CATTLE COUNCIL OF AUSTRALIA

24 October 2019

Mr Grant King
Carbon Abatement Expert Panel
Department of Environment and Energy
Via email: carbonexpertpanel@environment.gov.au

Dear Mr King

RE: Cattle Council of Australia's response to discussion paper examining opportunities for further abatement

Cattle Council of Australia (CCA) welcomes the opportunity to provide a submission to the Carbon Abatement Expert Panel October 2019 discussion paper examining opportunities for further carbon abatement.

A fundamental part of the beef industry's future is to continue to improve our industry's role as environmental stewards and our target for the Australian red meat industry to be carbon neutral by 2030. This target is part of a suite of Australian Beef Sustainability Framework initiatives, which is a whole-of-industry project to define and track sustainable beef production in the Australia.

Below are some key points in response to the discussion paper provided by CCA and Meat & Livestock Australia (MLA):

1. Innovation capability building

It is important to recognise that opportunities to reduce GHG emissions and/or store carbon in the red meat industry transcend farm boundaries and require a whole of value chain approach; from activity on a farm through to product retail. Mechanisms that bring value chain participants together to generate carbon credits will provide aggregation and generate supply in the red meat industry.

There is a need for better collaboration and coordination among potential carbon credit generators and buyers, through better value chain design as well as improved access to trusted intermediaries to work with landowners/managers and red meat businesses to develop projects. Examples exists in other countries, such as The Carbon Trust (https://www.carbontrust.com), which is a central information source for business managers who wish to engage in GHG emissions reduction or renewable energy certification initiatives. The Carbon Trust also provide assurance and certification services for technology providers and service providers which de-risks investments.

2. Banding by technology within the Emissions Reduction Fund (ERF)

The red meat industry has reduced GHG emissions an impressive 57.6 percent from 129.3 million tonnes of CO_2 equivalent (Mt CO_2e) emissions in 2005 to 54.8 Mt CO_2e in 2016, predominately through various vegetation methods. These numbers were calculated by CSIRO using the Australian Government's National Greenhouse Gas Accounts.

The red meat industry has set a target to be carbon neutral by 2030 (CN30). Reaching a carbon neutral position will require large-scale adoption of technologies that reduce enteric methane

emissions, and the reduction in emissions are captured in the National Greenhouse Gas Accounts. Technologies and practices beyond land use change methods are currently not low-cost approaches given lack of economies of scale.

CSIRO has estimated that a targeted investment of $200 million into R&D over the next 10 years is required to further develop technologies for industry to achieve net zero emissions. In addition to this, 'Banding' by technology category within the Emissions Reduction Fund presents potential to incentivise adoption of technologies and varying stages of development. This would help overcome potential shortfalls in supply of Australian Carbon Credit Units and mitigate against the risk of carbon credits being sold outside the Emissions Reduction Fund (ERF) and potentially lost to the Australian Red Meat Industry's and Australia's GHG reduction initiatives.

The government should consider 'banding' by technology within the ERF, such as technology banding approaches used in various renewable energy market mechanisms globally. The use of a single market for all technologies (rather than a system of banding) when combined with an emphasis on cost of mitigation means that the ERF primarily benefits the cheaper technologies. This is to the exclusion of more expensive technologies that may be less progressed in their industrial development. The ERF therefore inhibits the development of early-stage technologies, rather than catalysing acceleration of a diverse set of commercially viable technologies yet to reach economies of scale in production.

A number of organisations support 'banding' or dedicated auctions, where projects of a similar type that offer co-benefits compete only amongst themselves rather than with the broader set of projects that would otherwise participate at auction. Stakeholders are of the view that projects in some sectors including those more likely to deliver co-benefits (such as reinstating wildlife habitat, improvements in soil health, cleaner waters in rivers, etc.) experience higher implementation costs than other project types and are disadvantaged at auction if the main purchasing criteria is least cost. This is detrimental to the development of a balanced portfolio of technology and practice change options for Australia to avoid GHGs emissions and store carbon in the land sector. This approach also stifles innovation.

3. Research

Cattle Council is of the view that ongoing research and development will be necessary to drive innovation, build resilience, and provide the economic incentives for farmers to participate in emissions reduction activities, including the carbon market and others. The ability to measure soil carbon and associated potential gains under sustainable grazing land management (and crop management for broader ag) needs to be a focus as well as extension and adoption of on farm techniques to increase carbon sequestration.

4. Other options to consider in addition to the ERF include:

- Explore tax deductions for livestock producers who purchase GHG technology to avoid GHG emissions and/or sequester carbon.
- The establishment of a Clean Energy Finance Corporation (CEFC) for the land aligned with carbon farming methods to enable access to capital for adoption of innovative technology and practice change.

5. Feedback on soil carbon methodology in ERF

Options which will improve uptake of the soil carbon method include:

1. Remove the 50 percent discount at T1. This is an arbitrary discount which significantly delays income and is a major disincentive.
2. Remove the arbitrary 20 percent discount on 25-year projects. Scientific evidence shows that soil carbon at 20cm is stable for acceptable time periods. International soil carbon

methods discount based on statistical variation. The Australian system discounts 5 percent (that is acceptable), 25 percent, another 50 percent on T1, on statistical variation (acceptable) and exceedance. That is 5 discounts for something which is measured and stable.

3. Allow flexibility in timing e.g. max 5-year period between samples to account for severe environmental events such as 5-year droughts. The methodology must allow for the variability experienced by agriculture. There are many other examples of inflexibility in the method.
4. Support for the T0 and T1 sampling costs would help overcome financial barriers to uptake (currently $25k-$50k per project). This does not need to be a subsidy but could be funded for a return on the credits or for guaranteed supply.
5. Adding modelling to the current measured soil carbon method. This would allow some annual cash flow and will be essential to attract large emitters who need regular supply rather than very lumpy supply. Measurement however is still the final arbiter.

Cattle Council would welcome the opportunity to further engage the Expert Panel on this issue. For further information, please contact Maria Thompson, on 0411 961 545.

Yours sincerely

John McGoverne
Acting CEO