

# Improved Avoided Clearing of Native Regrowth (IACNR) Carbon Farming Methodology

April 2025



# The National Farmers' Federation (NFF) is the voice of Australian farmers.

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 breadth and the length 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.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade, and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as statebased policy and commodity-specific interests.

# **NFF Member Organisations**









































































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30 April 2025

Natural Capital Program

Department of the Environment, Tourism, Science, and Innovation

Queensland Government

Australia

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#### RE: Improved Avoided Clearing of Native Regrowth (IACNR) Carbon Farming Methodology

To the Department of the Environment, Tourism, Science, and Innovation

#### Introduction

The National Farmers' Federation (NFF) welcomes the opportunity to provide a submission to the Department of the Environment, Tourism, Science, and Innovation to inform the development of the proposed *Improved Avoided Clearing of Native Regrowth* (IACNR) Carbon Farming Methodology. We acknowledge the Queensland Government's leadership in progressing this important work and support the broader ambition to expand participation in the Australian Carbon Credit Unit (ACCU) Scheme.

Australian farmers manage over half of the continent's landmass and are long-standing environmental stewards of the natural landscape. The proposed IACNR methodology represents an important opportunity to support improved vegetation outcomes on agricultural land. However, for the methodology to succeed, it must be accessible, nationally scalable, and practical to implement. It must also support diverse abatement pathways and avoid replicating design flaws that contributed to the underperformance of its predecessor. The current iteration of the proposed IACNR has several shortcomings that unnecessarily limit eligibility and attractiveness, this is discussed later in this submission.

# **Background and Reform Imperative**

The proposed IACNR methodology is intended to replace the now-expired *Avoided Clearing* of *Native Regrowth* (ACNR) *Carbon Farming Methodology* which sunset on 1 April 2025. With only 16 projects¹ registered and 535,625 ACCUs issued across ten-years and two methodology compilations², ACNR failed to attract meaningful uptake. These outcomes compare unfavourably to other vegetation-based methodologies under the ACCU Scheme, as shown below in Table 1. This lack of adoption occurred despite the extensive land area in Queensland and other jurisdictions that could have supported project registration.

<sup>(</sup>DCCEEW): <u>Sunsetting Australian Carbon Credit Unit Scheme Methodologies</u>
<sup>2</sup> April 2025, Australian Government, Clean Energy Regulator: <u>ACCU Project and Contract Register</u>



<sup>&</sup>lt;sup>1</sup> March 2025, Australian Government, Department of Climate Change, Energy, the Environment, and Water (DCCEEW): Sunsetting Australian Carbon Credit Unit Scheme Methodologies

**Table 1:** ACCU issuance amongst comparable vegetation-based methodologies.

Methodology Name	Category	Total ACCUs Issued
Human-Induced Regeneration (all versions)	Vegetation	48,888,689
Avoided Clearing of Native Regrowth (all versions)	Vegetation	535,629
Native Forest from Managed Regrowth (all versions)	Vegetation	3,305,370
Plantation Forestry (all versions)	Vegetation	510,864
Reforestation by Environmental or Mallee Plantings (all versions)	Vegetation	2,887,130

ACNR's failure to scale was not due to a lack of interest, but rather to overly restrictive eligibility criteria, particularly the requirement for two prior clearing events and a narrow 7-year window tied to forest age. These rules excluded large areas of otherwise viable regrowth and limited participation to those who happened to meet the timing requirements, regardless of credible abatement potential.

# Clear Purpose and Scope: Achieving Carbon Outcomes

The methodology's structure must remain focussed on its core purpose which is to deliver verifiable carbon abatement under the ACCU Scheme. It must not be a mechanism for broader revegetation or conservation goals. The methodology risks creating a de-facto permanent reforested estate, with long-term land-use implications extending well beyond the project lifecycle. This outcome would be inconsistent with the voluntary, market-based foundations of the Carbon Farming Initiative (CFI) and would undermine landholder confidence in the Scheme.

Methodology design must remain anchored to the CFI's original purpose which is to reduce GHG emissions in the land sector rather than becoming a vehicle for broader environmental policy reform.

# **Production Compatible Pathways**

The current design of IACNR risks narrowing the scope of landholder participation by failing to recognise selective timber harvesting and integrated agroforestry systems as legitimate carbon abatement activities. This exclusion undermines the potential for joint production of carbon, timber, and grazing, and risks permanent forest lock-up.

The ACCU Scheme is about carbon outcomes, it should not be constrained by an exclusive focus on native vegetation retention, particularly where harvested wood products can provide durable, internationally recognised abatement. When used in long-life applications such as housing and furniture, harvested wood products continue to store carbon post-harvest. As the Food and Agriculture Organization of the United Nations notes, harvested

wood products can store carbon over long periods, effectively acting as a carbon sink, and can substitute for more energy-intensive materials<sup>3</sup>.

Excluding this pathway ignores sustainable forest management best practices and limits Australia's capacity to deliver integrated carbon, timber, and agricultural outcomes. It also conflicts with the Queensland Government's own policy direction. In its response to the Queensland Forest and Timber Industry Plan, the Queensland Government stated that native forests "should not be locked up for conservation purposes only; but rather used for a broad variety of purposes".

Locking up eligible forested areas through carbon-only pathways, without recognising the sequestration value of harvested wood or enabling flexible production systems, undermines the broader objectives of the ACCU Scheme and represents poor policy sequencing. While the Queensland Government's position on native forests applies to State-owned lands, the principle must at least equally extend to private landholders. Productive, sustainably managed landscapes should not be pre-emptively excluded from enterprise flexibility or long-term land-use options.

# Need for Sustained, Deeper Engagement with the Agriculture Sector

#### **Department Stewardship**

The NFF appreciates the information webinar on 25 March as an opportunity for initial discussion. However, only one formal engagement has been held with the sector to date. The webinar took place shortly after the release of the consultation materials, offering limited time for stakeholders to properly consider the proposals.

We note the Department's advice that further feedback opportunities will be provided prior to the finalisation of drafting instructions and again through the public consultation process led by the Emissions Reduction and Assurance Committee. While this is welcome, we urge the Department to ensure that targeted engagement with the agricultural sector (including producers, regional organisations, and peak bodies) forms a central pillar of the methodology's ongoing development. As such, there must be a formal and structured opportunity for the agriculture sector to engage prior to finalisation.

As carbon farming methodologies are subordinate legislative instruments (meaning they automatically sunset after ten-years), it is essential that consultation processes are sufficiently robust and informed by practical, on-the-ground experience from the outset.

<sup>&</sup>lt;sup>3</sup> April 2021, Food and Agricultural Organization of the United Nations: <u>Carbon Storage and Climate Change Mitigation Potential of Harvested Wood Products</u>



#### **Potential Perverse Outcomes**

The Carbon Farming Initiative (CFI) was established to incentivise emissions reductions from the land sector. By design, this makes landholders the Scheme's primary stakeholders, and methodology development must remain grounded in therein.

It is concerning, therefore, that the initial Expression of Interest (EOI) process was shaped with zero apparent input from producer groups, while several academic institutions, environmental interest groups, and ideologically aligned policy networks including the Labor Environment Action Network were actively included and routinely consulted. Their involvement in the absence of equivalent agricultural representation raises legitimate concerns about the balance and practicality of design decisions.

# **Integration**

The NFF supports the Department's proposal to explore how the proposed IACNR methodology could be integrated with other carbon farming activities on cleared land into a single, consolidated methodology. We understand that the scope of such an integration would including planting and assisted regeneration of native vegetation. As recognised in Recommendation 6.9 of the King Review<sup>4</sup>, an integrated methodology approach can significantly reduce administrative costs for project proponents by aligning reporting requirements into a consolidated output, which by extension lowers transaction costs and increases the financial viability of participation.

The reporting intervals proposed under IACNR, including live-tree biomass remeasurement points at Years 5 and 10 (Approach B) and structured reporting events at Years 3, 7, 12, 15, and 20 for baseline carbon stocks (Approach A) are broadly aligned with reporting periods under existing vegetation methodologies under the ACCU Scheme (which vary between a minimum of 6-months to 5-year window). This alignment supports operational compatibility and would enable landholders to streamline fieldwork, monitoring, and administrative compliance across stacked or integrated project components.

However, the proposal's failure to include a 25-year permanence option (an option common to all other comparable methodologies) significantly undermines its integration potential. Without consistency in permanence periods, integration becomes unworkable. Landholders would be forced to manage co-located projects with divergent obligations and end dates, defeating the core intent of simplification.

Moreover, creating a separate, Queensland-led integrated methodology for farming activities on cleared land risks undermining the national Integrated Farm and Land Management (IFLM) framework. It would establish a parallel "integrated farm method" pathway seemingly at the State level (due to the prominent role of QLD). Allowing overlapping IFLM-style methodologies of different origin and scope would introduce

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<sup>&</sup>lt;sup>4</sup> February 2020, Australian Government, Department of Industry, Science, Energy, and Resources: Report of the Expert Panel Examining Additional Sources of Low Cost Abatement

confusion and potential overlap. Farmers need a single, nationally consistent framework, not multiple integrated methodologies.

# **Key Changes to Definitions and Implications**

The proposed IACNR methodology introduces several changes to the key foundational terms of "forest", "native forest cover", and clearing events (comprehensive clearing). While intended to improve "accuracy", these definitional shifts have material implications for project eligibility, alignment with existing methodologies, and compatibility with the FullCAM modelling framework. A careful review is necessary to ensure these changes do not inadvertently undermine participation or create unnecessary administrative burdens.

#### **Change in Spatial Resolution**

One of the most significant shifts proposed is the move toward a much finer spatial resolution for determining both "forest" and "comprehensive clearing". Under the proposal, project areas of interest are required to be divided into grid cells (i.e., pixels) of either 100 m² (10m x 10m) or 625 m² (25m x 25m), depending on the outcome of the consultation. At least 90% of the area within each cell must have been subject to clearing for the land to qualify as "comprehensively cleared". This departs significantly from the original ACNR methodology, which assessed forest cover clearing over a 0.2 hectare (2,000 m²) minimum scale.

The proposed spatial threshold of 100 m² (0.01 hectares) falls well below internationally accepted definitions. For instance, the United Nations Framework Convention on Climate Change defines "forest" as a minimum area of land of 0.05-1 hectares with tree crown cover (or equivalent stocking level) of more than 10-30 percent with trees with the potential to reach a minimum height of 2-5 metres at maturity in situ. Applying a 100 m² cell-based test as an eligibility threshold is not only unprecedented, but also excessive and operationally impractical and potentially cost prohibitive. It introduces an unnecessary and unjustified layer of precision.

The initial EOI justifies this departure by citing improving accuracy in calculating the extent of regenerating forest for abatement purposes. However, this level of granularity introduces complexity that exceeds what is required for credible carbon accounting and offers no clear methodological advantage. It risks excluding viable project areas based on pixel-level anomalies and would likely impose significant additional technical and cost burdens on landholders and project developers.

The proposed requirement is not supported. Applying this level of granularity for eligibility purposes imposes a measurement burden that FullCAM is not equipped to manage. We note that the consultation materials state: "No other models offer similar levels of support and familiarity to participants in the ACCU Scheme, or consistency with the NGGI".

The justification for adopting a finer spatial resolution is not robust and no integrity risk or issue has been citied in relation to the 0.2 ha threshold applied under ACNR, which was consistent with Australia's national definition of "forest".

#### **Comprehensive Clearing**

IACNR also proposes a new, highly restrictive definition of "comprehensive clearing" which excludes areas that have undergone thinning, fodder harvesting, or other partial vegetation management unless 90% of woody biomass was removed across either a 100 m² or 625 m² grid cell. This rigid threshold does not reflect how regrowth occurs or is managed in practical agricultural settings. Many farms undertake cyclical or partial clearing to balance productivity and land stewardship, often resulting in viable regrowth that meets structural forest thresholds over time. The proposed definition would disqualify these areas from participation, even where natural regeneration has demonstrably occurred. This risks excluding credible abatement potential from otherwise eligible land.

This approach also diverges from other comparable methodologies which do not require a single, static definition of clearing intensity to determine eligibility. The use of such a restrictive definition in IACNR adds unnecessary complexity and fails to acknowledge legitimate land management practices across Australian farming systems. A more flexible, outcome-based approach that recognises forest structure and legal clearing rights, rather than a rigid threshold based on past management, would better support participation and environmental integrity.

# **Eligibility Requirements**

To be eligible, projects must retain secondary native forests (not plantations or environmental plantings) on eligible lands. Eligible lands will be defined as areas:

- (a) that have previously been subject to human-induced conversion of native forest to a non-forest land use;
- **(b)** that have native forest cover at the date of the application for project registration;
- **(c)** that have not been cleared of native vegetation within 7 years of the date of the application for project registration;
- **(d)** that were comprehensively cleared for agricultural purposes 8 to 25 years prior to the date of the application for project registration;
- **(e)** where the landholder has the unrestricted legal freedom to comprehensively reclear the land for agricultural purposes; and
- **(f)** where there is limited risk of land degradation from re-clearing.

#### 8- to 25-Year Land Clearing Requirement

The NFF notes that the proposed eligible clearing window has been adjusted to 8- to 25-years. We question the rationale for imposing an upper limit.

# Unrestricted Legal Freedom to Comprehensive Re-Clearing for Agriculture Purposes

This requirement appears intended to ensure that credited avoided clearing activities are undertaken on land where the proponent holds full and unencumbered legal rights to clear native vegetation. However, it is important that IACNR does not define this too narrowly.

In some cases, landholders may operate under leasehold tenure or other complex title arrangements where native vegetation clearing is legally permitted but may require an Indigenous Land Use Agreement (ILUA) or similar consent mechanism for a carbon project due to the potential/existence of Native Title rights or underlying lease conditions. These circumstances should not be automatically excluded from eligibility, provided appropriate consents or agreements are in place.

The methodology should distinguish between a legal bar to clearing and a conditional or shared right to clear.

### 10% Slope Requirement and Regional Bias

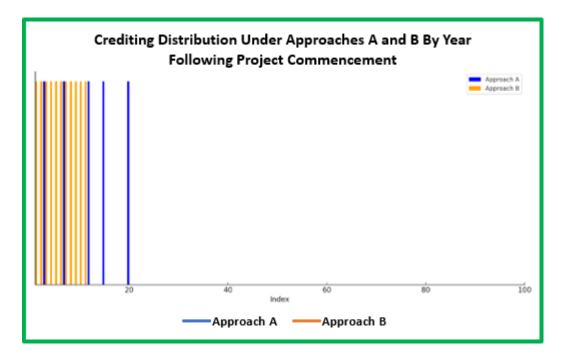
The proposed 10% slope exclusion risks introducing unintended regional bias and significantly narrowing participation. It is not supported and should be removed. Agricultural production in Australia occurs across a diverse range of landscapes, including hilly and undulating terrain. The rationale that land with a slope greater than 10% is unlikely to be cleared due to land degradation risk or regulatory restriction does not align with on-ground reality.

The IACNR methodology must be designed to accommodate Australia's landscape diversity and avoid excluding viable abatement opportunities based on outdated or overly simplistic terrain metrics. Of particular concern is the Discussion Paper's indication that further exclusions around slope may be introduced through the consultation process. Rather than enhancing accessibility and scalability, this signals a risk of further narrowing eligibility.

# **Proposed Permanence Obligations**

Extended permanence obligations, particularly those spanning multiple generations, may over time blur the line between voluntary carbon commitments and de-facto conservation status. It is essential that permanence design choices do not unintentionally expose landholders to future restrictions.

The proposed 50- and 100-year permanence periods raise significant concern. Requiring fixed land-use for such extended periods introduces disproportionate risk and may discourage participation.



#### **Approach A and Approach B**

The IACNR methodology introduces a structural misalignment between the crediting period and the permanence obligation that raises material concerns for landholders and undermines the method's long-term viability. The dual crediting models proposed offer different incentives and risk profiles.

Under Approach A, ACCUs are issued over a 25-year period, yet the landholder is locked into a 50- or 100-year permanence commitment. Once carbon stocks plateau, typically by Year 37, crediting ceases, but the obligation to maintain vegetation and avoid clearing continues for decades without further recognition or compensation.

This concern is further exacerbated under Approach B. This model delivers the majority of ACCUs within the first 10-years of the project, after which landholders are required to maintain permanence obligations for an additional 90-years without any formal requirement for ongoing management, monitoring, or mechanism for financial support. While compressed crediting may assist some producers with early project cash flow, this structure creates a long tail of unremunerated obligation that is both inequitable and unsustainable. It also marks a departure from the standard 25-year crediting window used across all sequestration methodologies under the ACCU Scheme. Landholders are left with the responsibility of upholding permanence commitments for the remainder of the project life without access to additional financial support or other forms of economic recognition. This creates a long-term liability without a matching revenue stream, and increases the risk of project participation, especially for small, mixed-enterprise producers and/or producers who operate on slim margins, or who cannot afford to lock up productive land in perpetuity without a consistent return.

This model also contradicts the principle of risk-aligned incentives that underpin credible carbon methodologies. Producers are being asked to carry climate and regulatory risk over a century, without sustained recognition or tools to adjust obligations in line with changed circumstances.

To address these issues, the NFF recommends that the Queensland Government and to consider mechanisms that better align crediting incentives with permanence expectations. These should include:

- Optional top-up payments or stewardship-style co-funding beyond the crediting period, especially for producers who commit to longer-term obligations.
- Scheduled review points throughout the permanence period.
- Clear and accessible options for succession, sale, or retirement from permanence obligations, recognising the realities of multi-generational land management that do not materially impact sale potential. There is a significant risk that there will be tracts of poorly managed and land which may be valued approaching zero.

Landholders should not be expected to deliver enduring environmental benefits for up to a century without sustained support, flexibility, or risk-sharing. To ensure fairness, integrity, and uptake, IACNR Approach B must re-balance the crediting structure in line with the proposed permanence commitments. Again, we seek a consistent permanence and crediting period of 25-years as seen in comparable methodologies.

## **Misapplication of King Review Principles**

As stated in the initial EOI, the frontloading of ACCUs under Approach B (i.e., compressed crediting) is justified as associated risks are low and such an approach aligns with recommendations made under the King Review. However, this reflects a fundamental misapplication of Recommendation 5.1 of that Report. Compressed crediting was designed to reduce barriers for projects with high upfront costs in the form of resource outlays or foregone profits that are not materially offset by carbon revenues and secondary benefits in the early years of a project. Avoided re-clearing projects under IACNR generally involve minimal upfront expenditure. These projects are characterised by inaction, electing not to clear regrowth, rather than by proactive investment or ongoing land management. While some opportunity cost may arise from forgoing alternative uses of the land, this does not equate to the capital or operational investment expenditure envisaged in the King Review.

#### **No 25-Year Permanence Option**

The proposed IACNR methodology breaks with longstanding precedent across the ACCU Scheme by failing to offer a 25-year permanence option.

No ACCU vegetation methodology including the now-sunset ACNR have previously mandated a 50- or 100-year permanence commitment without offering a shorter alternative. Breaking with this precedent introduces unnecessary regulatory and financial risk, undermines cross-methodology consistency, and reduces investor and landholder certainty. IACNR must reinstate a 25-year permanence pathway in line with established precedent.

The absence of a 25-year permanence option will impact landholders as they are less likely to commit to rigid, multigenerational obligations.

The IACNR methodology must reinstate a 25-year permanence option in line with comparable vegetation methodologies. It should also formally recognise and allow for the permanent locking-in of Property Maps of Assessable Vegetation, which is a Queensland

process, to prevent areas being reclassified as remnant after a period of time. Without this protection, producers may lose land-use rights long after the project ends.

#### **Treatment of Natural Disturbance Integration into Modelling**

Projects with a 50-year permanence period will:

- Include natural disturbances into both baseline and project scenarios when they occur; and
- Require baseline carbon stocks to be calculated at the end of each reporting period.

Projects with a 100-year permanence period will:

- Not include natural disturbance within modelling as the loss of carbon stocks will be expected to be replenished during the permanence period; and
- Require baseline carbon stocks to be calculated at project commencement, assuming average climate conditions

The IACNR methodology introduces a differential treatment of natural disturbances depending on the permanence period selected, in a manner that is both inconsistent and unjustified. For projects opting for a 50-year permanence period, the methodology requires natural disturbances to be explicitly modelled in both the baseline and project scenarios. This includes carbon stock changes and associated emissions which are to be reported as and when they occur. By contrast, for projects electing a 100-year permanence period, natural disturbances are excluded from both baseline and project calculations, on the assumption that carbon stocks will be replenished over the longer timeframe and that emissions are relatively immaterial.

This creates an unacceptably perverse incentive structure that pushes landholders toward the 100-year option to avoid the modelling burden of accounting for disturbance events. It also assumes, without clear evidence, that disturbance-related carbon losses will naturally recover within a 100-year period but not within 50 years. No evidence is provided to support this assertion. In many Australian ecosystems, 50-years is a sufficient time horizon for carbon stocks to regenerate following disturbance. We also note that both permanence options apply a 5% risk of reversal buffer.

If natural disturbance is considered a material risk to abatement integrity, then it should be accounted for consistently across permanence options. Conversely, if disturbance losses are expected to recover naturally, this logic should apply equally to the 50-year permanence period, which already exceeds the project crediting window and provides a generous timeframe for post-disturbance recovery.

# Passive Management ('Lock-Up and Leave' Approach)

The NFF is strongly concerned that the proposed IACNR methodology enables a 'lock-up and leave' approach to abatement. Notwithstanding the requirement of avoided clearing, the methodology does not mandate any type of ongoing management activity to prevent risks or climate management or require such evidence of a broader Management Plan.

Approach B allows proponents to receive the majority of ACCUs within the first 10-years, while imposing a 100-year permanence obligation. This structure increases the risk of passive, unmanaged landscapes in the decades following credit issuance. Without active

oversight, these areas may face heightened susceptibility to fire, weed invasion, invasive pest outbreaks, and ecological decline, outcomes that contradict the principles of sustainable land management, undermine the long-term integrity of credited abatement, and may result in third-party impacts to other landholders. Ensuring carbon remains sequestered over the permanence period requires more than just cessation of clearing, it also requires basic stewardship.

Moreover, IACNR includes no meaningful monitoring or reporting requirements beyond the initial crediting window, raising serious integrity concerns. Providing upfront credits for passive land management, without corresponding financial risk or abatement verification, is inconsistent with both the spirit and economic rationale of compressed crediting as outlined in Recommendation 5.1 of the King Review. Compressed crediting was intended to support capital-intensive, actively managed projects—not reward inaction. Applying such an approach in this context risks undermining public confidence in the ACCU Scheme and the credibility of its abatement outcomes.

#### The NFF, therefore, recommend that the proposed IACNR:

- Require minimum, ongoing land management standards (i.e., fire, weed, and pest control) throughout the permanence period.
- Include light-touch reporting beyond the crediting period to support transparency, compliance, and risk management.
- Require proponents to submit an indicative Management Plan extending for the duration of the permanence period, with flexibility to adapt over time.

#### Conservatism

The NFF recognises the importance of methodological conservatism in maintaining public and market confidence in ACCUs. Conservatism, however, must not come at the expense of fairness or practical participation. However, this must be balanced against fairness and the need for practical participation by landholders. The IACNR methodology already incorporates several discount factors to manage over-crediting risk, as summarised in Table 2. Notably, the methodology does not account for soil carbon abatement in its calculations.

What remains unclear is the scale of the discount applied to projects opting for the 50-year permanence period. This lack of clarity is problematic. By contrast, the consultation documents confirm that no discount applies to projects choosing the 100-year option. This approach effectively nudges landholders toward a near-perpetual, multigenerational commitment, without offering commensurate flexibility or incentive. Such a design imposes disproportionate risk on producers and is not supported by the NFF.

We reiterate our strong support for the inclusion of a 25-year permanence option, consistent with other ACCU methodologies.

**Table 2:** A summary of discount mechanisms under the proposed IACNR methodology.

	50-Year Permanence	100-Year Permanence
Risk of Reversal	5%	5%
Discount		
Permanence Period	Low (if any) - not	None
Discount	numerically specified	
Temporary	N/A	5% of ACCUs withheld
Withholding		until Year 11 pending
(Approach B Only)		outcomes of the Third
		Measurement

# **Accounting for Leakage Risks**

Direct leakage (where clearing activity is shifted elsewhere on a property or nearby holding) remains a persistent challenge for avoided clearing methodologies. Integrity controls in this regard must not come at the cost of participation or impose new reporting burdens on project participants. Landholders operate in dynamic environments, and any leakage safeguards must allow for reasonable changes in management over time.

## **Conclusion**

The NFF thanks the Department for the opportunity to provide this initial submission to inform the development of the proposed IACNR methodology. We also welcome further opportunities for engagement as the process progresses. Without meaningful reform, the methodology in its current form risks repeating the shortcomings of its predecessor, remaining legislated but largely underutilised.

Please do not hesitate to contact Warwick Ragg, General Manager, Natural Resource Management, via e-mail: <u>WRagg@nff.org.au</u> at the first instance to progress this discussion.

Yours sincerely,

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