Australia’s CFI and New Zealand’s ETS

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Broad-based Environmental Services Group

- Carbon Sink Design, Development & Management
- Carbon Trading & Advisory Services
- Largest Carbon Forest Estate under Management in Australia with 26,400 hectares across 3 States*
- >30 million trees planted that will capture 10 million tonnes of CO₂e over life of system
- Long Term Management Contracts that range 30 to 50 Years
- Investments in Australia, New Zealand & South East Asia

* Hectares on completion of 2012 planting season

Carbon Estate in Australia and NZ

First to achieve reforestation projects accreditation under NSW Greenhouse Gas Abatement Scheme & Federal Government’s former Greenhouse Friendly Scheme
New Zealand and Australia

Key Carbon Forestry Landscapes

New Zealand
- Small areas
- High carbon density
- High rainfall

Australia
- Extensive areas
- Low carbon density
- Lower rainfall
Historic land management trajectories – very different drivers

<table>
<thead>
<tr>
<th></th>
<th>New Zealand</th>
<th>Australia</th>
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<tbody>
<tr>
<td>‘Deforestation’</td>
<td>Convert plantations to agriculture (dairy)</td>
<td>Convert native forest ‘scrub’ to agriculture (grazing, cropping)</td>
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<tr>
<td>(Land Use Change)</td>
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<td>‘Ancillary’</td>
<td>• Eutrophication</td>
<td>• Salinisation</td>
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<td>environmental</td>
<td>• Land slippage</td>
<td>• Water: yield &amp; quality</td>
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<td>risks</td>
<td>• Biodiversity loss</td>
<td>• Erosion (wind)</td>
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<td></td>
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<td>• Biodiversity loss</td>
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<tr>
<td>Kyoto account</td>
<td>0.2 Mt C / y from Forest Management (Art 3.4)</td>
<td>0.0 Mt C / y from Forest Management (Art 3.4)</td>
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<tr>
<td>Socio-political</td>
<td>Forestry seen as valued industry</td>
<td>• Native forest ‘war’</td>
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<td>issues</td>
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<td>• Regional impacts of plantation expansion</td>
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New Zealand & Australia: Parallel carbon forestry universes?

**New Zealand - ETS**
- ‘Deforestation’ managed within scheme
- Existing industry - harvesting within forests intended in design
- Existing forest use ‘grandfathered’ into ETS via free permits to forest owners
- Forestry is core to ETS design
- Agriculture intended to become covered

**Australia - CFI**
- No free permits for stopping deforestation – State regulation
- Existing harvest industry – excluded from design
- Major restrictions – ‘perverse consequences’
- CFI is project-based offset scheme complementary to ETS
- No intention to cover agriculture

But both see land-use issues as ‘in’ the carbon equation
Carbon Farming Initiative

So what is the Carbon Farming Initiative (CFI)

Carbon right holders can RECEIVE Carbon Credits for:

- Reducing Emissions from Agriculture & Land Use
- Increasing the Carbon Stored in Soils & Vegetation
- Kyoto & Non-Kyoto Activities

Organisations & People can BUY CFI Credits to Offset their Emissions – reduce their compulsory liability

ACCUs can SELL into Domestic & International Compliance & Voluntary Carbon Markets

Source: www.cleanenergyfuture.gov.au
‘Forestry’ competes with other land sector abatement within the CFI

Sequestration (storage)
- Reforestation
- Farm forestry
- Managed regrowth
- Soil Carbon
- Improved forest management

Emissions Reduction
- Fertiliser Management
- Manure Management
- Reduced Livestock Emissions
- Landfill Gas Capture (Flaring)
- Savanna Fire Management
- Native forest protection (avoided deforestation)

Source: www.cleanenergyfuture.gov.au

Getting to Market
Understanding the relationship between the project activity and potential markets is critical.

- Recognised in international accounts ("Kyoto" ACCUs)
- Not recognised in international accounts ("Non-Kyoto" ACCUs)

International markets → Carbon price mechanism (Australian compliance) → Voluntary markets Kyoto fund (Government)


The crystal ball

- Change of Government in Australia
  - Greens hold balance of power in Senate: CPM with regulatory change
  - Independents hold balance of power in Senate: ???
  - Government controls Senate: CFI and direct action
- Linking schemes
  - Mechanism exists within CPM BUT Australia will consider scheme revenues, scheme integrity
- Price
  - Australia: ACCU demand will outstrip supply during fixed-price period
  - New Zealand: match CER price until policy change
Thankyou