

Friday 21st February 2014

Submission to the Emissions Reduction Fund Green Paper

The Emissions Reduction Fund Green Paper raises a series of questions on how to quickly engage and encourage participation in the fund, ensure early action, streamline processes and aggregate emissions reductions across multiple projects and activities. Overall, the Green Paper appears to emphasise timeliness and effective cross-sectoral coordination.

Nationally, the 55 Regional Development Australia organisations sit in a unique position to facilitate the aggregation of emissions reductions and early participation in the Emissions Reduction Fund.

RDAs provide a central point of coordination between governments and the community, industry and landholders. With a strong existing governance framework, a regional focus, national footprint and links to all levels of government, RDAs can form a collective approach to carbon trade, with a focus on economic development and job creation in the regions.

In our region, RDA Orana is constantly searching for ways to promote and build on the five key determinants of long-term economic growth. As COAG has outlined, these determinants are:

1. Human capital;
2. Sustainable (economic, environmental and social) communities and population growth;
3. Access to international, national and regional markets;
4. Comparative advantage and business competitiveness; and
5. Effective cross-sectoral and intergovernmental partnerships.

The Emissions Reduction Fund offers great mutually beneficial opportunities for the environment and Regional Development, in line with these five determinants. Given our existing relationships and networks across the region, RDA Orana could play a role in the following ways:

1. Build human capital by acting as a facilitator of information, engaging and educating land holders, small businesses, and larger emitters across the region and proximate regions.
2. Ensure economic and environmental sustainability by promoting the Direct Action approach amongst credit holders/generators and implementing an engagement strategy to ensure early participation in this emerging marketplace.
3. Facilitate links between land holders and investors, enabling those isolated by the geography of regional Australia to participate in a National program.
4. Build relationships between regional universities and research institutes, land holders and industry, to promote innovation in the field, and work toward lowering the cost of a variety of existing emissions reductions methods.
5. Continue to provide a service in brokering and facilitating the effective cross-sectoral and intergovernmental partnerships required for the successful implementation of the Emissions Reduction Fund.

This is not just true for the Orana region, but for the entire RDA network.

RDA Orana covers approximately 25 per cent of the land mass of New South Wales. In 2012 the region's Gross Regional Product amounted to \$4946 billion, with dominant sectors Agriculture and Mining making a significant contribution to that figure (10% and 9% value add respectively).

We would argue that in order to fast track the delivery of emissions reductions, it is vital to focus on the land sector. This is not only because of the volume of emissions generated from the land sector (16.9%), but also because, through the Carbon Farming Initiative, the methodologies for land sequestration have been tested and applied: the land sector is primed for early action. The Orana is home to a number of the CFIs early adopters, who would be ready to participate in the new Fund.

A focus on the land sector would also give rural and remote businesses (primary producers) access to national programs which they may otherwise be excluded from. It provides an opportunity to diversify this industry which is a large contributor to the Australian economy – one which is burdened by the uncertainty of weather and markets, and requires the stability the successful implementation of this policy could offer.

The land sector can generate carbon credits and participate in the Emissions Reduction Fund in at least five ways. It should be noted that these would also lead to an increase in farm productivity per acre.

1. Implement innovative farming practice to store carbon in soils
2. Protect existing vegetated areas not currently used for cropping or stock to store carbon
3. Revegetate sections of land (also reduces erosion) to store carbon in newly planted trees
4. Prevent stock access to existing tree lots, to store carbon in trees regenerating from stock impact
5. Reduce the amount of methane generated by stock by adjusting types of feed given to cattle

It is vital that landholders are involved in the design and implementation of the Fund, and are included in this economy building activity.

While the land sector presents the most immediate opportunities, there are also a number of other large emitters in the region, including transport and logistic firms, who make up 15.6% of emissions. We also have established relationships with all major industry in the Orana including mining and food production.

Given this diverse economy RDA Orana are in a strong position to facilitate emissions reductions in the short term, through land sector initiatives which have an established methodology, and in the long term, through aggregating emissions from other sectors including the resources sector. RDA Orana seek a role in outreach, engagement and support; leveraging existing relationships to bring together stakeholders from across sectors and regions. As independent organisations, with strict governance arrangements, there is little risk of RDAs exploiting this role for commercial gain.

We hope that the design of this fund will take steps to safeguard regional economic opportunities. Given the potential economic opportunities the Fund presents to regions, RDA Orana have concerns about the proposed 'make good' provisions and the fall back option of purchasing international abatements. The fund has the ability to promote real economic growth Australia-wide; it would be disappointing should the Fund benefit overseas economies.

RDA Orana are able to comment on questions raised in the Green Paper which relate to the governance, facilitation and coordination of emissions reductions, and have done so below.

Emissions reduction methods will be developed to calculate genuine and additional emissions reductions from new actions that are not mandatory and have not been paid for under another programme.

Views are sought on how best to:

- *ensure that emissions reductions are genuine*
- *develop methods for calculating emissions reductions from priority activities*
- *facilitate the aggregation of emissions reductions across projects and activities.*

RDA Orana understand the current Carbon Farming Initiative already has a rigorous framework to ensure reductions are genuine and for calculating emissions reductions. It is the existence of these rules and regulations that make the land sector the practical first avenue to explore when implementing the Direct Action policy.

Should the Emissions Reduction fund be administered through the RDAs, as suggested, the availability of these methodologies would allow early progress whilst suitable methodologies are established for other sectors. Once the required methodologies for other sectors are established, RDAs will be able to diversify their offering.

RDAs are in an enviable position to facilitate the aggregation of emissions reductions across projects and activities.

As already stated, RDAs have a national footprint but a regional focus, and can facilitate relationships between the 'grass-roots', all levels of government, business and industry. RDAs already have strong cross-sectoral links with local government, land holders, industry and bodies such as Landcare and NRM/CMA/LLS boards.

Good governance and transparency are also key to all good policy implementation. We believe no other agency would be able to work for the public good across all sectors, using the principles of collective impact to facilitate outcomes for all stakeholders involved.

RDAs provide an existing network, with established governance frameworks, independent Committees, offices and staff. An expansion of the role of RDAs would be a minimal cost in a scheme aiming to achieve the lowest price possible. Utilising the existing RDA infrastructure for this purpose would reduce the risk of duplication and ensure mutual economic and environmental impacts.

Initially the Clean Energy Regulator could run relatively frequent tender rounds to bring forward the delivery of emissions reductions.

The Clean Energy Regulator would apply a benchmark price — the maximum amount it would pay per tonne of emissions reduced — with only bids costing less than the benchmark price being considered.

Stakeholder views are sought on how best to:

- *facilitate early participation in the Emissions Reduction Fund*
- *operate an efficient auction process to secure lowest-cost emissions reductions.*

In terms of land sector initiatives which, as we have argued, are the most 'ready' to be applied, consultation has identified a number of barriers to participation. Early involvement in the Emissions Reduction Fund would rely on further efforts to fast track the soil carbon methodology and the removal of other barriers, including 'green tape'.

For many, the 100 year expectations on credits is a major deterrent, especially as it is unknown how this would impact the resale value of a property. Modifying this timeframe to a 25 year credit would increase the likelihood of landholders participating. Given the many iterations of a market for carbon that have been discussed over the last 10 years or more, landholders also need certainty that they are making the best decision in the long term.

Landholders we have engaged recently have also expressed concerns at the lack of a visible base price. A floor price would guarantee sustainability and ongoing supply in the eyes of landholders, providing them with the required security to engage in the Fund.

These issues demonstrate the need for structured, swift engagement of landholders. The proposed scheme has many economic benefits for the land sector however these will not be realised without effective education and outreach. RDA Orana have developed a framework to ensure the engagement of landholders, outlined below.

The Emissions Reduction Fund will build on and streamline the existing architecture of the Carbon Farming Initiative.

Views are sought on:

- *options for streamlining the Carbon Farming Initiative*
- *how best to encourage the uptake of land sector activities.*

Effective engagement of landholders is essential to the uptake of land sector activities.

As part of the Carbon Farming Initiative RDA Orana, along with colleagues in the Central West, Northern Inland and Far West regions, developed a model for education and engagement of regional landholders. This model is applicable to the current issue and would see the creation of Extension Officers, working across multiple regions to deliver information outreach to landholders in rural and remote NSW.

This region can be disadvantaged by distance and isolation, engagement of rural and remote landholders must be targeted and cater to their specific needs and barriers. When considering the demographics of the target group in these regions, it is important that the design and delivery is practical and realistic to ensure success. In 2011 the median age of an Australian Farmer was 53 years (ABS Census of Population and Housing): we recognise that landholders in our region have a specific set of barriers, including accessing and embracing innovations, when it comes to early engagement in programs such as the ERF.

The extension and outreach model would commence with the selection and training of Extension Officers and the development and implementation of a marketing and communications strategy. We would then establish local land networks – or clusters of like land holders – with the aim of engaging groups to progress through the learning process together and demonstrate opportunities for creating new income streams to their communities. These groups would be the champions of uptake across landholders in the region. The establishment of these clusters will also provide a support network for farmers and land managers and will build personal and local capacity.

This model was designed to ensure maximum impact – reaching a large number of people across a large geographical area. It provides a sustainable framework to ensure ongoing activity.

A similar approach could then be used to engage and create clusters of businesses in the region, once appropriate methodologies are established across other industries. The engagement and outreach program would be

duplicated across sectors and would allow information to be disseminated from one central point. This would reduce any burden on government, created through the Department dealing with individual industries, businesses and regions with their own unique challenges.

The Emissions Reduction Fund will be administered by the Clean Energy Regulator.

Views are sought on the proposed governance arrangements.

The Green Paper explains the role of the Clean Energy Regulator as the administrator of the Fund. A role still remains for a body to broker relationships between participants, facilitate knowledge sharing and innovation and educate and engage participants or potential participants.

The Green Paper recommends that services including outreach and technical support be provided external to the Clean Energy Regulator: this is a void the RDA network is well suited to fill.

Given RDAs' existing relationships with the federal government, it would be pertinent for the Government to utilise the RDAs to fill this function and act as a conduit between government and participants in the region.

There is a risk that businesses/individual consultants with vested commercial interests could pursue and exploit this education and outreach role for commercial gain. RDAs' independence is a real asset in this case. Operating under a State/Federal ministerially appointed Committee, with strict guidelines around conflict of interest, the governance arrangements within the model are already established and would aid in avoiding the potential for opportunistic exploitation of the opportunities this Fund presents.

RDAs, with the required financial support to undertake these activities (a potential fee for service arrangement) would provide independent advice, engagement and outreach. Situating this work with RDAs also directly aligns the Emissions Reduction Fund with economic policy and development: an essential function as "carbon" has become an inextricably economic issue.

In summary, by making a case for early action through land sector initiatives, and carving a role for RDAs in outreach and engagement work, we aim to ensure the benefits of the Fund are felt widely across all Australian communities. The Emissions Reduction Fund presents great economic opportunities to the regions. It would be disappointing should the Fund be tailored only toward big business and, as a result, become 'metropolitan' rather than national in economic impact.