

# Carbon markets

(<https://cer.gov.au/schemes/australian-carbon-credit-unit-scheme/how-to-participate/project-reporting-and-audits>) Carbon markets allow farmers to sell carbon credits earned by reducing or capturing emissions on their land.

There are both Australian and international carbon markets, offering voluntary and regulatory opportunities. The Australian Government's Australian Carbon Credit Units are recognized as one of the most credible carbon units globally

## Carbon market in Australia

The [Australian Carbon Credit Scheme](https://cer.gov.au/schemes/australian-carbon-credit-unit-scheme) ([#https://cer.gov.au/schemes/australian-carbon-credit-unit-scheme](https://cer.gov.au/schemes/australian-carbon-credit-unit-scheme)) is administered by the Australian Government Clean Energy Regulator. The Australian market currency is the Australian Carbon Credit Unit (ACCU).

ACCUs are a tradable financial product, to encourage carbon abatement activities in Australia. One ACCU equals one tonne carbon dioxide equivalent stored or avoided.

The current price for an ACCU can be found [here](https://cer.gov.au/schemes/australian-carbon-credit-unit-scheme/australian-carbon-credit-units) (<https://cer.gov.au/schemes/australian-carbon-credit-unit-scheme/australian-carbon-credit-units>).

To attain ACCU's there is a need to change management of the land, livestock, pastures or crops in order to ensure the carbon captured is in addition to what would have happened anyway (additionality). Management practices must follow a specific legislated "method." These "methods" outline the rules for conducting projects under the ACCU Scheme.

The Australian Carbon Credit Scheme offers several methods for the agriculture sector, including:

- Animal effluent management method
- Beef cattle herd management method
- Estimating sequestration of carbon in soil using default values method
- Reducing greenhouse gas emission in beef cattle through feeding nitrate containing supplements method
- Reforestation by Environmental or Mallee plantings – FullCAM method
- Integrated Farm and Land Management method (currently in development)

These are Australia wide 'methods' and not all may be viable in the Hills and Fleurieu. There are also new 'methods' being developed, so if there isn't an applicable method now, there may be into the future.

## Tools and resources

- Australian Government Clean Energy Regulator: [Soil and vegetation sequestration decision tree \(https://cer.gov.au/document/soil-and-vegetation-sequestration-decision-tree\)](https://cer.gov.au/document/soil-and-vegetation-sequestration-decision-tree)
- Australian Government [Methods for the Australian Carbon Credit Units \(ACCU\) Scheme \(https://www.dcceew.gov.au/climate-change/emissions-reduction/accu-scheme/methods\)](https://www.dcceew.gov.au/climate-change/emissions-reduction/accu-scheme/methods)
- Australian Government Clean Energy Regulator: [ACCU project and contract register \(https://cer.gov.au/markets/reports-and-data/accu-project-and-contract-register?view=Map\)](https://cer.gov.au/markets/reports-and-data/accu-project-and-contract-register?view=Map)

## Earning ACCUs

ACCUs are earned after reporting confirms the project has delivered emissions reductions, or carbon storage. The project proponent will usually lodge the first offsets report between 6 months and 5 years after the project starts. The Clean Energy Regulator may take up to 90 days to assess an offsets report.

## How to participate:

Steps on how to participate can be found [here \(https://cer.gov.au/schemes/australian-carbon-credit-unit-scheme/how-to-participate\)](https://cer.gov.au/schemes/australian-carbon-credit-unit-scheme/how-to-participate).

## Carbon Market International

Carbon credits that are generated through an international carbon market are not counted toward Australia's greenhouse gas inventory.

There may also be varying requirements and standards to partake in these international markets, compared to the Australian 'methods'. Some examples of international carbon market schemes include:

- Verified Carbon Standard
- Gold Standard

## Carbon Market – what to consider

**Feasibility:** There are trade-off and risks to consider before signing up for a carbon project, including whether the location and features of your farm are suitable. For example, rainfall, temperature patterns, soil type and land management history can all impact the future potential of storing carbon in the soil.

The compatibility of a carbon project within existing or proposed future agricultural production, along with catchment scale considerations including water licensing and fire risk should also be considered in decision making.

**Farm business planning:** Carbon market decisions needs to be considered within the broader business plan. Participation requires lengthy contract terms, and thorough consideration of rights and responsibilities. It is important to be clear about the purpose or motivation for entering the carbon market to assist in finding the best pathway. It may be to secure market access for produce, to diversify income, to support industry or the nation meet emission reduction targets, or other reasons entirely. Whatever the purpose or motivation, ensure options are researched and carefully considered before signing up for a carbon project.

**Willingness to change:** Business as usual, even if this is best practice, will not assist in entering

the carbon market. Actions need to meet additionality requirements. The reward is for change of management practices that will result in change in carbon mitigation and/or sequestration that would not have happened otherwise.

**Price of carbon:** The price of carbon is driven by

- Market supply and demand;
- The type of carbon offset. For example a company looking to purchase an offset may be prepared to pay more for a vegetation related offset over an energy reduction offset, to better align with their company values;
- The quality of the carbon offset, or the certainty of it actually reducing emissions
- If there are any co-benefits e.g. biodiversity gains.

**Market drivers:** There are a number of market drivers in the current carbon market:

- Businesses who voluntarily offset their operations by purchasing carbon credits.
- Australian Government Safeguard Mechanism driving demand for carbon credits from Australian largest emitters who are required, by law, to reduce their emissions.
- Australian Government themselves seeking carbon credits in order to meet commitments.

## Carbon projects – what to consider

### Inset, hold or sell

Land managers have a choice in the carbon market:

- Keep carbon credits to inset (i.e. offset own farm operations)
- hold onto them
- sell them to another entity (so the other entity can use them as an offset)

There are market considerations in this decision. The emissions intensity of a product can impact market access; an inset will assist to reduce this for produce taken to market.

### Roles within a carbon market project

**Carbon service providers:** There are a wide range of carbon service providers who can assist in carbon projects. They each have a different model and level of offering when undertaking a carbon project so best to discuss options with a few to select the one that best meets expectations.

If an adviser provides financial advice, they must have an Australian Financial Services License by law.

**Project proponent:** Be sure to understand who the project proponent is if you are signing up to a carbon project.

A project proponent has the legal right to carry out a project. They are responsible to carry out the project, they are issued the carbon credits for the project, and they have a legal responsibility under the law.

The land manager, as the legal right holder, chooses to either be the proponent or assign that role to another entity.

For more information on [choosing a project proponent \(https://cer.gov.au/schemes/australian-carbon-credit-unit-scheme/how-participate/plan-your-project/choose-project\)](https://cer.gov.au/schemes/australian-carbon-credit-unit-scheme/how-participate/plan-your-project/choose-project) visit these resources from the Australian Government Clean Energy Regulator.

**Costs of a carbon project:** There are costs associated in baselining a project, implementing a project, and in the administration, reporting and auditing of a project. Be sure to undertake a full cost-benefit analysis.

**Contract length / term:** Under the Australian Carbon Credit Scheme, the minimum contract length is 25 years, and contracts can be up to 100 years. This is known as the permanence period. A 20% permanence discount is applied to 25 year projects. Due to the length of these contracts it is important to consider the long term impacts on the value of the land and succession plans.

**Rules under ACCU Scheme:** Each ACCU 'method' sets out rules for estimating, measuring, verifying and reporting greenhouse gas emissions and carbon storage. There may be costs associated with meeting these rules.

**Reporting and auditing obligations:** There are both reporting and auditing obligations in a carbon project, to find out what is required refer to the [Australian Government Clean Energy Regulator \(https://cer.gov.au/schemes/australian-carbon-credit-unit-scheme/how-to-participate/project-reporting-and-audits\)](https://cer.gov.au/schemes/australian-carbon-credit-unit-scheme/how-to-participate/project-reporting-and-audits).

**Rights and responsibilities:** There are legal matters to consider in the carbon market. Ensure you seek independent advice.

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