



COVER SHEET FOR SUBMISSIONS

Emissions Reduction Fund EXPOSURE DRAFT LEGISLATION

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Please return the cover sheet and your submission by email (preferred option) or post to the address below. Email: emissions-reduction-submissions@environment.gov.au Post: Emissions Reduction Fund Submissions Department of the Environment GPO Box 787 CANBERRA, ACT 2601	

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23 May 2014

Emissions Reduction Fund Submissions
Department of the Environment
GPO Box 787
Canberra ACT 2601
emissions-reduction-submissions@environment.gov.au

Carbon Credits (Carbon Farming Initiative) Amendment Bill 2014

Attention: Emissions Reduction Fund Submissions

The ILC is an independent Commonwealth statutory authority established in 1995 to assist Indigenous Australians to acquire and manage land to achieve economic, environmental, social and cultural benefits. Through its key policy framework, the National Indigenous Land Strategy, the ILC prioritises involvement in projects that lead to socio-economic development for Indigenous people, including creating sustainable employment opportunities.

The ILC has developed significant capacity and is actively engaging with the CFI to enable participation by Indigenous landholders by:

- Providing significant financial and in-kind support to CFI methodology development, including methodologies for carbon abatement through controlled savanna burning, biosequestration, conservation grazing and feral animal removal;
- Undertaking the first Indigenous CFI project and being the first entity to have a savanna burning project accredited under the CFI through the *Fish River Fire Project*, with over 25,000 Australian Carbon Credit Units sold to Caltex Australia in 2013; and
- Promulgating the lessons learnt from establishing the *Fish River Fire Project* and supporting other Indigenous organisations to engage with the CFI, including the *West Arnhem Land Fire Abatement Project* and the *North Kimberley Fire Abatement Project*.

Comments on the draft Bill

Indigenous landholders are well positioned to play a significant role in Australia's transition to a low carbon economy through land sector Emissions Reduction projects, especially given that more than twenty per cent of Australia's land mass is Indigenous owned. To date, the Carbon Farming Initiative (CFI) has provided opportunities for Indigenous landholders to engage in

productive land uses on what is often marginal country and where alternative economic development opportunities are limited.

Emissions Reduction projects also provide opportunities for Indigenous Australians to achieve significant co-benefits that align with other Australian Government policy commitments. By way of example, the seven approved savanna burning projects with Indigenous ownership or involvement across northern Australia cover an area of approximately 3.5 million hectares. Of these, four have been issued with more than 270,000 credits to date. The three remaining projects are expected to be issued approximately 125,000 credits, bringing total to over 400,000.

Almost the entire eligible area in the north Kimberley region is covered by CFI savanna burning projects with Indigenous ownership or involvement. Many Indigenous people are employed through these projects and more are involved in their planning and consent. Further, hundreds of Indigenous people benefit from this important land management activity through improved social, economic, health and cultural well being. On Cape York, at least seven Indigenous land owner groups are currently undertaking feasibility studies to decide whether to participate in the CFI through savanna burning and other approved activities. The Indigenous owners of large areas of land in the Top End are also looking to enter into the CFI market. The current abatement figures and estimated numbers of Indigenous people involved in the CFI could be expected to more than triple, should the right legislative and policy settings be in place to enable approval and implementation of further projects.

The ILC is concerned that some key elements of the Emissions Reduction Fund (ERF), as outlined in the draft *Carbon Credits (Carbon Farming Initiative) Amendment Bill 2014* (the Bill), will greatly disadvantage the land sector, particularly Indigenous landholders.

Crediting periods

The ILC is concerned that the introduction of a single crediting period will mean that: (a) very few new projects will be economically viable; and (b) existing projects will cease once the crediting period is over. The ILC believes that this feature will negatively impact upon both project viability and the Government as the buyer, which misses the opportunity to purchase genuine emissions reductions achieved beyond the first (and only) crediting period.

In the case of savanna burning, a single crediting period of seven (7) years will remove the long term sustainability of early dry season savanna burning across northern Australia. Savanna burning will not become common practice or business-as-usual at the end of a single crediting period and the absence of ongoing and long term incentives for landholders means that the annual fires, which ravage the North every year, are unlikely to be managed strategically into the future and will continue to contribute significantly to Australia's emissions.

Issues also arise in relation to biosequestration projects, which are proposed to have a crediting period of 15 years but an additional permanence requirement of 10 or 85 years. This poses two main problems. Firstly, a single crediting period will result in the loss of significant project income from biosequestration occurring beyond the first crediting period, thereby reducing the number of projects that are viable. Secondly, the incentive for project proponents to maintain plantings and other biosequestration activities at the end of the crediting period and once all income has been received will be low. The responsibility will then fall upon the Government to monitor and ensure the permanence of biosequestration activities is maintained.

Other matters of concern

The ILC notes a number of other areas where participation of Indigenous landholders could be better enabled through the ERF, including:

- Building on existing initiatives by allowing projects to have commenced prior to registration. This includes, but is not limited to, allowing bids from projects incorporating the express intention to generate credits and which have been funded by Government programmes, such as the Indigenous Carbon Farming Fund Capacity Building and Business Support Stream, the Biodiversity Fund and Indigenous ranger programs funded through Working on Country, the Indigenous Protected Area program and similar initiatives.
- Providing a mechanism for project proponents to sell additional credits to the Government if the volume of credits generated exceeds that which must be delivered under contract. The White Paper states, “A five year contract period means that, in many cases, the standard seven year crediting period will extend beyond the contract period. Once a project has been successful at auction, it will not be able to seek additional funding through a future auction” (p. 47). This seems counter-productive, as the Government misses out on purchasing genuine emissions reductions. Further, project proponents will need to be conservative when bidding into the ERF to avoid dealing with make-good provisions later. Project proponents who have bid into the ERF should be able to sell any remaining credits to the Government at the current auction price or the contract price, whichever is higher.
- Prioritisation of methods that are likely to attract significant Indigenous landholder participation. For example, the White Paper does not make reference to the three new savanna burning methodologies (Tiwi Island, biosequestration above 1000mm annual rainfall, and 600-1000mm annual rainfall emissions avoidance) that are currently under development.
- When prioritising methods for development, it would be prudent to consider not only the adverse social, environmental and economic impacts that may result, but also the potential for positive social, environmental and economic benefits to be delivered.

- Providing the opportunity to generate non-Kyoto ACCUs, from land sector activities such as feral animal management. It is understood that non-Kyoto ACCUs cannot be bid into the ERF; however, such projects could still be issued with ACCUs for use in the voluntary market.
- Flexible arrangements around the requirement of proponents to demonstrate capacity to generate credits and commercial readiness of projects prior to bidding at auction. This would account for the challenges faced by Indigenous organisations in providing this level of information with no guarantee of success.
- Aligning and streamlining, wherever possible, the crediting period, contract period and auditing requirements.
- Where consent is to be obtained from Indigenous landholders for biosequestration projects, there should be a requirement for the principles of free, prior and informed consent to be used.
- Decisions around discretion for out-of-auction contracts for major projects should be transparent and consider the broader potential for benefits to be achieved by Indigenous landholders, aligning with other Australian Government policy commitments.

Concluding remarks

The ILC looks forward to further engagement with the Australian Government in relation to the ongoing design of the Emissions Reduction Fund and the development and delivery of practical Emissions Reduction projects or any other related policy matter.

Should you require further information in relation to this submission, please contact Nerissa Walton, Senior Policy and Environment Advisor on 08 8100 7100.