

Carbon pool management for landcare—an overview

In response to a growing demand from landholders and partners, Landcare Australia is poised to offer a carbon pool management and brokering service.

The service, to be called **CarbonSMART**, will offer landholders ongoing income in return for growing and maintaining vegetation on their land.

Consumers and Governments are driving companies to be more accountable for the environmental impact of their operations. Many organisations are reducing their impact by lowering greenhouse gas emissions.

However, companies will continue to produce emissions at some level to maintain production. Many of these companies are now looking to landholders to offset their remaining emissions by planting trees to store carbon as they grow.

The New South Wales Government has created a scheme called The NSW Greenhouse Gas Abatement Scheme or **GGAS** that allows for the formal allocation and trade of 'carbon credits'.

By combining many sites into one large pool, **CarbonSMART** provides cost savings, as well as the advantages for risk management, operational efficiencies and security to landholders.

CarbonSMART manages the pool on behalf of the landholders by undertaking:

- administration
- accreditation
- compliance reporting
- record keeping
- site assessment
- sales and marketing
- risk management
- monitoring
- registration

In-built risk management

Any long-term conservation activity carries some form of risk, such as fire, climate change or drought. To be accredited under the NSW GGAS, **CarbonSMART** must identify and manage those risks. **CarbonSMART** minimises these risks by creating a 10% buffer in the pool. This buffer allows the pool rather than landholders to absorb risk. Pooling sites from various areas reduces the risk to the landholders' returns. This also improves the pool's viability to corporate partners.

CarbonSMART provides long-term protection of your vegetation.



Payment structure

Landholders are paid annually by **CarbonSMART** on a five year payment cycle. On joining the pool each site is assessed and the next five years of growth is calculated using the National Carbon Accounting Toolbox developed by the Australian Greenhouse Office . The remaining funds are used to maintain and operate the pool, including meeting IPART (Independent Pricing and Regulatory Tribunal) requirements for recordkeeping, administration and monitoring.

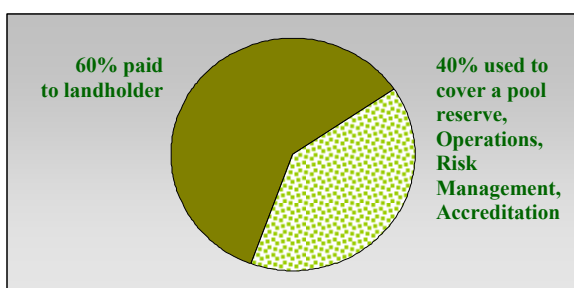
CarbonSMART operates as a pool and charges a fee on the sale of carbon from the pool.

The **pool price** paid to landholders is 60% of the sale price. The remaining funds are used to maintain and operate the pool.

The 40% fee is used to provide a pool reserve and comprehensive service to the landholder including registration, risk management and pool management.

The **CarbonSMART** pool minimises the risk to current and future landholders by undertaking risk management and providing assistance in recovery from unexpected depletion events.

Payments will be made by June 30. Landholders are paid the average pool price for the carbon stored on their land over the preceding year.

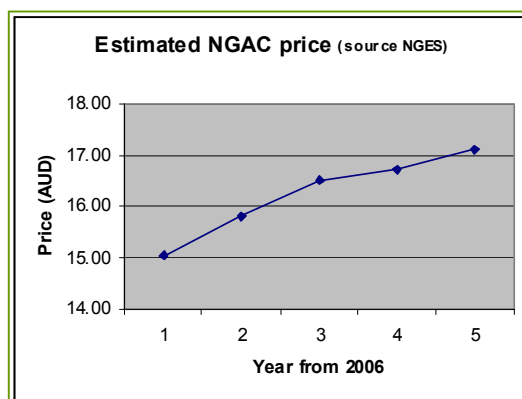


After five years **CarbonSMART** will do two things - measure the revegetation to see how much carbon is there, and then estimate how much carbon will be stored over the next five years.

CarbonSMART uses this approach to ensure that the expected increase in price for NGAC is passed onto the Landholder (see Frequently Asked Questions for an explanation on NGACs).

This method also ensures that Landholders are paid if their site stores more carbon than

estimated, and in turn ensures a better estimation of the following payment cycle.



If for any reason the landholder does not chose to continue with the pool the stored carbon must either be kept on site for the required period or bought out of the pool at the pool price at that time.

CarbonSMART sites

CarbonSMART is aimed at conservation activities such as erosion control, salinity reduction and streamside rehabilitation.

The areas of most interest are sites that landholders consider permanent plantings, areas of the property that have little or no production value.

It is a requirement of the NSW GGAS that the information is stored on the official land titles information register. This is seen as the only register that will allow for agreements to survive land ownership change.



Returns

By completing the attached expression of interest, **CarbonSMART** can undertake a no-obligation assessment of your site.

An average hectare (2.4 acres) of revegetation will return over \$600.00 in ten years and \$2000.00 in 30 years.

This translates to \$62.00 per hectare per year (average) for 10 years, that is \$25.00 per acre.

Table 1 shows estimated returns over the two payment cycles (10 yrs) of a site planted in 2005.

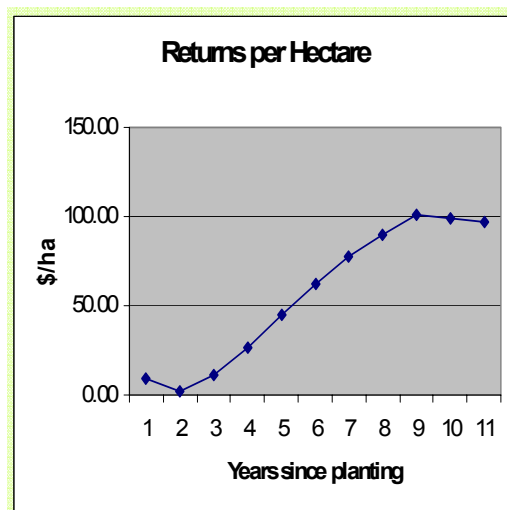
At the end of each payment cycle **CarbonSMART** will assess the site and determine the returns for the next payment cycle

Table 1 Estimated returns for an average site (700mm rainfall).

Year	Tonnes CO2e Ha	Estimated NGAC price (\$)	Landholder payments \$
2006	1.06	15.05	9.60
2007	0.26	15.80	2.43
2008	1.14	16.50	11.25
2009	2.64	16.70	26.45
2010	4.36	17.10	44.77
2011	6.09	17.10	62.45
2012	7.59	17.10	77.87
2013	8.80	17.10	90.29
2014	9.86	17.10	101.20
2015	9.68	17.10	99.32
2016	9.42	17.10	96.68
Total	60.90		622.32

The NGAC price has been limited to the 2010 price as figures beyond that date are not reliable.

CarbonSMART is a centrally administered carbon pool designed to minimise risks and costs to farmers.



Eligibility criteria

The basic criteria to participate are that the land and revegetation meet the scheme requirements including;

- The site must have been predominantly clear of vegetation (that is, have had less than 20% tree cover) on 31 December 1989
- The site must have been revegetated after 1 January 1990
- The site must have been revegetated by seeding or other human action
- The vegetation to be established must attain a height of at least two meters
- The vegetation's top layer must reach a crown (shade) covering of greater than 20%
- The site must be at least 0.2ha
- The carbon will remain on site for at least 100 years

Other criteria include that the landholder has the right to the carbon in the trees and that the amount of carbon can be accurately measured.

As part of the fee, **CarbonSMART** assists landholders by providing advice and specialist services that assist in satisfying the eligibility criteria.

Receiving other grants or payments for the revegetation will not necessarily exclude your site.

Agreements

The landowner has to enter into two separate agreements, both of which are registered on the titles register.

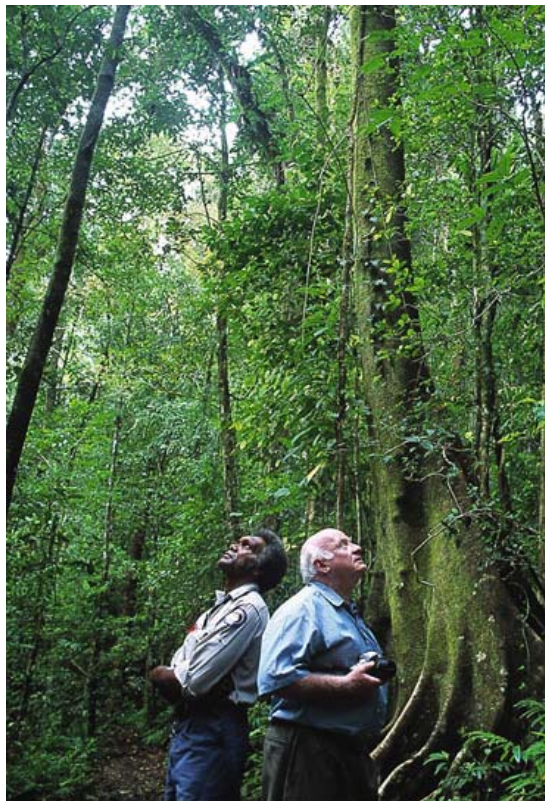
The two agreements are the Forest rights Agreement between **CarbonSMART** and the Landholder and the second a Restriction in Use

agreement with the Landholder, **CarbonSMART** and the State Government

CarbonSMART can calculate the impact and simply adjust future payments to reflect estimated storage.

Disclaimer:

CarbonSMART provides an additional income stream for landholders who have undertaken or plan to undertake revegetation on their land.



Forest Rights Agreement

The first agreement is to transfer the control of the carbon rights to **CarbonSMART**, allowing carbon credits to be created and traded on your behalf.

Restriction on Use

The second agreement is to ensure that the vegetation and the carbon in it stay on the site for the required period. This agreement, called a 'restriction on use', is with the State Government and restricts you and future landowners from clearing the vegetation.

The Restriction on Use is a last resort action. Under the most serious breach, both **CarbonSMART** and the Landholder would be responsible for ensuring that the vegetation contains sufficient carbon to cover the assigned credits. **CarbonSMART** will maintain a further reserve to assist any site in the pool that requires revegetation after a depletion event.

(Further detail of the Restriction on Use is available in the Frequently Asked Questions section of this package). To ensure that future owners are aware of the restriction, it is also registered on title.

At no time does **CarbonSMART** or the State Government have ownership of the land or trees.

The agreement with the State Government is in place to ensure that carbon remains on site. It does not stop landholders using the land from time to time. Collection of domestic firewood, pulse grazing and access are all acceptable uses as long as the overall amount of carbon remains on site.

If fire is required as a management tool or has been experienced during a payment cycle

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Further information?

For more information please see Frequently Asked Questions or contact:

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Or visit www.landcareonline.com to find out more about Landcare Australia