National Farmers Federation

14 July 2023

Climate Change Authority
King Edward Terrace
Parkes ACT 2600

Via email: consultation@climatechangeauthority.gov.au

Dear Climate Change Authority,

RE: Issues Paper 2023 – Setting, Measuring, and Achieving Australia's Emissions Reduction Targets

The National Farmers' Federation (NFF) welcomes the opportunity to provide a submission to the Climate Change Authority in response to the 31 questions outlined in the issues paper regarding the establishment, tracking, and attainment of Australia's emissions reduction targets.

The NFF was established in 1979 and is the authoritative voice of the Australian agriculture industry. The NFF serves as the national peak body representing the broad interests of farmers across geographical and commodity borders. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations in turn form the NFF. As a general principle, the NFF seeks to ensure that any legislative reform does not have a perverse or adverse impact on agricultural productivity.

Overview

The NFF recognises the importance of this consultation and welcomes the opportunity to share our position, perspectives, and experiences with climate change. As discussed in our previous meeting, NFF has detailed a list of priority issues and concerns impacting farmers and agriculture that we would like to remain engaged in. These are complex and require a continuation of bilateral and multilateral work outside of this formal submission process. Supportive material in the form of previous NFF submissions and existing NFF policy position documents are also attached.

** The NFF would like to note that we reserve our right to update our views as expressed in previous dated submission correspondence.*

Priority Issues for Further Engagement

- Government support and investment for decarbonisation in agriculture;
- Reporting methane emissions using GWP* metric;
- Interplay between the Safeguard Mechanism, environmental offsets, and the agricultural sector;
- Carbon Farming Initiative;
- Updates to the National Greenhouse and Energy Reporting Scheme including scope variation; and,
- Discussions related to ACCU integrity.

Issues Paper: NFF Feedback and Response

Question 7: When is it appropriate for the Government to regulate something?

The NFF holds the view that government regulation should be avoided where possible, and that market mechanisms remain the principal driver for achieving action on associated targets, policies, etc.. Government regulation should only be used in the event of market failure or to address time-sensitive issues.

Question 9: What do you think Australia's 2035 target should be and why?

The NFF supports an economy-wide net-zero target by 2050 providing it meets economic and limited regulatory thresholds and no sector specific targets are imposed. The NFF recognises that many individual commodity groups who are NFF members have or are currently in the process of devising and executing their own respective targets, and currently we are going through the process of drawing this together into a national view.

Question 16: What do you see as the challenges and opportunities from a phase out of fossil fuel production? What should the Government consider when determining a plan for the phase out of fossil fuels?

To support efforts to execute and support its net-zero transition target, Government should consider the impacts new transmission line infrastructure will have on private landholders. Currently, discussions regarding the installation of transmission lines in West Victoria and NSW have yielded significant concern, particularly amongst farm landholders. According to a recent survey conducted by The Energy Charter, 58% of surveyed landholders reported that transmission infrastructure will result in a direct loss of farmland or disruption to land productivity, and 60% reported that such infrastructure

will impact their use of machinery and equipment on-farm[1]. To help support farmers impacted by such action, it is the NFF's view that greater effort to consult with and adequately incorporate land-use considerations from the beginning of transmission projects should take place. Stakeholders should be adequately consulted with updated information on mapping plans provided to those affected, and where possible, undergrounding considered. The NFF also welcomes the development of a national best-practice approach to guide community engagement by the Government, and we recognise that this is an ongoing process led by the Australian Energy Infrastructure Commissioner (AEIC). Similar difficulties arise in the context of other renewable infrastructure such as solar and wind.

Question 19: What could governments do to help?

The NFF has several ideas and developed strategies on how the government can support industry to decarbonise and respond to the impacts of climate change. We would like to emphasise that irrespective of any Government target or policy, farmers must be allowed to maintain and exercise their independence to responsibly manage their land.

As outlined in the NFF Climate Change Policy, the NFF welcomes continued investment by Government to assist agriculture to innovate and adapt to the impending transition and recognise the unique role that agriculture plays in both emitting and sequestering greenhouse gasses, and supplying food and fibre to the world when considering future investment and policy decisions. Investment to support the integration and commercialisation of feed supplements across farm enterprises to reduce methane emissions from cattle production is one area which would benefit greatly from such recognition.

The NFF would also like to see the reforestation and conversion of some agricultural land to multiple-use landscapes to ensure positive environmental and economic outcomes are generated, and we welcome continued investment and support in this ambition. The planting of trees however needs to be carefully considered to avoid any potential conflict between the forestry and agricultural sector (i.e. food and fibre production).

Extension support from DCCEEW and DAFF to help farmers understand their individual disposition as it relates to carbon emissions.

[1] https://www.theenergycharter.com.au/wp-content/uploads/2023/05/The-Energy-Charter_Better-Practice-Social-Licence_2023_GUIDELINE.pdf

Question 20: What types of targets do you see as important and/or problematic, and why?

As stated, the NFF is supportive of an economy-wide aspiration of net-zero emissions by 2050 given that no sector specific targets are imposed. It is important to note however that due to the nature of the industry (with production necessitating emissions), achieving net-zero agricultural emissions is not possible. Subsequently, as the Safeguard Mechanism begins to kick in, the agriculture sector will contribute in proportion a greater trajectory share of total GHG emissions, and noting this, it is critical that this be understood in the policy sphere and that the sector be covered fairly.

In the context of the development of any potential sectoral target for the agriculture industry, such an action or decision will require internal NFF discussion, which is expected to be extensive and rigorously debated.

Question 22: What aspects of methane measurement, reporting and verification should the Authority focus on as part of the NGER review?

In regard to the reporting of methane (CH4) emissions, the NFF would like to propose that such emissions be reported using the GWP* climate metric in parallel with GWP100. This is because unlike GWP100, GWP* measures the estimated climate effects of greenhouse gases (GHGs) over a 20-year time-horizon as opposed to 100 years. This means that the estimated climate effects of short-lived GHGs like CH4 (atmospheric lifespan of ~12 years) are more accurately measured and reported, rendering GWP* as likely to be a more suitable, metric in the context of CH4 emissions reporting.

Question 23: Following the Government's acceptance of recommendations of the Chubb Review, what do you see as the strengths and weaknesses of the CFI and ERF?

The Safeguard Mechanism (SM) under the Emissions Reduction Fund (ERF) is of significant interest to the NFF, even though the mechanism does not cover any agricultural entities. The NFF is concerned that the SM will turbocharge demand for offsets on prime agricultural land as greenhouse-gas emitting entities covered under the mechanism seek to reduce their net-emissions. This is a major concern because as the agriculture sector is already investing in technology for emissions mitigation to contribute to a lower emission economy (i.e. insetting), intensified demand and reliance for offsets-only projects by SM covered entities will significantly impact food and fibre production capacity and may create new harbouring grounds for feral species. We need confidence that agricultural land will not be forcefully acquired for the revegetation of

permanent environmental plantings, and we would prefer a multiple-use outcome, including a forestry outcome, not an offsets-only outcome.

Question 24: How could the CFI, ERF and NGERs be improved in the context of the Paris Agreement era?

With respect to the Carbon Farming Initiative (CFI), the NFF holds the position that such an initiative must operate with integrity. As the independent umpire is the Chubb Review, and the review has put forward several recommendations to address integrity concerns in which the government has agreed to in principle, implementing these recommendations is an action the NFF supports and should be undertaken by Government with priority. This sentiment also applies to carbon integrity discussions under the ERF and NGER Scheme (Question 25) and concerns around greenwashing claims.

Question 29: What protections are needed to ensure the integrity of carbon trading markets and exchange platforms?

As companies begin to adopt green practices to build a sustainable brand image and capture rising consumer demand for green products, the NFF recognises that advancements in this space are often accompanied by an increase in greenwashing claims. To ensure schemes like the ERF and ACCUs operate with a high degree of integrity and appropriate protections are put in place, recommendations proposed by the independent Chubb Review must be implemented. We understand that this is currently a process under government review.

Question 30: What role should international carbon markets have in Australia?

The role of international carbon credit markets and the international trading of ACCUs remains vexed. The NFF have stated previously that if ACCUs are able to achieve parity with other carbon markets, in accordance with Article 6 implementation, we are open to international trading contingent that key concerns around integrity are met. We would like to note that the legitimacy/tradability of a product should be determined naturally by the market, and not dictated by government policy.

Question 31: What else should the Authority be considering in its advice to Government?

The NFF would like to reiterate the need for and importance of ongoing involvement with the Climate Change Authority on these issues.

Summary
The NFF thanks the Climate Change Authority for the opportunity to provide feedback to the questions outlined in the issues paper. We look forward to continued discussion and engagement on these emerging matters. The policy contact for this matter is Warwick Ragg, General Manager (Natural Resource Management) via e-mail: WRagg@nff.org.au or phone (02) 6269 5666.

Yours sincerely,

CHARLES THOMAS
Acting Chief Executive Officer

Attached Documents

- NFF 2022 Climate Change Policy.
- NFF 2022 Australian Carbon Credit Unit (ACCU) Review Submission.
- NFF 2023 Safeguard Mechanism (Crediting) Amendment Bill Submission.
- NFF 2022 Climate Change Bill Submission.

Climate Change Policy

Policy Position

The Australian agricultural sector has already reduced its net emissions more than any other sector and remains at the forefront of climate adaptation and action in Australia. Australia's climate policies must recognise producers for the role they play in managing Australia's landscapes, their contribution to food security, and must provide a pathway for a profitable, productive and sustainable agricultural sector into the future.

The purpose of this policy is to provide a set of principles to reaffirm Australian agriculture's place in the global economy by positioning the sector to take advantage of the social, environmental, cultural and economic opportunities presented by a low emissions future.

The National Farmers' Federation (NFF) supports Australia's efforts to address climate change. The agricultural sector is focused on ensuring we are contributing to a significant downward trajectory. The agriculture sector understands and expects other sectors across the economy will play their part in reducing emissions rather than expecting agriculture to be the source of significant offsets.

The NFF supports an economy-wide aspiration of net zero emissions by 2050

Provided that:

- there are identifiable and economically viable pathways to net neutrality, including impacts from inputs such as energy;
- Commonwealth and State legislation is effective, equitable and advantageous to deliver on ground programs that benefit agricultural interests and do not provide unnecessary regulatory impediment;
- No sector specific targets are imposed; and
- Global food security is considered in conjunction with overarching goals, not separately.

The NFF have not determined a position on a 2030 ambition and recognise many individual commodities have, or are in the process of, setting targets for reductions. However, we recognise that government policy is also a reasonable trajectory towards

the 2050 ambition and that there is complexity of how this applies to the agricultural sector. It is best couched as looking for a positive set of outcomes that include a range of policy benchmarks, as outlined below.

Further, as we now move to operationalising climate policy in a productive and sustainable agriculture sector, there are a number of opportunities that we believe should be considered by government to make good on undertakings via the *Powering Australia* policy document and subsequently in government.

For agriculture, the scope 1 and 2 priorities will continue to reduce greenhouse gas (GHG) emissions and seek more efficient and cost-effective ways to address emissions of enteric methane and nitrous oxide. Carbon dioxide emissions in agriculture are already negligible, and where they exist, there will be change as renewable fuel sources become scalable, affordable and widely available.

In line with trajectories from the Intergovernmental Panel on Climate Change (IPCC), agriculture recognises that the global targets to different GHG are not the same. NFF recognises the IPCC propose to achieve climate neutral outcomes for methane a 50% reduction from 2005 levels is required and for nitrous oxide, 20% reductions by 2050. The transformation required to underpin these still has significant barriers and requires introducing technologies and innovation at scale to ensure no cost nor productivity impacts on the sector. Failure to support transition will result in unacceptable impacts on food and feed security both in Australia and globally.

Government needs to ensure, should it seek to make international agreements, that agriculture is closely consulted on:

- how these agreements will translate;
- how and what assurances will be provided;
- ensuring that they will not unfairly or unnecessarily target agriculture; and,
- that the achievements that agriculture has already made are clearly recognised.

Continued investment, including by government, in assisting agriculture to innovate and adapt economically, transition justly and recognise the unique role that agriculture plays through both being an emitter, a sequestor and a food and fibre supplier to the world, are critical drivers and recognised by the Commonwealth Government investment and policy commitments including in *Powering Australia.*

The Research and Development Corporations (RDCs) must continue to support industry to progress low emissions pathways which underpin $100 billion growth, particularly as the impacts of climate change are already and very directly impacting farmers. Government should support coordinated research through RDCs and other research organisations to further the ability of Australian agriculture to continue to progress and promote the leading position in growing low emissions agricultural products it holds. This narrative should enable the government, in conjunction with

industry, to ambitiously leverage the low emissions status to secure access to markets.

Governments and industry service providers must have the tools, systems and knowledge required to establish an industry baseline, and be able to communicate this to farm businesses.

The NFF will review its position regularly to ascertain if technological and economically credible pathways to achieve this target remain evident.

The NFF's position will be informed by robust science from RDCs and other credible sources which allows producers, industry bodies and agriculture as a whole to establish credible baselines and assess the implications of the policy.

This policy statement is complementary to the NFF policy positions on Natural Capital, Electricity, Energy and Industry Engagement Guidelines for On Farm Activities.

Issue

Australian agriculture has always operated in a varied and challenging climate. The continued success of the Australian agriculture sector will depend on our ability to build on this foundation and continue to innovate and adapt to best manage future climatic risks and to further reduce the emissions intensity of our production systems. We note the important need for Australian agriculture to continue adapting into the future and welcome investments in technology adoption.

There is a great opportunity for Australian agriculture to contribute to our national emissions reduction goals. This opportunity requires innovation to reduce the emissions intensity and to enable farmers to efficiently participate in emerging markets, including carbon and natural capital markets.

A transition to a low emissions economy will require transformation across a number of sectors, especially energy and transport. It is critical that the suite of government policies that seek to address the challenge of climate change are fully examined, to ensure that the policy levers of government work cohesively to achieve our national objectives, while minimising the risk of unintended or perverse outcomes. A just transition and equitable commitment for all sectors of the economy is critical.

While emissions reduction is one goal in climate change policy, broader social, environmental and (particularly regional) community benefits should also be considered. There is a strong need for enhanced guidance on how to manage and incentivise new projects that have multiple co-benefits. This would facilitate a range of technology options and land-based activities which can deliver cost-effective outcomes for emissions reduction and broader economic, social, and environmental outcomes.

The NFF recognises that a number of agricultural sectors will be on a more rapid implementation trajectory. For example, the red meat sector is already substantially investing in its carbon neutral by 2030 (CN30) program and other sectors are committing to outcomes as early as 2030.

In meeting Australia's emissions reduction goals, Australian farmers expect a greater focus on industry and government investment in integrating climate change solutions for the sector. This can be delivered by:

- focusing on carbon neutral technologies that provide a competitive advantage for existing products;
- developing new markets, domestic and export, that benefit from innovative carbon neutral technology;
- collaborating across all of industry to make the greatest gains from the adoption of the latest research and development;
- enhancing partnerships with private institutions, government and other industries outside of agriculture; and
- developing an Australian Agricultural Sustainability Framework to integrate strategies across the whole of agriculture.

Background

The NFF recognises that climate change presents both significant challenges and opportunities for Australian farmers.

The world's population is forecast to exceed 9 billion people by 2050, and demand for food and fibre is on track to increase by 60 per cent in that timeframe. There is no doubt meeting this demand in the context of a changing environment while at the same time contributing to global action to reduce emissions is a global challenge which requires a global response.

In December 2015, 195 countries including Australia, under the banner of the United Nations Framework Convention negotiated the "Paris Agreement" which aims to hold the increase in the global average temperature to well below 2°C and pursuing efforts to limit it to 1.5°C above pre-industrial levels and to increase the ability to adapt to climate change. There is bipartisan support for net zero by 2050 and there is a legislated ambition of 43% reduction from 2005 levels by 2030.

The Paris Agreement specified that to achieve the long-term temperature goal, countries should aim to reach global peaking of GHG emissions as soon as possible to achieve a balance between anthropogenic emissions by sources and removals by sinks in the second half of the century. In 2018, the IPCC issued a scientific report on the potential impacts of global warming and identified that global warming is likely to reach 1.5°C between 2030 and 2052 if it continues to increase at the current rate.

The agriculture sector contributes to our national emissions profile by both sequestering carbon in soils and vegetation and the emissions of GHG from farming practices such as livestock production, cropping practices, the use of fertilisers and the burning of savanna grasslands. Combined, agriculture accounts for about 13 per cent of Australia's National Greenhouse Gas Inventory.

Australian agriculture has been the single biggest contributor to emissions reduction since the 1990s, primarily due to the land clearing legislation imposed on farmers to meet Kyoto Protocol emissions reduction targets and the role of land use, land-use change and forestry (LULUCF). As a result, Australia has a stock of Kyoto 'carryover

credits' that are able to be used to contribute to meeting Australia's emissions reduction targets.

The sector continues to make significant voluntary industry led contributions to emissions reduction. Between 1996 and 2016, agriculture has reduced its GHG emissions intensity by 63 per cent.

The Emissions Reduction Fund (ERF) and methodologies under the Carbon Farming Initiative continues to be the primary mechanism under which farmers have reduced emissions. Australian farmers make up over half the projects, and carbon credits delivered through the ERF. Renewable energy technologies have also seen a significant reduction in price over the past decade and has been significant uptake on farms. Australian Carbon Credit Units (ACCUs) must be robust and internationally recognised for their integrity. Should the Chubb *et al* review find technical concerns, they should be addressed and where farmers are impacted, they should be justly compensated including for the lost opportunity. Care must be taken to ensure that philosophical drivers do not compromise the scope and opportunity in delivering methodologies.

Australia is not only bound by its commitment to the Paris agreement, but by the growing expectations of our community and customers about Australia's environmental credentials. Australian agriculture has a role to play in meeting climate responsibilities and moving towards an economy-wide climate neutral goal by 2050 whilst maintaining productivity and profitability.

What the Industry Needs

Policy

Economic

- Clear assurances that targets and taxes will not be placed on agriculture. This will provide certainty around what we can expect from the government in the future;
- Acknowledge that mandatory cap and trade policies are not suited to the farm sector, and specifically excluding the sector from such schemes;
- Recognise that more than 75% of Australian agriculture produce is exported, and that as a trade-exposed sector we must remain competitive within domestic and international markets;
- Reintroduce legislation that would see carbon and biodiversity income treated as primary production income;
- Engage in or facilitate the review valuation methodologies at least to the extent that those methodologies are not adequately acknowledging the income or capital growth attributable to carbon and other non-core commodities;
- Ensure eligibility for the instant tax/asset write off includes climate action investments;
- Compensate farmers and/or give ongoing recognition for lost productive capacity due to land clearing legislation imposed on land managers;
- Recognise the significant contribution agriculture has made to emissions reduction since the 1990s, including acknowledging MLAs CN30 target and that

the Australian red meat industry has already decreased annual emissions by 57% or 133.36-54.61 Mt;
- Introduce a new Regional Investment Corporation (RIC) loan to assist farmers undertake emissions reduction activities.

Emissions Reduction Fund
- Acknowledge the role of vegetation and soil carbon in carbon sequestration and overall soil health via full commercial/compensation systems for agricultural land sequestration (both historical and current);
- Ensure that Australia's climate change strategies encourage economy wide action to reduce GHG emissions and impact on the climate;
- Ensuring that vegetation management policies do not burden farmers with the cost of achieving emissions reduction goals, nor unreasonably restrict development;
- Prioritise development of ERF methodologies that encourage and provide ACCUs for adoption of methane reducing livestock feed technologies as soon as they are available. We recognise incentives in the Budget for this, but more needs to be done to support further innovation, methodology efficiency and adoption;
- More encouragement for the agricultural industry towards emissions reduction/efficiency. Models for adaptation should be an investment focus;
- Ensure that the Climate Active certification system is able to keep pace with technology developments coming from industry and ensure that the system rewards the work that producers have already done to make their land a valuable carbon sink.
- All market-based policies that seek to incentivise climate outcomes must have mechanisms such as standardised contract terms, dispute resolution processes, and clear pricing mechanisms.
- Primary producers need harmonisation of methodologies, reporting frameworks, and schemes across all jurisdictions.

Education & Awareness
- Recognise it may be more beneficial for farmers to identify carbon and use this within their own business (insetting) rather than sell to other sectors (as offsets), and that care is needed to prevent market and regulatory distortions which have perverse impacts;
- Recognise emissions of (the GHG) nitrous oxide are a specific area for the agricultural industry to address. The nature and impact of nitrous oxide are different to other GHGs, meaning that a net zero target is appropriate for carbon dioxide emissions but not to other GHGs.

Incentives
- Allocate a component of the Building Better Regions Fund to fast-track viability assessment of regional low emissions fertiliser manufacturing capability in regional Australia and ensure funding under the Modern Manufacturing Strategy is directly allocated to improving domestic manufacturing for critical agricultural inputs. We understand a portion from this Fund has been redirected to support economic growth and development

across regional Australia, but more must be done regarding domestic low emissions manufacturing for critical agricultural inputs;
- Recognise that embedded emissions are significant and that low/no emission manufacturing technology and alternative inputs are needed as a priority and at a lower cost;
- Provide refundable tax offsets on equipment which reduces emissions such as that use in zero till and controlled traffic systems;
- Ensure that biodiversity payments are accessible for all farmers, not just in pastoral settings. This could be achieved by incorporating agricultural specific criteria under the Carbon & Biodiversity scheme and future programs and publicly reporting the number of successful projects by farm type.

Coordination

- AGMIN and its Climate Change Task Group to engage with industry on its national action plan as a matter of urgency and commit to publicly reporting on progress.

Operational

Economic

- Support adaptation and ensure that agricultural productivity and farm business profitability can be sustained with changing climatic conditions;
- Focus on innovation and investment in climate research and development that provides robust baseline information, drives innovation and builds resilience, and supports communication, adoption and extension;
- Embrace the opportunities for emissions reduction and sequestration in the farm and forestry sectors and facilitate participation of farmers and foresters in carbon markets and natural capital markets;
- Expand and fund practical on farm extension programs like the Victorian Government's On-Farm Action Plan Pilot, which aims to empower producers to understand, measure and reduce on-farm emissions and provides grants for implementation of the recommended actions;
- Understand that Australian agriculture is on a trajectory towards climate neutrality. Support and fund programs or schemes to assist Australian agriculture in getting to this goal. Recognising that key areas of focus will be methane and nitrous oxide emissions.

Education & Awareness

- On-farm extension programs should be developed regarding the support of natural capital measurement and markets - as key facilitator of climate change mitigation. Support investment in education decision support tools and awareness programs to assist farmers' understanding of carbon emissions, sequestration, offsets, insetting and carbon markets. What we would like to see could include:

  a) support for what producers at the farm level are currently doing;

  b) support for navigating current articulating system of markets and incentives;

c) on farm support to engage in new and emerging practices to increase emissions reductions; and

d) the need for a positive, constructive and overarching climate policy for the agriculture sector, along with providing incentives and subsidies to farmers, including for batteries.

This needs to be supported in the short, medium and longer term.

- Partner with industry to deliver public education initiatives that combat misinformation about livestock production and help people understand the most impactful ways they can reduce their impact on the climate.

Incentives

- Partner with industry to introduce initiatives which lower key on farm emissions and transition to low emissions inputs which are manufactured in Australia.

Coordination

- Ensure a consistent approach to carbon accounting and measurement across agricultural sectors to enable accurate measurement and assist with calculating mitigation efforts and offsets, including through the National Soils Strategy;
- Develop a comprehensive strategy to address climate change which incorporates the AGMIN National Action Plan.

November 2022

National Farmers Federation

26 September 2022

ACCU Review Secretariat
Department of Climate Change, Energy, the Environment and Water
GPO Box 3090
Canberra ACT 2601

Via email: ACCUReview@dcceew.gov.au

Dear ACCU Review Secretariat,

RE: Independent Review of Australian Carbon Credit Units

The National Farmers' Federation (NFF) welcomes the opportunity to provide a submission to the Department regarding the Independent Review of Australian Carbon Credit Units.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the length and breadth of the supply chain. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

Review Panel Guiding Questions

Experience with the ERF Scheme

It is important to note that while the NFF is not individually engaged with the carbon market, it does represent the sector, and therefore plays an important role. For this reason, it is difficult to define our experience within the ERF scheme. We are, however, happy to provide comments regarding the key themes involving ACCUs and their integrity.

Governance of the ERF

Concerns have been raised about the structural separation of the governance frameworks that currently exist. The scenario centres on the bulk of the development, implementation, marketing and review mechanisms. NFF acknowledge that there may be a better way to do this. We would reserve our right to comment on a draft replacement framework but broadly we would be comfortable with the following considerations:

- The Climate Change Authority maintain its structural independence including a skills-based board in the governance of ACCUs. One of the skills needs to be farm management experience, at all scales, with a

farmer's representative present. The CCA's role providing periodic reviews could be considered as a role for the Productivity Commission. This is a discussion we are interested in having.

- The functions and consequent structure of the Clean Energy Regulator (CER) be reviewed to ensure that the following outcomes are met:
    - The identification, and development of new methodologies and/or the review of existing priorities, including the annual determination of priority methodologies exist as a policy function of the DCCEEW outside the CER;
    - The implementation, auditing, approval and functioning of utilising methodologies to accredit Australian Carbon Credit Units remain the core business of the CER;
    - The operation of the ERF auction system be structurally separated from the CER, it could reside for example in the Department of Industry; and
    - Any residual functions of the CER be aligned with this separation logic.
- The support mechanism (secretariat) for the Emission Reduction Advisory Committee be transferred elsewhere in government, for example to the Productivity Commission; and
- Management of the Climate Active program be a direct function of the DCCEEW.

This is presented as a logical model to try and show some structural separation that ought to provide of the potentially conflicting roles that had existed under DISER and seems to have been fully relocated to DCCEEW without amendment.

Rigour and integrity of ERF methods and projects

Ensuring that the ERF has a high level of integrity will be a key outcome of this review. Consistent with the verbal advice we provided to the review panel we make the following points:

It is essential that a rigorous financial evaluation of any proposed changed be performed and that a value for money analysis is performed. If for example the pay-out is going to cost more than continuing the project and spending the money on a new project, ideology must not be allowed outweigh outcomes.

- Where the review panel are convinced that there is a technical problem with how the methodologies are applied, for example that the claimed outcomes aren't being or can't be achieved, then recommendations on how those concerns can be resolved will be critical and should consider:

    - The degree to which the methodologies can be amended to resolve those problems;
    - Or that they may be fully withdrawn; and
    - In the event that either of these outcomes occur that landholders be fully compensated, under just terms, to include the entry, compliance and operational costs of having undertaken a project in good faith. It must also include foregone opportunity of alternate land uses that may have been unavailable as a consequence of the requirements of the methodology. Any failure of this process cannot be at the cost, express or implied, of the landholder.
- Where concerns are raised that seek to amend or challenge a philosophical or policy position then they should be considered in the context of scheme integrity, not as to whether someone does not agree that a practice is legitimate where it can otherwise be demonstrated to either maintain sequestration (foregone emissions) or achieve new sequestration. For example;
    - The creation of a carbon credit that is achieved for permissible clearing not being carried out is legitimate as the landholder has to agree not to clear, the corollary is that it would be cleared, and an emissions event created. It must not be allowed to be argued that 'oh they don't want to clear it so it shouldn't be eligible'. Rather, it is additional as it is a change in practice and its credible because the foregone emission is measurable and allows the creation of an ACCU; or
    - To say that an even aged regrowth requirement is not met because there is existing remnant or aged regrowth in the landscape is disingenuous as it ignores that the change in management has facilitated regrowth and commensurate sequestration. The issue to consider is: does the additional regrowth as a consequence of the change in management practice provide a sequestration outcome that has credibility. If the framework is unable to resolve that question, do not simply rule it out of order on the basis of semantics.

The ERF and associated methods to gain ACCUs is complicated. Barriers to participation in the ERF must be broken down. This is a broader issue than an integrity and governance review, but it is nevertheless a transactional issue on which the review panel may choose to express a view.

Co-benefits and other impacts

The NFF acknowledges that the ERF and allocation of ACCUs can deliver important co-benefits, including those that benefit the environment and communities. It is nevertheless critical that these social economic impacts are understood. It is also important to recognise that these impacts alone aren't necessarily a measure of integrity. There are broader discussions around the impact of ERF projects on communities which we anticipate will be brought to the review. The NFF are concerned to ensure that the adoption of projects do not have perverse outcomes. For example, the degree to which scheme rules require associated outcomes like management of feral plants and animals, followed by an analysis on where these have failed and why and how that might be resolved will be important for the review to consider.

Farmers and landholders need to be engaged more with the consultation process in order for the policy and method development to be understood. This will also enable the government to understand farmers' on ground needs. There is a need for independent and trusted advice, for example, extension officers.

Climate Active Certification

NFF will provide input into the Climate Active draft Guideline: Accounting for Carbon Sequestration from Tree Plantings by Friday 21 October.

Future

With the recent increase in emission reduction goals and the reform of the safeguard mechanism, a rise in demand and an increased reliance on offsets, and therefore ACCUs, is likely. This is of concern to the farm sector because this increased pressure for land competition will cause concern as to the best use of land. We need to avoid uneconomic investment that have landscape impacts that will be difficult to address once in place. A cautious approach that firstly recognises farmers needs to understand and establish in setting before offsetting will be important to meet this demand and ensure Australia's emissions reduction targets are met. Confidence in Australia's carbon credit system is critical.

In addition to this, the NFF would like to note a need for a clearer process on the extension of crediting periods for projects where there is a clear demonstration of on-going emissions reduction, as in the animal effluent method, and consideration of transition of projects on older methods to avoid confusion.

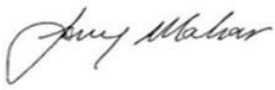
In NFF's view it is imperative ACCUs hold a high level of integrity so the world views Australia and our emissions reduction techniques as legitimate. Also, that Australian agriculture are actively engaged, and does care. The same rule must apply for any reduction technique that is produced overseas. It is absolutely

essential that all carbon credits are assessed equally and that overseas produced credits are properly assessed.

There must be a transparent assessment process and clear identification of credits that both meet and do not meet our standard. Farmers are concerned about increased costs, including, for example, urea and other farm inputs.

Further by the ACCUs having such integrity international offsets and trading, ensures people don't use them to their advantage to "game the system" or as a "green wash" because the ACCUs don't mean anything. Additionally, the international units are appropriately benchmarked in order for their differential integrity and inherent relative value to be measured and understood by the market.

Yours sincerely,



TONY MAHAR

Chief Executive Officer

National Farmers Federation

24 January 2023

Senate Standing Committees on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600

Via email: ec.sen@aph.gov.au

Dear Committee Secretary,

RE: Safeguard Mechanism (Crediting) Amendment Bill 2022

The National Farmers' Federation (NFF) welcomes the opportunity to provide a submission to the Department regarding the Safeguard Mechanism (Crediting) Amendment Bill 2022.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the length and breadth of the supply chain. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

Overall, the Safeguard Mechanism is of little direct concern for the agricultural sector, given it is not classed as emissions intensive, and is not included in the list of the 215 largest greenhouse gas emitters. The NFF did provide a response regarding the Review of the Safeguard Mechanism Reform in September 2022 and would like to reiterate the important impacts the Safeguard Mechanism could have on agriculture.

- A concern within the agricultural sector is that as ratcheting of the Safeguard Mechanism is implemented, there will be an intensified reliance and demand on offsets. As agriculture already has a demand to offset their own emissions (insetting), the increase in demand on this may impact the ability for food and fibre production. While we do not seek to dictate how an individual farmer manages their business, there will be considerable concern if external investors seek to acquire significant tracts of agricultural land for offsetting their own emission reductions obligations. While there is recognition this is a legitimate pathway, the inherent conflict with food and fibre production is likely to be problematic. Additionally, once the offsetting period expires (25 or 100 years) what is the likely subsequent use of that land. Will it become available for agriculture, or will it simply remain an

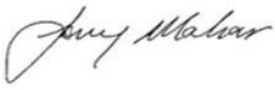
unmanaged harbour for pests and weeds (will the management obligation extend beyond the life of the project?)

- Additionally, there needs to be an active disincentive to retiring offsets. Emitters should be taking steps to mitigate their emission as a principal response. A market signal that requires multiples of ACCUs to be established or acquired for each tonne or surplus emission would refocus the need to innovate and mitigate rather than choose the low-cost option, such as vegetative offsets, that may create turbocharged competition for agricultural land. The current ERF auction system is complicit in encouraging these outcomes by promoting minimal pricing of ACCUs. Once ACCUs are able to develop an international parity with other carbon markets then this may be subject to review. Implementation of Article 6 measures should take account of this requirement.

NFF seeks to be continually engaged in the consultation relating to the development of the Safeguard Mechanism. In addition to the reasons above, we are concerned that changes to the Emissions Intensive Trade Exposed framework may have unintended consequences on which we may have a view.

Please contact NFF General Manager Natural Resource Management, Warwick Ragg, (wragg@nff.org.au) in the first instance to discuss these issues further.

Yours sincerely,



TONY MAHAR
Chief Executive Officer

National Farmers Federation

10 August 2022

Committee Secretary
Senate Standing Legislative Committee on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Secretary,

RE: Climate Change (An Act to set out Australia's greenhouse gas emissions reduction targets) Bill 2022

The National Farmers' Federation (NFF) welcomes the opportunity to provide a submission to the Senate Environment and Communications Legislative Committee inquiry into the Climate Change Bill 2022 and the Climate Change (Consequential Amendments) Bill 2022.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the length and breadth of the supply chain. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

Climate change is a significant concern for the agriculture sector. While Australian agriculture has always operated in a varied and challenging climate across the extremes of bushfires, floods and droughts, the continued success of the sector will depend on our ability to innovate and adapt to manage future climate risks.

The NFF supports an economy-wide aspiration of net zero emissions by 2050 provided that:

- there are identifiable and economically viable pathways to net neutrality, including impacts from inputs such as energy; and
- Commonwealth and State legislation is effective, equitable and advantageous to deliver on ground programs that benefit agricultural interests and do not provide unnecessary regulatory impediment.

The NFF recognises this is framework legislation that embeds a national 2030 and 2050 target in legislation and makes consequential amendments to related Acts. This provides a level of business certainty that is otherwise absent. It also formally enables and requires reporting mechanisms via the Minister to parliament. We further note that the consequential actions to the passing of this legislation will require their own design and consultation processes that may have been able to occur absent legislation but are likely to be at least a little more robust with the existence of the legislation.

The objects of this Act are:

(a) to set out Australia's greenhouse gas emissions reduction targets which contribute to the global goals of:

(i) holding the increase in the global average temperature to well below 2°C above pre-industrial levels; and
(ii) pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels; and

(b) to promote accountability by requiring the Minister to:
(i) prepare annual climate change statements; and
(ii) cause copies of those statements to be tabled in each House of the Parliament: and

(c) to ensure that independent advice from the Climate Change Authority informs:
(i) the preparation of annual climate change statements; and Preliminary Part 1 Section 4 No., 2022 Climate Change Bill 2022
(ii) the greenhouse gas emissions reduction targets to be included in a new or adjusted nationally determined contributions.

The NFF do not formally have a position on a 2030 target but noting a number of constituents do have their own aspirations for emissions reductions in the coming years.

- Red Meat: MLA have a carbon neutral by 2030 policy
- Dairy: Dairy Australian has a target of reducing GHG emissions intensity across the dairy industry by 30% by 2030
- Grains Growers Limited: 15% percent reduction in grains emission intensity by 2030.

We believe there is an amendment that needs to be made in Part 3 – Annual Climate Change Statement subsection 12, point 3:

'The Minister must cause a copy of an annual climate change statement to be tabled in each House of the Parliament within 5 sitting days of that House after the completion of the preparation of the statement.'

Similarly, in Part 4 - Climate Change Authority to give the Minister advice that relates to the preparation of an annual climate change statement subsection 14, point 7d:

'The Minister must cause a copy of the statement of reasons to be tabled in each House of the Parliament within 5 sitting days of that House after the completion of the preparation of the annual climate change statement.'

Please amend 5 days to 15

The rationale for proposing these minor amendments are twofold, firstly the Bill is inconsistent with itself, it requires 5 days for the above provisions and 15 days elsewhere. Secondly it is a general characteristic of legislation that the time to act is around 15 days. We believe this may be a drafting error, if not we would be interested in understanding the logic of the differentiation.

The Powering Australia ALP Policy Platform stated:

"*In agriculture, Powering Australia will focus on the development and commercialisation of emissions-reducing livestock feed and improve carbon farming opportunities." Powering Australia, 2021*

The NFF looks forward to collaborating with government to progress this initiative.

The NFF would also like to note that economy wide net zero does not mean net zero for every sector nor net zero for every individual in every sector. Nor does it mean zero for each gas, this is especially the case for the agriculture sector where we need to balance the need to provide sustainable food and fibre with the need to meet climate change ambition.

While outside the specific scope of these bills NFF notes that the following concerns will be key measures for any implementation processes:

- We need to be confident that agriculture isn't seen as the solution to everyone else's issues, that is, while offsets are a legitimate response to climate change, we do not support large scale conversion of agricultural land for carbon only outcomes. The protection of especially highly productive agricultural land for food and fibre production must remain a priority;
- Transition from or reduction of livestock numbers as a response to climate change is not supported, the red meat sector has a comprehensive strategy to address climate change which provides pathways to a just transition for the sector without compromising productivity;
- There remain a number of innovation challenges for agriculture, including successful commercialisation of feed or vaccine supplements for suppressing enteric methane emissions and economically managing volatilisation of nitrogen that will need further investment, extension and implementations support;
- NFF remains concerned that aspirations for achievement for soil carbon sequestration for carbon credits may be difficult to achieve and/or sustain;
- We note that farmers will need to clearly understand their disposition and their market expectation in respect of their net carbon position and should be encouraged to ensure their own needs are fully met prior to participating in carbon markets for sequestered carbon;
- Farmers are continuously looking to adopt practices and technologies which have 2 benefits - 1) reduce emissions or increase sequestration and 2) have agronomic benefits. It is essential that govt recognise that for many farmers creating ACCU for sale is not the main game, and that industry and government need to work together to ensure that agricultural production with lower net emissions is recognised and counted as part of the national inventory and attributed to industry, in the absence of formal ACCUs being created on farm; and
- The acknowledgement that agriculture sector manages around 54% of the Australian landscape and it must have a seat at any negotiation on climate impacts.

The NFF also notes that future design characteristics of ERF methodologies, safeguard mechanisms and the like must recognise the unique nature and role of the agricultural sector.

It is our very clear view that these Bills provide neither an additional burden on agriculture nor especially require any adjustment to livestock numbers or cropping hectares to meet these targets.

Yours sincerely

TONY MAHAR
Chief Executive