

# As a grazier, can I make money from carbon?

The short answer is there may be the opportunity for you to make money out of carbon.

However, from the outset, it is important to determine if a proposed carbon project is eligible, if you have the time, resources and expertise to devote to it and whether it is likely to be profitable given your situation. Any landholder genuinely interested in the carbon market should do some initial research to determine if it warrants more detailed investigation.

## **Some background first.....**

The Emissions Reduction Fund (ERF) is a voluntary scheme established by the Australian Government that aims to provide incentives for organisations and individuals to adopt new practices and technologies to reduce greenhouse gas emissions or store more carbon in the landscape.

A number of activities are eligible under the scheme and participants can earn Australian carbon credit units (ACCUs) for quantified and verified emissions reductions and carbon storage.

One ACCU is earned for each tonne of carbon dioxide equivalent (tCO<sub>2</sub>-e) stored or avoided by a project. ACCUs can be sold to generate income, either to the government through a carbon abatement contract, or in the secondary market.

The Clean Energy Regulator is the agency responsible for administering the ERF. Hence, it is a key source of information about the ERF and how it works.

### **1. Determine if there is an approved method relevant to your situation**

Carbon storage (or sequestration) projects remove carbon dioxide from the atmosphere and store it as carbon in plants as they grow. Examples of sequestration activities include planting trees to replace forest that had previously been cleared, allowing previously cleared vegetation to regenerate without further control measures or protecting native vegetation that is at imminent risk of clearing. Carbon storage can also be achieved by increasing carbon reserves in the soil through management change.

For beef cattle enterprises, there are some options to earn ACCUs by avoiding or reducing greenhouse gas emissions from your cattle herd through changes to herd management and herd structure.

Generation of ACCUs and participation in the ERF requires you to follow a specific, approved method. A method explains how to carry out a project and measure the resulting reductions in emissions. The link to the 'Clean Energy Regulator' website below will help you to determine if an approved method exists that is relevant to your situation.

<http://www.cleanenergyregulator.gov.au/ERF/Choosing-a-project-type/Opportunities-for-the-land-sector>

If you find a method relevant to your situation, carefully read the method description and any associated documents and tools provided.



For more information, please contact

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## 2. Determine the feasibility and viability of your proposed project

If there is an approved method and you are keen to investigate the opportunity further, you will need to determine whether the proposed project is both feasible and viable – i.e. can it be done and is it likely to be profitable?

Key aspects to consider include:

- how many ACCUs is the project likely to generate,
- what costs will be associated with the project (e.g. costs of establishing and running the project, reporting and auditing costs, marketing costs and cost of engaging any legal, financial, technical or specialist 'carbon' service providers),
- what is the likely carbon price (i.e. price of ACCUs) and
- legal and regulatory requirements of conducting the project and selling the ACCUs.

### Carbon Price

Average price paid for ACCUs at each of the three ERF auctions held to date can be found on the Clean Energy Regulator website at <http://www.cleanenergyregulator.gov.au/ERF/Auctions-results>; from this page you can also navigate your way to the 'Carbon abatement contract' register which lists all projects awarded contracts to deliver ACCUs by the Clean Energy Regulator through the ERF auction process.

### 3. Decision time

A carbon project may require significant time and resources devoted to it and there may be management conditions and other obligations (e.g. permanence obligations to retain stored carbon for at least 25 years with this registered on the property title and auditing and reporting requirements). These factors should be taken into consideration as part of your decision-making process.

### Specialist professional service providers for carbon projects

Due to the potential complexity of running a carbon project, carbon marketing and contractual arrangements that may be required, financial, technical and legal advice is strongly recommended. There are a range of private service providers who can assist. Services include determining if there is a method applicable to your situation, technical aspects of establishing and managing the project, managing project recording and reporting and marketing your ACCUs.

A list of carbon service providers can be found on the *MyCarbonFarming* website <http://www.mycarbonfarming.com.au/> under the 'Who do I contact' menu. This website also has a list of carbon projects under the 'Projects' menu.

The suggested background research, feasibility assessment and discussions with possible service providers should help you assess the viability of the proposed carbon project and to determine whether it is right for you and your business.

### 4. Where to next?

If you intend to proceed with your carbon farming project, visit the Clean Energy Regulator for the steps required to register a project and market your ACCUs <http://www.cleanenergyregulator.gov.au/ERF/Want-to-participate-in-the-Emissions-Reduction-Fund>.



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