Key Steps - Planning a Carbon Farming Project

Carbon farming presents opportunities for farmers and other landowners. These projects can integrate with ongoing farming activities to create a new revenue stream, improve sustainability, build climate resilience, and increase economic returns from less productive land.

Carbon farming projects are long-term commitments, so thorough research, planning and independent advice is essential to determine if a carbon farming project is right for you.

1. Consider your objectives

When considering a carbon farming project, it's important to understand your motivations, business plans and goals.

- Do you want a diversified income stream, or plan to use or hold the carbon credits?
- Do you want to maximise agricultural productivity by reducing erosion and salinity or improving soil health?
- Are you responding to market signals for carbon neutral products or pursuing a net zero emissions farming enterprise?
- Do you want to restore the environment and increase long term sustainability?

Keep your objectives in mind when considering what kind and size of project to undertake. All projects should be considered from a long-term business perspective, but if on-farm benefits are the driver, then carbon credits generated may be the 'cherry on top'.

Think about what you want to do with the carbon credits.

Whether to sell the carbon credits, hold them as an asset, or use them to offset your emissions is an important business decision. Always seek financial and tax advice to understand the pros and cons of the options.

2. What are the economics?

Costs

Costs vary due to project size, location and complexity and are incurred at different stages.

Planning and design – registration, development approvals, consultancy fees, financial and legal advice, project development and management, agronomists, ecologists, the management strategy or plan and the development application.

Establishment – soil sampling, seedlings/seed, site preparation, fencing, infill planting, site maintenance, and ongoing project activities.

Ongoing management – protecting and increasing the carbon stocks (e.g. infill planting, fire breaks, addition of biological stimulants, pasture/cover crop seed),

Compliance – monitoring, reporting, auditing

Returns

The number of carbon credits a project generates, their value and the costs determine how profitable the project will be.

Depending on the project, carbon credits are issued every 4-5 years, not every year, with most received in the first 15 years. Take that into account in your business planning.

Other potential considerations are lower finance costs, sustainability premiums on produce, land stewardship schemes, biodiversity credits, insetting, natural capital, and productivity improvements.

Estimating carbon potential

Online tools can estimate the project's carbon potential and is needed for investment decisions and project registration.

Carbon Opportunity Decision Support Tool can assist land managers better understanding carbon farming opportunities and identify what suits their enterprise.

LOOC-C is an online calculator that gives high level sequestration estimates of the sequestration potential of different ACCU Scheme methods.

This is a rough guide to help you work out whether a project has basic viability but should not be relied on.

FullCAM (Full Carbon Accounting Model) is used by industry to calculate carbon sequestration for vegetation projects, with accurate, property specific estimates.

PLANR can calculate project costs, environmental outcomes and can give access to nature markets. Find your property using this link: Project Map.

Co-benefits

A project can deliver positive benefits or 'co-benefits' which add value to the carbon. DPIRD has a Co-benefits Information Portal that can identify potential co-benefits, and a Co-benefits Standard with ways to measure, monitor, and report on them. Co-benefits include:

- Improved soil quality and water holding capacity.
- shade and windbreaks to protect stock
- stabilising dryland salinity through water table effects
- reduced fertiliser use or improved use efficiency
- increased biodiversity

3. Plan the project

Understand the method and its requirements

It's important to understand the method and its requirements, as each has its own eligibility criteria and management requirements. The most common ACCU Scheme methods are:

- Reforestation by environmental or mallee plantings FullCAM method 2024
- Estimating soil organic carbon sequestration using measurement and models method
- Plantation forestry method (Schedule 1-4)

Design

The design and planning stage sets the project up for long-term success. To ensure it starts strongly and is well managed requires specialised services (i.e. site preparation, planting density and species selection, pasture and grazing management changes, soil ameliorants and scheduling). Landholders know the land, soil and climatic conditions better than anyone and often have experience with tree planting etc.

Obtain approvals

Local governments require a development application to be lodged for planting projects, and Western Power may also need to give approval. Check out what they need early on.

Eligible interest holder consent is needed from anyone with an interest in the land (e.g. banks, family members) to allow the project to be unconditionally registered

Professional advice

Getting advice ensures the project activities are eligible and well planned, and the obligations, risks, responsibilities and auditing/reporting requirements are known. Refer to DPIRD's Carbon Farming Service Provider Directory to get you started.

Anyone giving advice about carbon prices and potential returns needs an Australian Financial Services License. Carbon project developers should be signatories to the Australian Code of Conduct.

Management models

The Carbon Market Institute has recently released the Landholder Guidance: A checklist for partnering on carbon farming projects, with the support of the Land Restoration Fund. This provides a step-by-step resource for landholders on the different stages of a carbon farming project, while also checklists to cover key questions that should be asked before entering a carbon farming agreement. There are 4 primary models for managing an ACCU Scheme Project.

Do it yourself

The landholder is the project proponent and manages the project themselves. They have the skills, time and interest to the project themselves so they can retain the carbon credits. The landowner controls the project and takes on the risk. Services can then be obtained on an 'as-needed' basis, with no formal partnership between landholder and carbon service provider.

Carbon service provider

The landowner may want to control the project but engage a service provider to manage it. A service provider may be engaged to do some pre-project activities only, such as the more technical activities (e.g. establishing a forward abatement estimate), or be engaged for the whole project design process.
This could be on a fee for service basis or a partnership with the landowner in exchange for a percentage of the carbon credits.

Carbon project developer

A carbon project developer is the project proponent and manages and registers the project and receive the ACCUs. A developer may be a fee-for-service or negotiate to receive a portion of any ACCUs generated. Financial arrangements can be a cost-share agreement where costs are split; a share of any ACCUs issued, or some a revenue annuity model.

Farmer Co-operative

The cooperative when land is managed on behalf of several landholders by a carbon manager or advisor with the technical expertise. Carbon credits and costs are distributed according to each landholding based on a legal arrangement.

4. Register with the CER

ACCU Scheme projects are registered with the Clean Energy Regulator and requires a

- Soil carbon - Land Management Strategy
- Plantation forestry - Forest Management Plan
- Environmental plantings - Reforestation Management Plan (to be released)

5. Manage the project

Once the project is registered, the next steps are to monitor its progress, and report on the activities. Within the first 5 years you will report to the CER. An audit report will be prepared by a qualified, independent person then submitted to the CER.

Based on a successful audit, the project's carbon credits will be deposited into an Australian National Registry of Emissions Units account in the name of the proponent

Following the issue of the first credits, the permanence period for the carbon stock begins, - either 25 or 100years. This is chosen by the applicant when the project is registered.

More information

Full details on all aspects of carbon farming, the methods, requirements and support documents are on the CER website: How to participate in the ACCU Scheme | Clean Energy Regulator

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