impact on the operation of, in the current circumstance, the third auction.
- **Material changes to methodologies must be supported by evidence** - ERF methodologies are held in high regard in the marketplace given their evidence-based formulation, it is important this is not undermined by any changes not supported by similarly robust evidence.



CARBON MARKET
INSTITUTE

www.carbonmarketinstitute.org

03 8601 1142