

CLIMATE ACTIVE CONSULTATION: ACCOUNTING FOR CARBON SEQUESTRATION FROM TREE PLANTINGS

Introduction

The Climate Active team is seeking your feedback on a draft guideline to account for carbon sequestration from tree plantings within a Climate Active carbon account.

Feedback must be submitted via email to Climate.Active@industry.gov.au, including the following subject line: 'Feedback on Climate Active vegetation accounting guideline'. All feedback must be provided in a .docx or .PDF format and received by Friday 14 October 2022. Any feedback received by this date will be used by the department for the purposes as set out in the accompanying Privacy Notice. Feedback will not be published, unless required or authorized by law.

A Climate Active carbon account typically measures sources of greenhouse gas emissions only; the guideline explains how an entity can also measure carbon sinks from trees and shrubs they have planted. As vegetation grows, carbon dioxide is removed from the atmosphere – carbon sinks. Carbon sinks within an entity's emission boundary and supply chain may be used to counterbalance the emission sources ahead of offsetting. This process is known as insetting.

By accounting for emission sinks, in addition to sources, a comprehensive assessment of an entity's overall climate impact can be measured. The guideline proposes that the net change in carbon sinks (carbon stores less any carbon releases) is accounted for over a 12 month reporting period. The guideline is restricted to vegetation plantings, however may be expanded in the future to account for other greenhouse gas removal activities.

The guideline does not create any type of tradeable certificate or unit and can only be used within a Climate Active carbon neutral claim.

Consultation questions

1. Methodology

The insetting approach differs from offsetting. Insetting allows for emission reduction activities to counterbalance emission sources *within* a single emissions boundary, for example, from activities within an organisation's operational control or supply chain. Conversely, offsetting allows for unavoidable emissions to be counterbalanced from abatement activities *outside* of an emissions boundary. Both approaches can be used as part of a carbon neutral claim and ensure the abatement is genuine and of high integrity.

Offset units are underpinned by offset integrity principles (see for example 1.3.2 of the [Climate Active Carbon Neutral Standard](#)), such as additionality, addresses leakage and permanence. There is no additionality or newness requirement under an insetting approach, as the abatement is not counterbalancing another entity's emissions and all emission sources within the organisation's emissions boundary are measured.

No double counting is ensured under the guideline by requiring the landholder to sign a statutory declaration that the emission reduction from the carbon sink has not been included in any other carbon program or claim. The principle of leakage is addressed by similarly requiring the land holder to declare there has been no additional clearing within the emission boundary, but outside of the verified planting area. Certainty of the emission reduction from the carbon sink, the principle of permanence, is ensured by requiring the responsible entity to retire offsets equivalent to any claimed reduction should there be a clearing event, coupled with independent ongoing verification including spot audits, and a 30% discount on abatement modelled using FullCAM (a 30% discount exceeds the 25% deduction under the Emissions Reduction Fund for 25-year permanence period projects).

- a. *Do you support an insetting approach under Climate Active that allows for emission sinks to be accounted for within an emissions boundary ahead of offsetting? What do you see as being the major benefits and risks of this approach?*
- b. *Do you have any suggestions on the underpinning measures and principles in the guideline to ensure that claims made are of high integrity, while also being accessible (and therefore helping incentive additional carbon sinks) to landholders?*

As currently drafted, in the event of clearing, the requirement to retire offsets equivalent to any claimed reduction only applies where the clearing event occurs while the member remains a participant of the Climate Active program. If the carbon stored in vegetation is released back into the atmosphere, the environmental benefit is reversed. The guidelines could be updated with additional protections to ensure permanence in the potential event that a member were to leave the Climate Active program and clearing subsequently occurs. Additional protections could include:

- Updating the statutory declaration to commit the signatory to retire offsets equivalent to any claimed reduction over a given period if clearing occurs, even where a member leaves the Climate Active program (this could be overseen by the Climate Active risk based audit system).
 - Increasing the 30% discount on abatement modelled using FullCAM.
 - A requirement to hold a buffer of additional offset units as insurance, and/or
 - A lag effect on the amount of abatement that can be claimed from plantings.
- c. *Are additional protections needed to ensure the permanence of abatement in the potential event that a member were to leave the Climate Active program and clearing subsequently occurs (including in the context of potential for land ownership changes)? If*

so, what would be the best mechanism(s) for providing this additional protection?

- d. *Do you support the difference in treatment between disturbance events that are due to natural causes (the carbon sequestration for the reporting period will be zero and will continue to be zero until the sum of the net abatement from previous and current reporting periods is greater than zero) and disturbance events that are due to deliberate clearing (eligible offset units equivalent to any previously claimed sequestration from all reporting years from the affected area must be retired)?*
- e. *Do you support the use of a 30% discount on abatement modelled using FullCAM? If not, what value would be appropriate as a discount?*

2. Eligibility

The guideline outlines the criteria that must be met in order to account for carbon sinks. At this stage, accounting for carbon sinks is restricted to plantings that are capable of reaching forest potential and on land that: was clear of forest cover for at least 5 years prior to the planting event; is under the operational control or in the supply chain of an entity making a carbon neutral claim; occurred from 1990; and is not part of an Emissions Reduction Fund project. Further eligibility criteria are summarised on page 2 and detailed in section 2 of the guideline.

- a. *Do you have any suggestions for improving the eligibility criteria?*
- b. *The insetting guideline may be expanded in the future. Aside from plantings, what other types of land management practices resulting in carbon sinks could be included in the guideline in the future? Of these, which should be prioritised?*

3. Measurement and abatement amount

The guideline details how carbon sinks are to be accounted for, including: establishing the emissions boundary and identifying measurement plots (section 3); permissible and restricted activities (section 4) and how to derive an abatement amount using FullCAM modelling (section 5).

- a. *As per question 2.b above, the insetting guideline may be expanded in the future to allow for a more fulsome accounting of carbon sinks within an emissions boundary. In your view, is it preferable to require all carbon sinks to be accounted for (for example, through a 'whole-of-farm' or 'integrated farm method'), or should land managers be able to choose to only include specific carbon sinks in a Climate Active carbon neutral claim (for example, including only sequestration from tree plantings and excluding other carbon sink activities)?*

- b. *Do you support the use of modelling and/or estimation tools, other than FullCAM? If so, should there be any special restrictions on the use of these tools?*
- c. *Do you have any other suggestions for improving the measurement and abatement estimates in the guideline?*

4. Verification

The guideline seeks to strike a balance between independent verification, to ensure abatement is genuine; and usage, to incentivise additional plantings and therefore emission reductions. Onerous verification requirements may result in limited value to landholders to account for carbon sinks. Conversely, too little verification may lead to concerns with the abatement amounts. Simplified and full verification requirements are detailed in section 6. In addition, data underpinning carbon sinks, alongside emission sources, are subject to spot audits (5-10% of all Climate Active members certifications are audited annually).

- a. *Do you have any suggestions for improving the verification requirements in the guideline?*

5. Other comments

- a. *Do you have any other comments on the guideline?*