

Australian Pork Limited

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Dear Tamara.

Thank you for the opportunity to meet with the Department of Climate Change (DCC) and the Department of Agriculture, Fisheries and Forestry (DAFF) to discuss the pork industry's involvement in the Carbon Farming Initiative (CFI). We believe there are significant opportunities for the Australian pork industry's participation in the CFI, as a mechanism which will enable producer contribution to the mitigation of carbon emissions through onfarm management practices, improved environmental stewardship on-farm with benefits to the community.

However we would also like to address some concerns regarding the operation of the scheme and the ability of the Australian pork industry to effectively participate. Some of these concerns include the assessment of 'additionality' as a requirement to be an accredited carbon offset, practical on-farm issues, privacy, administrative burdens and the role of APL driving climate change research.

INTEGRITY STANDARDS: "ADDITIONALITY"

The pork industry's objective is a sustainable, competitive Australian pork industry that integrates sound environmental practices throughout the supply chain. Part of this is developing and implementing methane flaring or utilising technologies on producer farms. Though it is intended that CFI scheme participants who invest in carbon offset projects on farm can benefit via the income stream from the carbon offsets that will be generated, there are doubts regarding how this is treated in legislation.

In regards to 'additionality', (where a carbon offset project must result in carbon abatement that would not have occurred in the absence of the CFI scheme), APL requires clarity on how additionality applies to carbon offset projects. For example should methane flaring become widespread in the pork industry, would methane flaring no longer be considered 'additional?' This adds business uncertainty as producers will see diminishing returns from offset credits in a short period of time against what will likely be a substantial investment in the technology. The DCC should clarify this position in future CFI consultation papers, CFI legislation and CFI policy.

The treatment of 'business profitability' for approved offset projects is also unclear. We do not agree on the proposed treatment of producer investment in those approved carbon offset projects that result in an increase in profitability and therefore are automatically deemed not 'additional'.

APL also does not agree that an offset project must increase carbon mitigation year to year for carbon offset credit eligibility. Climatic conditions can influence the level of carbon mitigation possible. Given ongoing carbon offset activity costs, in some years there may be a net loss or reduced margin to producers who participate in the CFI.



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www.australianpork.com.au ABN 83 092 783 278 APL and the pork industry requires clarity on the assessment of the past carbon abatement baseline. This assessment, used to quantify the margin of carbon abatement from approved offset projects is ambiguous. In the consultation paper it states, 'It is generally very difficult to estimate past abatement and demonstrate that (carbon) abatement has already occurred is not business-as-usual.' If the carbon abatement baseline is set too high, producer benefit from CFI scheme participation will minimal or non-existent.

The use of the additionality as an integrity standard is not a flexible design for the pork industry carbon offset activities, primarily as it increases business risk, and secondly as it potentially minimises or eliminates the value of the scheme to producers.

PRODUCER UPTAKE

There are on-farm considerations to take into account. There are costs of having an on-farm independent audit, building, and implementing the flaring mechanism and ongoing maintenance. There are also ongoing costs of the consultants engaged including emissions assessment and ongoing reporting. If this process is too costly pork producers will not be encouraged to participate in the CFI.

KYOTO VS. NON-KYOTO COMPLIANT ACTIVITIES

Another real driver of producer participation will be the dollar value of offset activity under the CFI. As the dollar value of Kyoto-compliant and non-Kyoto compliant are both unknown, and given this uncertainty with the methodology, assessment, and the CFI legislation itself, the proposal for voluntary offsets is not encouraging. This great unknown will impact on a producers' ability to predict with relative certainty the up-front capital investment required for example, the flaring of methane to realise any carbon abatement benefits.

PRIVACY CONCERNS

The CFI register of offset projects as a transparent website tool may also be a breach of privacy. Transparency principles should only be applied to ensure that both the methodology applied in estimating the abatement volume generated is validated. We encourage a system that lists offset project details on an aggregated basis, such as by state. This system would still allow the scheme administrator to access details relevant to the offset project.

ADMINISTRATIVE BURDENS

There is large risk for offset projects to be burdened by several layers of government administration. With the pace at which the government seeks to fully implement it, the CFI may be hindered by local government processes.

CO-BENEFITS

APL would like more information on what the proposed 'co-benefit' guidelines are for carbon offset projects. Our understanding is that any project with a public benefit may be able to sell their carbon credits at a premium to the market price. Though we support this approach we need more clarity as to how this system will operate in practice.



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CLIMATE CHANGE RESEARCH

The CFI paper is silent on the role of RDCs in driving climate change research, development and extension. In terms of the strategic framework of the CFI, there must be a stronger policy linkage between the CFI and the research development corporations whose producers will ultimately be participants in a voluntary carbon market. The CFI cannot be a stand alone policy mechanism.

The CFI paper does not recognise that a key area of industry research already addresses strategies and technologies that aim to minimise the pork industries environmental impacts whilst providing multiple benefits to the surrounding catchment and wider community. This includes issues such as mitigating greenhouse gases and optimising renewable energy, catchment and nutrient management, alternative waste systems, odour management and soil health.

Though the policy intent of the CFI is forward-thinking, it is not a sound mechanism for engaging pork producer participation in a voluntary carbon market. There are significant policy outcomes that could prevent producers participating, particularly the scheme requirements over additionality, privacy and investment in offset projects. There are no obvious indicators on the potential income streams nor any clarity or confirmation of the administrative procedures for registering projects, gaining project approval or approved assessment and measurement methodology. Without these fundamental indicators the CFI a successful voluntary carbon market is in jeapoardy.

Yours sincerely,

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