

Fair Carbon

Scoping Paper

July 2014

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Introduction

The concept of Fair Carbon has been warmly received by carbon farmers, industry groups and stakeholders since our inaugural workshop in January 2014.

This scoping paper is informed by the discussions and points that arose from the inaugural workshop, and proposes a number of ideas and steps forward for further discussion.

To date much of the carbon industry's policy focus has been led by government developments such as the Rudd Government's Carbon Pollution Reduction Scheme (CPRS), Gillard Government's Carbon Farming Initiative (CFI), and now the Abbott Government's Emissions Reduction Fund (ERF) which is established to purchase carbon permits at lowest cost abatement. This has perhaps deterred focus on an industry led voluntary market firmly establishing itself within the domestic community and economy.

The compliance market and voluntary market co-exist in Australia. The voluntary market is small and dominated by the Government through the NCOS Carbon Neutral Program now administered through the Department of Environment.

However, history shows there is strong potential for the development of a vibrant industry led voluntary market, and the story of the Forestry Stewardship Council (FSC) is notable in this regard (see page 10). The fact that managers of forests realized it was up to them to work together to create their own industry standards, as well as add value to their product, is refreshing.

It is envisioned that through working together in a collaborative framework Aboriginal and non-Aboriginal carbon farmers respectively can benefit economically and support broader social, cultural and environmental co-benefits.

One of our great challenges will be to shift carbon credits from being a top shelf commodity to a standard commodity that is purchased routinely by ordinary consumers and corporate Australia.

Internationally, it is noted that many indigenous groups regard the UNFCCC - REDD+ scheme as being problematic largely stemming from a view that it is a top down approach and fear a lack of control over their native forests and lands.

A long and deliberate consultation process that is inclusive and robust will need to take place to ensure Fair Carbon is built from the ground up to meet our collective requirements and is

uniquely suited to Australian conditions. This will require the service of a dedicated band of believers who share the vision, have expertise and want to make a contribution.

As mentioned, the following pages now set out some ideas and proposed steps forward for the development of Fair Carbon to benefit Aboriginal and non-Aboriginal carbon farmers, and the environment.

Rowan Foley
General Manager
Aboriginal Carbon Fund

Fair Carbon Steering Committee

Dr Cathy Robinson (CSIRO) – Cathy was the lead author on the 2011 Indigenous co-benefits report to the Australian Government. Cathy continues to lead research in this area with Indigenous communities.

Ms Emily Gerrard (Allens Lawyers) – Emily also participated in the co-benefits report and has contributed her climate legal expertise assisting Land Councils and undertaking pro-bono work to the National Indigenous Climate Change project.

Ms Elisa De Wit (Norton Rose lawyers) – Elisa is a partner of the Norton Rose Fulbright has also recently launched a legal guide to dealing with the CFI.

Ms Ari Gorring (Kimberley Land Council) – Ari has successfully led a strong carbon team at the Kimberley Land Council to pilot four savanna projects to approval stage in the CFI (to date).

Mr Neil Salisbury (Net balance) – Neil is the Director of net balance and led their report into co-benefits in Australia. Neil is linked to an international network of experts working on co-benefits platforms with Gold Standard.

Mr Tracker Tilmouth (AbCF) – Tracker is a Director and co-founder of Aboriginal Carbon Fund.

Mr Allan Cooney (AbCF) - Tracker is a Director and co-founder of Aboriginal Carbon Fund.

Potential Boarder Stakeholder Group Members: Andrew Grant (Andrew Grant & Associates), Doug Humann (Doug Humann & Associates), Peter Castellias (CEO CMI), Freddy Sharpe (Climate Friendly), Louisa Kiely (Carbon Farmers of Australia), Megan Flynn (Qantas), Sasha Courville (NAB), Emma Herd (Westpac), Neil Hereford (CBA), Andrew McBain (Carbon Conscious), Glenn James (NAILSMA), Aaron Crosby (Cape York Sustainable Futures), Tim Flannery (Climate Council) ,Tim Moore (consultant), Nathan Dale (Brokers Carbon), Jennifer Lauber-Patterson (Frontier Carbon), Philip Toyne (McCullough Robertson) and Nerissa Walton (Indigenous Land Corporation)

Draft Vision

To be the preferred industry body for ethical carbon credits that corporate and mainstream Australians will acquire.

Draft Steering Committee Purpose

1. To establish a Fair Carbon model that meets Australian social, cultural, environmental and economic requirements,
2. Participate in workshops and discussions to develop the Fair Carbon model,
3. To advocate and promote the objectives and values of Fair Carbon,
4. Work in a collaborative manner for the benefit of Aboriginal and non-Aboriginal carbon farmers,
5. To act as a reference point for Aboriginal and non-Aboriginal carbon farmers, and stakeholders.

Objectives

- Provide a stable market price for Carbon Farmers in Australia,
- Provide buyers of carbon credits an opportunity to address climate change by supporting Australian projects with co-benefits,
- Set a progressive framework to ensure that the conditions for the production and trade of carbon credits are economically fair, socially responsible and environmentally beneficial.

Fair Carbon Values

1. Maximum benefits go to Carbon Farmers,
2. Minimum floor price,
3. Social, cultural and environmental co-benefits,
4. Long term relationships,
5. Good stewardship of country.

Proposed Developmental Process:

Independent Fair Carbon Integrity Panel (FCIP) and Auditors

The Fair Carbon Integrity Panel (FCIP) should be an independent body composed of industry experts who will provide certification criteria for the social, cultural and environmental co-benefits of a carbon project.

Independent auditors will use the certification criteria to assess the project in a cost effective and timely manner with an easy to comprehend format. Auditors will apply to the FCIP and once approved will be licensed to conduct audits. A physical inspection and photos of the project may be required by the auditors, and subsequent public report produced.

It is envisaged that in time a set of national industry standards (as opposed to more government regulation) will come out of this work, largely through a 'learning by doing' approach. The standards will come from actual projects, so will be grounded in an organic reality and real world scenarios.

The certification criteria and auditors will provide a level of certainty for customers that the carbon product has the co-benefits the carbon farmer claims to offer.

Fair Carbon Trading Platform (FCTP)

Once the government requirements are met and Fair Carbon certification is in place the carbon commodity can be listed and/or traded on the Fair Carbon Trading Platform (FCTP).

The FCTP should provide details of the carbon project, location, quantum of carbon credits with a link to contact details of the carbon farmer.

All carbon farmers will responsible for their own AFSL arrangements.

Presentations:

Presentations have been made in the following forums:

- Fair Carbon workshop Melbourne January 2014,
- CMI Carbon Summit and Market Melbourne May 2014, and
- Native Title conference Coffs Harbour June 2014,

Market Differential and Characteristics:

<p style="text-align: center;">Compliance Market: Emissions Reduction Fund</p>	<p style="text-align: center;">Voluntary Market: Fair Carbon</p>
<ul style="list-style-type: none"> - Government led 	<ul style="list-style-type: none"> - Industry led
<ul style="list-style-type: none"> - The ERF establishes a competitive framework whereby carbon farmers compete with one another 	<ul style="list-style-type: none"> - A <i>farmers co-op</i> approach is taken, whereby carbon farmers work together for a healthy vibrant domestic market
<ul style="list-style-type: none"> - Government buys credits to achieve lowest cost abatement through Clean Energy Regulator managed process 	<ul style="list-style-type: none"> - Carbon farmers seek to obtain the best outcomes for their product in an open market trading platform
<ul style="list-style-type: none"> - There is no possibility of value adding with co-benefits 	<ul style="list-style-type: none"> - Value adding with certified social, cultural and environmental co-benefits
<ul style="list-style-type: none"> - No guarantees to cover the cost of production and 	<ul style="list-style-type: none"> - Minimum floor price will cover the cost of production
<ul style="list-style-type: none"> - No transparency in the bidding process 	<ul style="list-style-type: none"> - An open trading platform is used
<ul style="list-style-type: none"> - 5 years contracts will place a burden (and risk) on carbon farmers if they fall short on their delivery targets 	<ul style="list-style-type: none"> - Long term relationships are encouraged with supply and prices being negotiated
<ul style="list-style-type: none"> - Managed through legislation, government bodies and public servants 	<ul style="list-style-type: none"> - Managed through industry standards, members and experts
<ul style="list-style-type: none"> - Top down approach 	<ul style="list-style-type: none"> - Ground up approach

Australian Carbon Markets Developments

Carbon pricing mechanism repeal

The Clean Energy Legislation (Carbon Tax Repeal) Bill 2013 has passed the Senate. When the bill becomes law, it will repeal the *Clean Energy Act 2011* and abolish the carbon pricing mechanism from 1 July 2014. Liable entities must still meet their carbon price obligations for the 2013-14 financial year.

Content on the Clean Energy Regulator website will be progressively updated to reflect these changes. More information can be found on the carbon pricing mechanism repeal page.

Two carbon markets exist in Australia: the voluntary carbon market, which provides for participants who make voluntary commitments to offset carbon emissions and the compliance market, where certain entities (liable entities) must surrender one carbon unit for each tonne of carbon dioxide equivalent that they have produced in each compliance year. The market you choose for your Australian carbon credit units (ACCUs) may affect the price you will receive for them.

The Australian compliance market

Under Australia's carbon pricing mechanism, around 300 companies have a mandatory obligation to reduce, offset or pay for their direct emissions. This is known as the Australian compliance carbon market.

In the Australian compliance market liable entities have a choice of meeting their liability either by taking action to reduce their emissions; acquiring and surrendering carbon units, including ACCUs; or by paying a unit shortfall charge for any amount of a liability that is not met by surrendering units.

It is important to note that the carbon price is not necessarily the price that will be received for ACCUs. There is no fixed price for ACCUs. The price of ACCUs will be determined by the market, taking into account the transaction costs and whether the project delivers other social and environmental benefits.

The Australian voluntary market

Australian carbon credit units may also be bought by individuals and companies wishing to voluntarily offset their emissions. For example, an individual who books an airline ticket and then chooses to purchase carbon credits to offset the emissions produced by the flight is participating in a voluntary market. Also, when a business wants to voluntarily reduce its greenhouse footprint to meet public commitments or offer carbon neutral goods and services under the National Carbon Offset Standard, it may purchase ACCUs on the voluntary market.¹

NCOS Carbon Neutral Program

The NCOS Carbon Neutral Program allows organisations, products and events to be certified as carbon neutral. This means that net associated emissions are equal to zero. Consumers can have confidence that organisations, products and events bearing the NCOS trademark have achieved carbon neutrality in a way that achieves a genuine reduction in overall emissions.

¹ website <http://www.cleanenergyregulator.gov.au/Carbon-Farming-Initiative/How-does-it-work/Step-5-Apply-for-credits/Carbon-markets/Pages/default.aspx>

From 1 July 2010 until 31 May 2013 the NCOS Carbon Neutral Program was administered by Low Carbon Australia Limited. The program is now administered by the Department of the Environment.²

Examples from International Developments

Forestry Stewardship Council History of Development

1990 to 1993 - Intensive consultation processes in ten countries were held to determine whether there was widespread support for the proposal to develop a worldwide certification and accreditation system covering all kinds of natural forests and plantations.

March 1992 - Washington D.C., USA. Interim FSC Board of Directors established.

October 1993 - FSC Founding Assembly in Toronto, Canada with 130 participants from 26 countries.

April 1994 - First FSC Executive Director appointed.

Summer 1994 - FSC Secretariat Office was opened in Oaxaca, Mexico with three staff. The FSC Principles and Criteria, together with the Statutes for the FSC (now the By-Laws), were approved by the votes of the founding members.

February 1996 - FSC was established as a legal entity in Mexico. The first accreditation contracts were signed with four certification bodies. The first wooden products appeared in UK with the FSC logo. The first FSC Working Group (UK) was endorsed by the FSC Board of Directors. Principle 10 for plantations was ratified by the FSC membership.

June 1996 - First FSC General Assembly in Oaxaca.

January 1997 - First FSC National Standard was endorsed for Sweden.

Mid 1998 - 10million hectares certified to FSC standards.

November 1998 - First FSC Annual Conference.³

UNFCCC REDD+ Negotiations: Non-Carbon Benefits are still on the table

BY ALLISON SILVERMAN AND NIRANJALI AMERASINGHE

- Non-Carbon Benefits (NCBs) occupied a good portion of the SBSTA discussions on REDD+.
- Parties believe that NCBs are important to the long-term sustainability of REDD+ but strongly disagree about the need for any specific guidance for incentivizing such benefits.
- Parties ultimately agreed to continue considering methodological issues next year at SBSTA's 42nd session, providing the necessary space to discuss issues related to safeguard information systems at SBSTA's next session in Peru.

WASHINGTON DC, United States (11 July, 2014)_In June 2014, the Subsidiary Body for Scientific and Technological Advice (SBSTA) of the UN Framework Convention on Climate Change (UNFCCC) met for its

² website <http://www.environment.gov.au/climate-change/carbon-neutral/ncos>

³³ FSC Australia website

40th session to discuss a range of issues, including outstanding items related to Reducing Emissions from Deforestation and Forest Degradation (REDD+).

Although UNFCCC Parties adopted the [Warsaw REDD+ Framework](#) last year, which is intended to capture all REDD+ decisions taken by the UNFCCC, a number of important issues remained open for further discussion. These included non-market-based approaches, non-carbon benefits (NCBs), and further guidance on safeguards information systems.

Consideration of methodological guidance relating to NCBs – the social, environmental, and governance benefits that REDD+ should provide – occupied a good portion of the SBSTA discussions on REDD+. However, there was significant disagreement about the need for any specific guidance for incentivizing such benefits.

Public consultation: FairTrade Carbon Credit Standard

Fairtrade International and The Gold Standard Foundation have signed an agreement to develop a joint Gold Standard and Fairtrade carbon scheme to foster wider sustainable development and provide greater access to the carbon market for smallholders and rural communities in developing countries.

The collaboration was born through a recognition of shared values and principles:

Social values: improvement of livelihoods, respect of human and labour rights, participation and empowerment of local communities;

Environmental values: protection of biodiversity, conservation of natural resources and ecosystems, reduction of greenhouse emissions, improvement of climate resilience.

The Gold Standard and Fairtrade International will streamline our respective approaches to maximize producers' benefits through the development and sale of Fairtrade Carbon Credits.

The Fairtrade Carbon Credit standard, presented here for public consultation, is designed to enable greater access and participation in the carbon market for the most disadvantaged communities and to drive a greater proportion of carbon income to them. It will provide producers with a new **climate change mitigation opportunity** and help them generate additional revenue through the selling of Fairtrade Carbon Credits in the voluntary carbon market.

Fairtrade Carbon Credits will be generated through a range of different scopes of activities related to agriculture, renewable energy, energy efficiency, and forest management. With this

FCC Standard, we aim to empower producers to address climate change and build a path on which producers can increase their **resilience** to the effects of climate change.⁴

⁴ Consultation document for Stakeholders: Fairtrade Carbon Credit Standards