



Summary of CPRS amendments relating to agriculture

Agriculture coverage

Agriculture excluded

- The Government makes a policy commitment to exclude agriculture indefinitely from the CPRS.
- The Government will amend the CPRS bill to explicitly exclude agriculture emissions from the scheme:
 - this means that a future act of Parliament would be required to reverse this decision, providing additional certainty to the sector.
- The Government will work with industry to:
 - monitor world's best practice in reducing agricultural emissions and consider a range of ways in which the agriculture sector can contribute to the transition to a low-pollution economy; and
 - introduce voluntary emissions reporting trials in 2011 to allow the sector to better understand and manage its emissions.
- The Government commits to conducting a Productivity Commission review in 2015 of whether the sector is at world's best practice mitigation and an examination of the potential measures to achieve this.

Implementation:

- *Legislative amendment in the November sitting.*
- *Policy commitment to be incorporated in Hansard or laid before Parliament.*
- *Government will work with stakeholders to revise the work programme to incorporate policy commitments.*

NFF Comments:

- This is the key pillar of the NFF policy on the CPRS.
- While not a commitment to “permanent” exclusion of agriculture, the language gives as much certainty on the issue as any Government has the capacity to make.

- Productivity Commission review in 2015 is a new commitment that will mean that industry must continue to ensure that it can demonstrate that we are operating in line with world's best practice, or at least moving towards that.

Offsets

- The Government will introduce amendments to provide for crediting of abatement from agricultural emissions and other sectors not covered by the CPRS (for example, legacy waste) that are counted towards Australia's international climate change obligations, with the following features:
 - a policy and legislative framework that ensures any domestic offsets meet internationally accepted principles of permanence, additionality, measurability, avoidance of leakage, independent audit and registration;
 - promotion of best practice standards;
 - an independent expert committee will be established to vet offset methodologies and recommend robust methodologies to the Minister for approval;
 - this means that the Minister would accept or reject methodologies, but would not be able to modify the committee's recommendations
 - provisions for interested persons to refer methodologies for assessment by the independent expert committee;
 - approval of projects and crediting of abatement from commencement of the CPRS on 1 July 2011;
 - compliance requirements, including monitoring, reporting, record-keeping, auditing and appropriate enforcement mechanisms; and
 - legislation would be flexible and would allow new sources to be included once they are recognised in Australia's international commitments.
- CPRS permits will be provided for abatement from the sources that are counted towards Australia's international commitments, subject to the development of robust methodologies:
 - livestock
 - manure management
 - fertiliser use

- burning of savannas
 - burning of agricultural residues
 - rice cultivation
 - avoided deforestation
 - legacy waste
 - emissions from closed landfill facilities.
- The Government will continue advocating in the international climate change negotiations to ensure the post-2012 accounting rules only require countries to account for emissions and removals of greenhouse gases resulting from human activity.
 - In the meantime, the Government will promote voluntary market offsets through implementation of the National Carbon Offset Standard. This will provide scope for a market for abatement from the following sources that are not counted towards Australia's international commitments:
 - agricultural soils (grazing and crop land management), including biosequestration through soil carbon and biochar;
 - enhanced forest management; and
 - non-forest revegetation and vegetation management.
 - Abatement from these sources will transition into the CPRS once abatement is internationally recognised and provided that other CPRS requirements are met.
 - To facilitate this, NCOS methodologies would be assessed by the same expert independent expert committee responsible for advising the Minister on CPRS offset methodologies and NCOS requirements would be consistent with those of the CPRS wherever possible.
 - To further enhance the environmental outcomes from the CPRS, the Government will also:
 - provide credits for regrowth forests on deforested land (legally cleared between 1990 and 31 December 2008);
 - provide credits for soil carbon on deforested land (for land legally cleared between 1990 and 31 December 2008) from 2013;

- include conditions for forests earning forest credits to have adequate water entitlements and planning approvals; and
- require that offset projects do not involve, or include material obtained as a result of, clearing or harvesting of native forests.

Implementation:

- *Offset chapter to be included in amendment in November sitting and detailed in supplementary Explanatory Memorandum.*
- *Regrowth forests to be included in amendment in 2010.*
- *Other environmental enhancements to be included via amendments in 2010.*
- *NCOS to be implemented outside of legislation. Government to advocate improved international accounting in international negotiations.*
- *Policy commitments to be incorporated in Hansard or laid before Parliament.*

NFF Comments:

- Offsets still need to meet internationally accepted principles of permanence, additionality, measurability, avoidance of leakage, independent audit and registration. While it is not made explicit that offsets must be Kyoto compliant, this is inferred as the meaning of meeting internationally accepted principles.
- For non-Kyoto compliant units, the Government has indicated that it will promote voluntary market offsets through implementation of the National Carbon Offset Standard. This will provide scope for a market for abatement sources that are not counted towards Australia's international commitments. It is unclear who will actually be in the market for these units once the CPRS is in operation but at least it does provide a transitional mechanism for the establishment of further offset opportunities.
- The offsets listed do not only recognise carbon sequestration but also recognise improved performance by farmers undertaking activities that emit carbon.
- Inclusion of credits for regrowth forests may be another positive for farmers affected by state land clearing and regrowth legislation.
- There is acknowledgement of forest offsets needing to meet water entitlement and planning approvals meaning there is some scope to rein-in excessive land-use change that may lead to perverse environmental outcomes.

R&D into agricultural abatement

- To assist farmers to take advantage of these expanded offset opportunities, the Government will provide additional R&D investment of \$50 million into the development and on-farm testing of emissions reduction options, including biosequestration and livestock, supported by the voluntary reporting trial. This funding would include support for the development of a global alliance on agricultural mitigation research proposed by New Zealand.

NFF Comments:

- A welcome announcement. Additional to the previously announced \$42 million allocation.
- Still well short of allocations on carbon capture and storage for the coal industry but still a considerable improvement.
- The global alliance on agricultural mitigation research proposed by New Zealand is an R&D funding proposal including in the current Kyoto negotiations. NFF must ensure that the new funds are not merely siphoned into this fund, without Australian interests having some control and ownership.

Food processing

- A five-year, \$150 million stream of assistance for the food processing sector will be established within the Climate Change Action Fund (CCAF):
 - this stream will be dedicated to funding emissions reduction measures within the primary food processing industry, with initial priority given to dairy processing, meat processing and malt production facilities;
 - this stream will enable:
 - a comprehensive investigation into abatement opportunities at all major primary food processing facilities;
 - grant funding to support the development and deployment of technologies to reduce emissions from waste water at meat processing facilities and dairy processing facilities;
 - grant funding to support the conversion of facilities from coal to natural gas;
 - exploration of the potential to generate electricity in cogeneration plants, from captured waste water methane; and

- assistance with the implementation of energy efficiency opportunities.
- in some situations it is expected that abatement and/or fuel switching may result in facilities reducing their liability under the scheme to such an extent that they would no longer be directly liable parties; and
- a reallocation of funding within the CCAF will accommodate this stream.
- The food processors will be able to apply for other elements of CCAF funding if this allocation is fully subscribed.
- In addition, the Independent Expert Review will examine the impact of the CPRS on the primary food processing industry in the first scheduled Review in 2014 drawing on analysis by the Productivity Commission:
 - The review will take into account international developments relevant to the impact of the CPRS on the industry, including the assistance arrangements for food processors in comparable countries, in particular New Zealand.
- The food processing industry will benefit significantly from the Transitional Electricity Cost Assistance Programme.

Implementation:

- *No legislative amendment required.*
- *Programme appropriated in future Budgets as part of CCAF, with provision made for separate stream of assistance.*
- *Policy commitments incorporated in Hansard or laid before Parliament.*

NFF Comments:

- This does not offer direct financial or free permit compensation to cover the scope 1 and scope 2 emissions faced by food processors (e.g. along the lines of EITE assistance).
- Instead it is a program designed to help food processors improve their waste water management and energy technologies to transition to a lower emissions profile.
- This will have limited benefit for dairy processors who are predominantly reliant on electricity from the grid and do not have large amounts of waste water emissions.
- This differs from many meat processors, particularly in Queensland, who are reliant on coal powered electricity and have significant waste water emissions.



- Dairy, meat and malt processing are explicitly listed as having priority but it remains unclear about how much assistance will be provided to other food processing sectors such as sugar.
- The benefits of this program appear to be mixed depending on the processor and the sector.
- It remains unclear about what access food processors will have to the \$1.1 billion Transitional Electricity Cost Assistance Program, aimed at reducing the impact of the Carbon Pollution Reduction Scheme (CPRS) on electricity prices paid by medium and large enterprises. The amendments indicate that the program will be available to entities within the ANZSIC Division C: Manufacturing (including all subdivisions), for existing and new corporations with facilities consuming electricity (grid or own supplied) above a minimum threshold of 300 megawatt hours per year.
- It is also unclear about what impact on electricity prices will emerge from increasing the Electricity Sector Adjustment Scheme (ESAS) from 130.7 million permits to 228.7 million permits (a 75 per cent increase). This should reduce the CPRS cost for grid dependent food processors.

