

Submission
Department of Climate Change
National Carbon Offset Standard

Introduction

Greening Australia is Australia's largest environmental NGO with offices in all states and territories and many rural and regional locations around Australia. We have been in existence for 27 years and have a staff of 350 and a turnover of \$50M per annum.

Our work is the large scale transformation of degraded landscapes. This is achieved through the restoration, expansion and establishment of biodiverse native forests, woodlands and other vegetation systems.

Greening Australia has worked in the voluntary carbon offset market for the last 18 months through our Breathe Easy program which was developed in collaboration with Alcoa Australia. We are an accredited carbon abatement provider under the Government's *Greenhouse Friendly Initiative*.

Greening Australia is preparing to work in the compliance market when the CPRS comes into force in 2010.

Greening Australia's interest in the carbon market is with respect to potential income generation from carbon sequestration that can provide investment capital to turbo charge our landscape transformation work.

Greening Australia's biodiverse carbon offsets are generated from carbon sequestered from biodiverse native forest and bring, in addition to sequestered carbon, a range of environmental services-biodiversity, habitat restoration, improved water quality and soil health. Greening Australia's carbon sinks deliver both carbon emissions mitigation and climate change adaptation.

Submission

1. General Comments

- a. The Discussion Paper (Paper) is confusing with respect to the relationship between the CPRS & the Voluntary Offset Market.

For example- p. 1.1 of the Paper, states "*This discussion paper is concerned with voluntary activity that occurs beyond that imposed by the mandatory or compliance market. It discusses the national carbon offset standard intended to apply to the voluntary carbon market and provide greater confidence to consumers who wish to purchase offset products.*"

While at p. 2.1 it states-"*Allowable emissions from sources covered by the Scheme (CPRS) will only be able to exceed the cap if this is matched by the surrender of eligible international units, additional domestic permits issued as a result of forestry activities or additional permits issued under the price cap mechanism.*"

- b. Greening Australia believes that Australians would welcome the opportunity to make a real impact on climate change separate from that achieved under the national cap (and therefore international obligations). The voluntary offset market offers the only way to ensure that a purchase of one tonne of CO₂-e mitigation will result in the reduction of one tonne of CO₂-e emissions to air. This would mean delivering a voluntary mitigation outcome 'above and beyond' the commitment agreed to in international negotiations (i.e. the national cap).

The mechanism may be to retire a Kyoto unit for each tonne of voluntary domestic action undertaken. It would mirror the contribution of individual Australians to third world countries through donations and sponsorship over and above any commitments the Australian Government makes through foreign aid. If Australians thought that contributing to a charity supporting a poor community in Africa meant the Australian Government would decrease its foreign aid budget then that would destroy any incentive for public action.

Either a credible method of accounting for mitigation 'above & beyond' our national target (international obligations) must be determined or there needs to be a clear statement that this will not be available.

In this section, Greening Australia will address the particular questions raised in the National Carbon Offset Standard Discussion Paper (Paper)

2. Implications for the Voluntary Market

- **Is the term 'carbon neutrality' still meaningful in the context of the scheme?**
- **Would another concept such as 'additional voluntary action' be more appropriate to recognise voluntary activity?**
- **If all an entity's emissions are covered under the scheme, would it be sufficient for the entity to participate in the Scheme in order to be considered carbon neutral?**

Greening Australia Response

The term *carbon neutral* has always been confusing and often misleading. It should only apply where the total sum of carbon emissions produced by an entity is equal to the carbon offsets derived by the entity.

The term *additional voluntary action* is also misleading. Is it voluntary action taken by entities with compliance obligations under the CPRS? Or is it additional because regardless of being compliance driven or voluntary it is additional to our national target? The use of the term *additional voluntary action* only makes sense if it is used in the context of contributing to Australia's emissions effort above and beyond our international obligations. Otherwise it does not pick up voluntary action undertaken by parties that do not fall under the CPRS.

The CPRS is not an offset scheme-the object of the Scheme is to *reduce* carbon emissions to meet a cap. It would be inappropriate to describe entities meeting their caps under the Scheme as being carbon neutral on this basis alone. Additionally, most of the liable entities will either pass through the additional costs or be covered by the assistance measures in the White Paper, thus making any concept of carbon neutrality null and void (i.e. who actually pays for the outcome)?

3. Carbon Neutral Calculation Standard

- **Should calculation of a carbon footprint be based only on emissions from uncovered sources or should it be based on an individual activity's entire emissions?**
- **Does calculation of a carbon footprint represent a sound benchmark from which to determine the degree of voluntary action an entity may wish to undertake?**
- **Should different approaches to lifecycle analysis be applied to organisations, products and services?**
- **Should the calculation of Scope 3 emissions be optional for organisations and/or services and if so which, if any, Scope 3 emissions should be considered?**

Greening Australia Response

The calculation of a carbon footprint only represents a sound benchmark from which to determine the degree of voluntary action an entity may wish to undertake, if there is a rigorous and nationally consistent methodology used to calculate the footprint. To be meaningful it should track an individual entity's emissions from both covered and uncovered sources although accounting will need to distinguish between compliance and voluntary action. Scope 3 emissions should not be optional where they are a major source of emissions e.g. where product distribution is essential to the operation of an entity's business. In some cases Scope 3 emissions will be irrelevant or offset through another organisation's voluntary actions.

4. Carbon Offset Standard

- **What types of international offset credits should be eligible under the standard?**

Greening Australia Response

It is vital that before Australia recognises credits that become available on the international market, there is rigorous scrutiny of the integrity of the offset credits.

For example, Reducing Emissions from Deforestation & Forest Degradation (REDD) credits that typically will be generated in developing countries, will need to be closely scrutinized before being eligible under the Australian Standard. Due diligence and quality assurance tests will be needed to ensure the integrity of the REDDs with respect to the following:

- Leakage;
- Additionality – it would seriously damage the credibility of any scheme if carbon products such as so-called 'hot air' AAUs were allowed to be sold under the standard;
- Permanence;
- Measuring and methodology; and
- Governance around the administration of REDD programs in countries with a history of poor governance and environmental management.

It is important that a decision to import international offset credits, doesn't compromise access to our own domestic offsets. In the case of Greening Australia, carbon offsets credits will also bring a range of biodiversity and other environmental credits. The Commonwealth should resist purchasing low cost international credits that are flawed for the reasons cited above.

For domestic offset providers the importation of international credits while domestic offsets are embargoed from the international market creates a trade barrier.

- **Should domestic offsets from uncovered sources contribute to Australia's Kyoto obligations or should an Assigned Amount Unit be cancelled to provide additionality beyond the Kyoto obligations?**

Greening Australia Response

With respect to the use of offsets from uncovered sources, Greening Australia's position is as follows:

- Given that scheme caps will take projected emissions from uncovered sources into account (White Paper), it would seem consistent to acknowledge offsets from uncovered sectors as long as they meet the National Standard. This would help to prepare uncovered sectors that are likely to be covered in the near future.
- In considering how to treat the offset credits the following should be taken into account:
 - Given the direct correlation between the Kyoto target, the national emissions trajectory and the CPRS cap, it is misleading to talk about additional voluntary carbon contributing to our mitigation effort above and beyond our international obligations unless all voluntary offset permits are surrendered. This will increase Australia's contribution to the global mitigation effort beyond the international commitment and provide a buffer for inaccuracies around estimates of emissions and offsets that will be made in determining trajectories and targets up front.
- Any domestic offset from uncovered sources (e.g. agriculture) should be structured in the knowledge that any investment in creating the carbon offsets must account for the likelihood of the sector being covered by 2015.
- **How should reforestation be treated under the standard?**

Greening Australia Response

Greening Australia believes that carbon pollution permits generated by forestry are best treated under the standard by allowing forestry entities to opt into the scheme and operate both in the compliance and voluntary markets:

- a. This ensures that there is no discrepancy in the *quality* of carbon pollution permits offered in both the compliance and voluntary markets,
- b. This model minimizes administrative costs;
- c. The model makes sense in the likelihood of the sector becoming fully covered in the future; and
- d. Allows offset credits to support Australia to exceed its international target while maintaining the CPRS cap.

- **Are the principles for credible offsets adopted by the Greenhouse Friendly Initiative appropriate for a national carbon offset standard?**

Greening Australia Response

The appropriate standards are those that will be established for supply of ACPPs under the CPRS. Again, this ensures consistency and minimizes administrative requirements. Greening Australia has consistently advocated that the standards for delivering ACPPs should meet international standards and all reasonable fiduciary, legal and governance requirements are appropriate for an industry that needs to ensure permanence.

5. Accreditation

- **Should the national carbon offset standard be voluntary or mandatory in nature?**

Greening Australia Response

The national standard should be mandatory for the following reasons:

- To provide consumer certainty;
 - To maintain the integrity of Australia’s national target-voluntary abatement needs to be taken into account;
 - To eliminate the administrative burden and costs associated with moving from being an uncovered to a covered sector under the CPRS.
 - In the new carbon economy, the market will take too long to sort out credible abatement providers from the rest in a time when a number of operators will be keen to operate in the new market place.
- **Should there be a form of branding available to those entities which provide products or services that meet the standard?**

Greening Australia Response

Provided there is a rigorous accreditation process for abatement providers, branding that can help consumers distinguish credible operators from shysters will avoid both consumer grief and the undermining of Australia’s mitigation effort.

- **Is further oversight of the standard required beyond the ACCC’s administration and enforcement of the Trade Practices Act?**

Greening Australia Response

We note that in its website advice to the public, the ACCC refers to Greenhouse Friendly product and service accreditation and accreditation for approved abatement providers. The advice that follows is consistent with Greenhouse Friendly standards. While the Trade Practices Act refers to misleading and deceptive conduct which would cover false claims by abatement providers, the National Standard will prescribe the level of conduct that is reasonable in the circumstances. Greening Australia would expect the Standard to adhere to the rigorous accreditation requirements provided by the Greenhouse Friendly Initiative.

In the context of forestry, the organisation that regulates the provision of forest-based ACPPs in the compliance market would be the organisation best placed to regulate the voluntary market.

6. Supporting Processes

- **Should a panel of verifiers be established under the standard and/or should the standard specify a particular accreditation standard which eligible verifiers must meet?**

Greening Australia Response

In common with Greenhouse Friendly accreditation and certification under quality standards such as ISO14001 or 9000, third party verification is essential to ensure quality standards. Similarly a register of accredited verifiers must be established.

- **Does the Greenhouse Friendly™ initiative abatement provider process form a good basis for the administrative procedures for the assessment of new methodologies for the generation of domestic offsets?**

Greening Australia Response

Greening Australia undertook the GHF abatement provider process to achieve GHF Accreditation in 2008. While we support a rigorous assessment process, we would make the following observations:

- a. The GHF process was excessively demanding-while there were clear principles articulated in the process, there was a lack of direction and consistency with respect to standards and methodology for providers. This resulted in inconsistency in the assessment/accreditation process.
- b. There were 4 tiers of the assessment process where a single third party audit undertaken by an accredited auditor would have been sufficient, along with standard methodologies for the variety of abatement products allowed under the voluntary standard.
- c. We would expect that those organisations that are already accredited under Greenhouse Friendly will be deemed to be accredited for the purpose of the CPRS.

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