



9 July 2020

ERF Branch
Clean Energy Regulator
GPO Box 621
Canberra ACT 2601
Via email: auctions@cleanenergyregulator.gov.au

Dear Sir/Madam

Re: NFF submission to the consultation paper on supporting the costs of soil sampling

The National Farmers' Federation (NFF) welcomes the opportunity to respond to the Clean Energy Regulator's (CER) consultation paper *supporting the costs of soil sampling under the Emissions Reduction Fund*.

The objective to reduce barriers to entry and incentivise further investment in soil projects by providing an advance payment to soil sampling costs is welcomed and directly aligns with the NFF's position and the King review recommendations presented earlier this year.

The NFF understands the program will operate on the basis that:

- Landholders will receive an advance payment to meet the costs for sampling, conditional on delivering a pre-agreed number of Australian Carbon Credit Units (ACCUs); and
- Landholders will be required to make data from soil sampling test reports available to the Government to support the National Soil Strategy.

The NFF makes the following observations:

- The NFF supports efforts to reduce barriers to participation by addressing prohibitively high upfront costs of engaging methodologies, consistent with our submission to the Climate Change Authority 2020 review of the Emissions Reduction Fund. Noting the intention to pilot the proposal at the September 2020 auction, the CER should ensure that eligible landholders have enough notice and communication to understand the proposal and participate.
- The NFF is sceptical about the extent to which the proposal will incentivise uptake of soil methodologies. The NFF has been informed that the cost of soil sampling significantly exceeds the \$5,000 advance payment provided through the proposal. The cost of soil sampling would be even greater for larger farms, meaning a \$5,000 advance payment would not be sufficient to

incentivise participation. The NFF requests the CER clarify how they have determined the figure at \$5,000.

- Ultimately, the methodology needs to have a sound business case. Under this proposal, the stated \$5,000 is an advance payment, not a grant, and therefore landholders would not receive any additional payment from this proposal. Considering other project costs including audit costs, costs required to implement practice change and discounting of credits, unless the price of carbon provides a significant enough incentive, it is unlikely the soil carbon methodologies would be taken up landholders. While the proposal appears to be targeted at smaller stakeholders, the NFF remains sceptical about the business case of the methodology which will ultimately be reflected at the September auction.
- The NFF recognises the proposal is one of several recommendations from the King review and should be designed to align with the policy objectives from other recommendations, notably the King review proposal to encourage 'method stacking'.
- The NFF notes concern about data from soil sampling test reports to be made available for the Government. While the NFF supports the use of data to inform and refine methodologies, landholders must be assured that the data provided to the Government will be protected and not used for compliance or regulatory purposes outside the objective of the relevant ERF methodology. The NFF requests the CER clarify how the Government intends to achieve this and the process under which this will occur.
- The NFF notes that the conditional use of the advance payment to be used for soil sampling may be restrictive. If the purpose of the proposal is to encourage further uptake of soil methodologies, the condition may not be necessary as a pre-agreed amount of ACCUs must be delivered as required under the contract. Providing the landholder greater flexibility to overcome any upfront costs may provide a better incentive for prospective landholders.

Should you require any further information, please contact Warwick Ragg, General Manager Natural Resource Management, on 02 6269 5666 or wragg@nff.org.au.

Yours sincerely



TONY MAHAR
Chief Executive Officer