

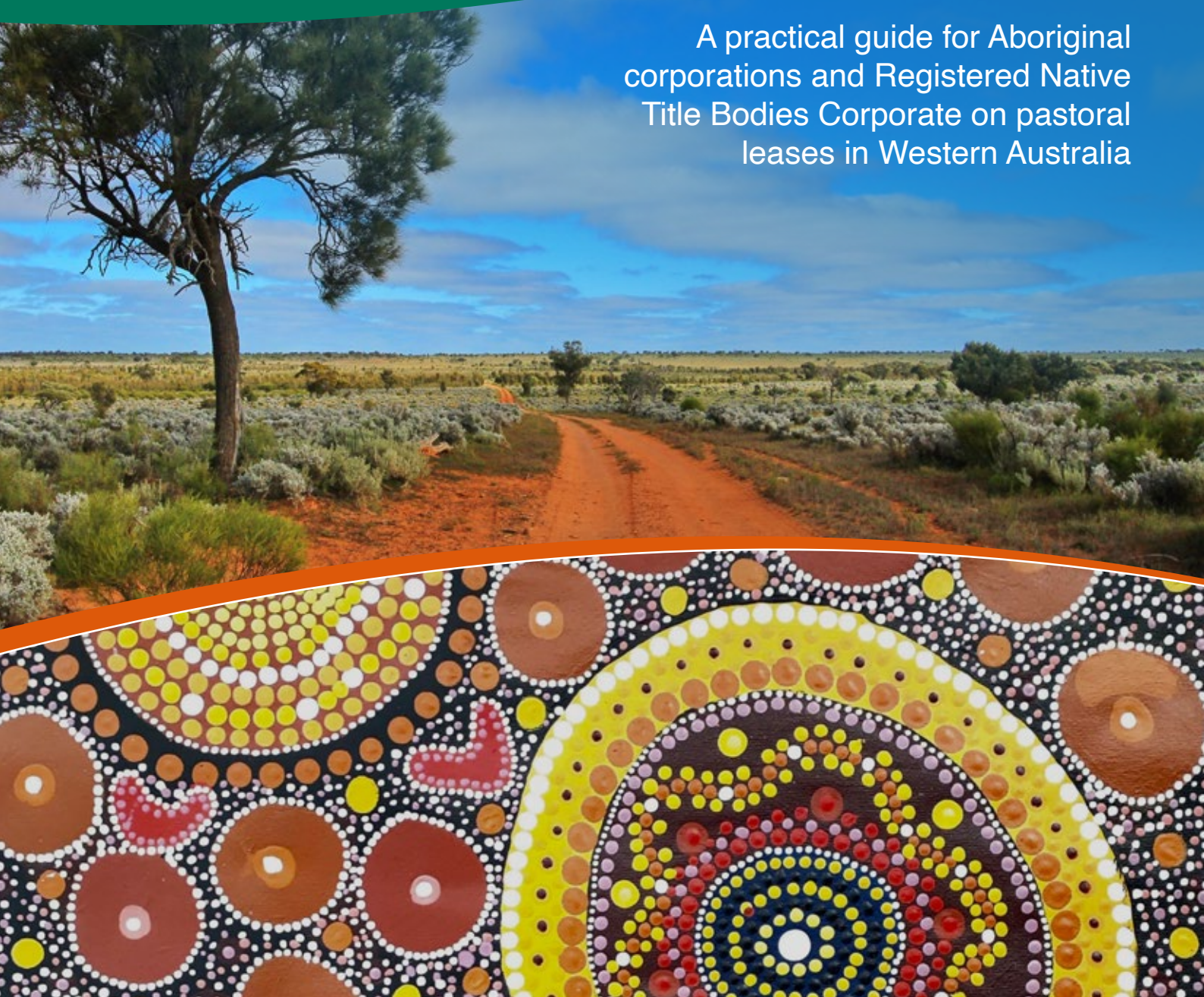


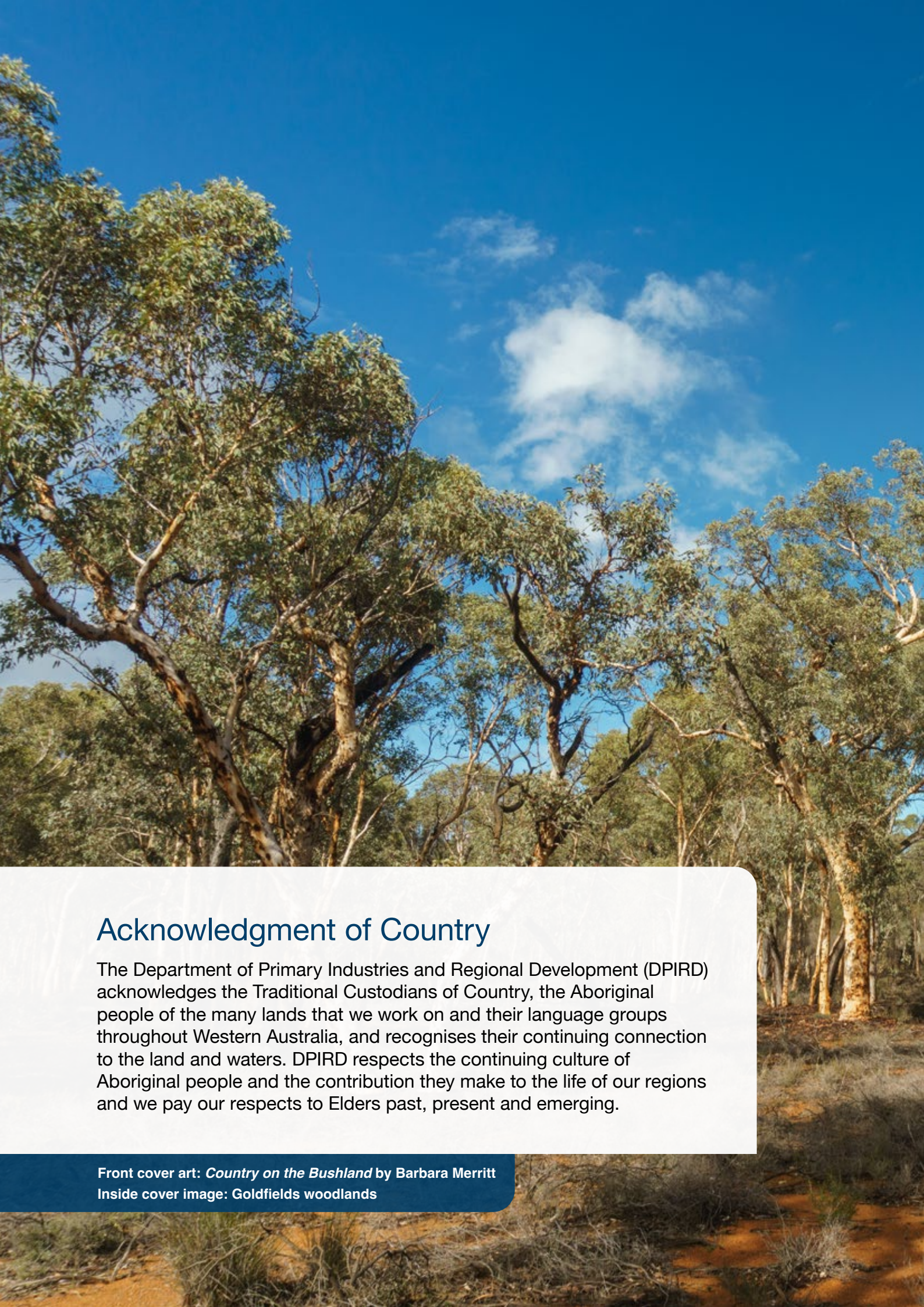
Department of
**Primary Industries and
Regional Development**

Setting up for success

Human induced regeneration (HIR)
carbon farming

A practical guide for Aboriginal
corporations and Registered Native
Title Bodies Corporate on pastoral
leases in Western Australia





Acknowledgment of Country

The Department of Primary Industries and Regional Development (DPIRD) acknowledges the Traditional Custodians of Country, the Aboriginal people of the many lands that we work on and their language groups throughout Western Australia, and recognises their continuing connection to the land and waters. DPIRD respects the continuing culture of Aboriginal people and the contribution they make to the life of our regions and we pay our respects to Elders past, present and emerging.

Front cover art: *Country on the Bushland* by Barbara Merritt
Inside cover image: Goldfields woodlands

Minister's foreword

Carbon farming presents an extraordinary opportunity for Aboriginal pastoral businesses and native title holders to regenerate and restore their lands, to create a new income stream and learn new skills while working on country.

Human Induced Regeneration (HIR) carbon farming projects can now take place on pastoral properties in the Southern Rangelands. These projects involve managing movements of stock so native trees can regenerate.

This *Setting up for success – Human induced regeneration (HIR) carbon farming* in the Southern Rangelands guide provides a practical guide to the opportunities and risks presented by HIR carbon farming projects.

The guide also supports Aboriginal pastoral businesses and native title holders to attract the right investment and employment opportunities for their businesses and communities.

This 'Setting up for success' guide is part of a program of State Government works to support Aboriginal businesses to increase their participation in carbon farming projects.

Hon Alannah MacTiernan MLC

Minister for Regional Development; Agriculture and Food

Contents

1 Introduction.....	1
2 Overview.....	3
2.1 What is carbon?	3
2.2 What is carbon farming?	4
2.3 Benefits	7
3 Carbon project developers.....	10
3.1 What do project developers do?	10
3.2 The Carbon Industry Code of Conduct	11
4 Legal right and eligible interest holder consent.....	13
4.1 Eligible interest holder consent	13
5 Carbon farming business models.....	17
5.1 Identifying the project proponent	17
5.2 Working with project developers	17
5.3 Project developer model 1: Project service provider.....	18
5.4 Project developer model 2: Project aggregator.....	21
5.5 Project developer model 3: Do-it-yourself project developer with hired services.....	23
5.6 Summary of project developer models	24
5.7 Things to consider if you are working with a project developer.....	24
6 Where to from here?	27
7 Service providers and contact	29
8 Glossary	33



1 Introduction

Carbon farming presents financial, social, and environmental opportunities for Aboriginal corporations and Registered Native Title Bodies Corporate (RNTBCs) in Western Australia.

This Setting up for success guide focuses specifically on the opportunities and risks presented by **human induced regeneration (HIR) carbon farming projects**.

Aboriginal organisations may want to run a carbon farming project, be a part of someone else's carbon farming project or be consulted on a proposed project on land on which they operate.

The information presented throughout this guide is targeted towards **Aboriginal corporations and RNTBCs on pastoral leases in Western Australia's Southern Rangelands**.

This guide aims to support Aboriginal organisations to increase their participation in the carbon farming industry and take advantage of the social, environmental and financial benefits carbon farming projects have to offer.

It provides an overview of the following:

- what carbon farming is
- what carbon project developers do and how they operate
- who has the legal right to carry out a carbon farming project
- what an eligible interest holder is and examples of eligible interest holders, and
- what business models can be used for carbon farming projects.

Note: There are different requirements for carbon farming project types and land tenures. This guide is limited to human induced regeneration carbon farming projects on pastoral leases in Western Australia. This guide does not provide a comprehensive overview of the industry nor how to take part in it, and legislation may change or be amended from time to time.



Good to know!

Carbon farming might sound complex but there are organisations that can help at all stages of setting up a project. If you are interested in carbon farming, contact the Department of Primary Industries and Regional Development's (DPIRD) Aboriginal Economic Development (AED) unit to assist or refer you to a relevant organisation.

Email DPIRD's Aboriginal Economic Development (AED) unit at aed@dpiird.wa.gov.au or call 0459 867 908.



Charlie Laphorne, chair and manager of
Wurkaja Aboriginal Corporation, assessing
seasonal conditions on Ullawarra Station

2 Overview

2.1 What is carbon?

Carbon is the building block of all living things. As plants grow, they take in carbon dioxide from the atmosphere and store it in their leaves, branches and trunks. Carbon is also found in dead trees, grasses, woody debris on the ground, and in the soil.

When people talk about carbon, they are usually referring to carbon dioxide, a greenhouse gas that is released into the atmosphere through activities including:

- the clearing of bush to build cities and grow food, and
- the burning of fossil fuels to run cars and create energy.

The diagram below shows how carbon cycles on Earth; from the atmosphere to trees, plants and animals, and back into the atmosphere.

Carbon dioxide and other greenhouse gases, like methane and nitrous oxide, are getting 'trapped' in the atmosphere, resulting in changes to the Earth's climate – it is getting hotter and drier in some places, colder and wetter in others, and generally more extreme everywhere. This is commonly called 'Climate Change'.

Before humans cut down a great deal of trees for farming, running cattle and building houses, there was a lot less carbon in the air. People are now trying to find ways to reduce the amount of carbon in the atmosphere, and carbon farming is one solution.

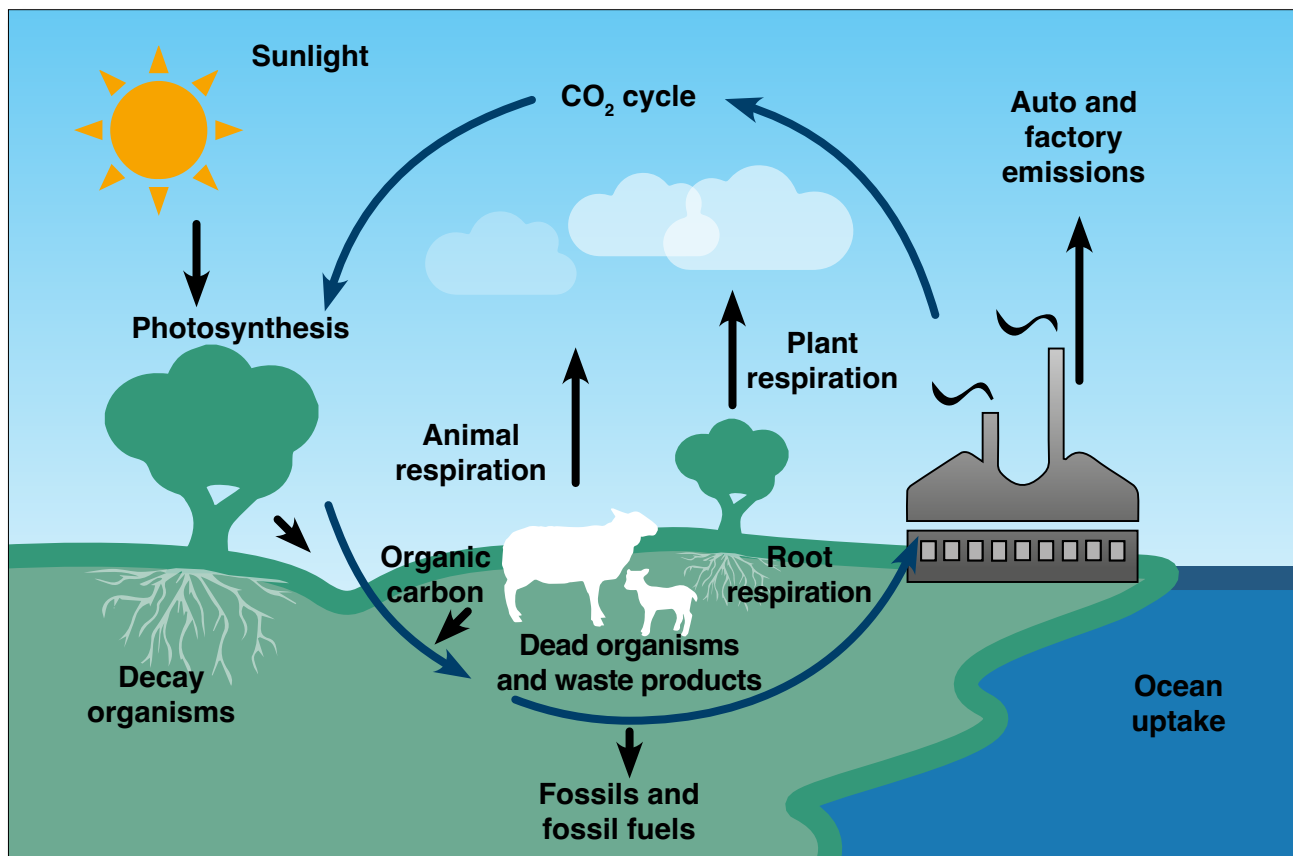


Diagram 1. The carbon cycle

2.2 What is carbon farming?

Carbon farming involves changing the way some activities on the land are done, or carrying out new activities that will either reduce greenhouse gas emissions (emissions avoidance) or store carbon (carbon sequestration). Examples of these activities include planting trees and changing the way livestock are managed.

You can earn carbon 'credits' for carrying out a carbon farming project, and then sell the credits to make money. Credits are explained later in more detail.

Types of carbon farming projects

Carbon farming projects must use an approved method that sets out how the project will be undertaken, measured, and verified. In Australia, there is a range of carbon farming methods, each with different requirements, opportunities, risks, and costs.

In Western Australia the three main types of carbon farming projects, each appropriate for different regions and environments, are:

1. Human induced regeneration (HIR)
2. Savanna burning, and
3. Environmental planting.

This guide is focused on HIR carbon farming projects on pastoral leases.

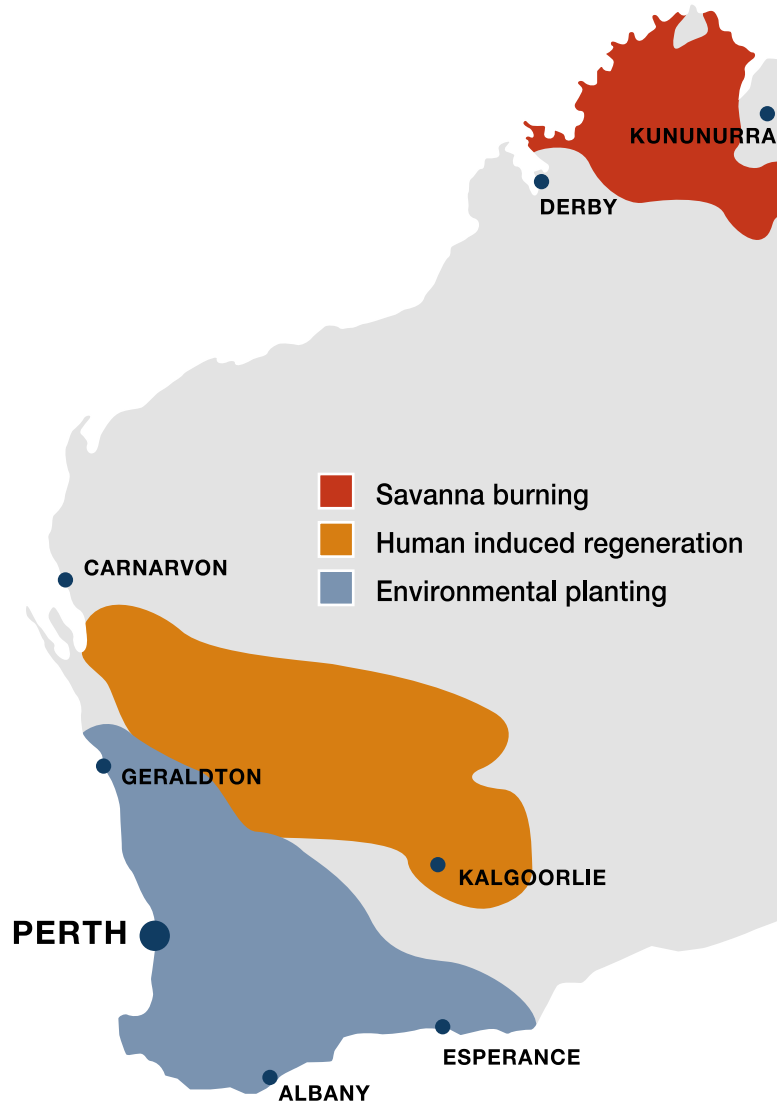


Figure 3. Map showing where different types of carbon farming projects are registered in Western Australia



More information about different types of carbon farming projects can be found on the web here -

cleanenergyregulator.gov.au/ERF/Forms-and-resources/methods

Human induced regeneration (HIR) carbon farming

Human induced regeneration (HIR) is a carbon sequestration method suited to pastoral leases in Western Australia's Southern Rangelands, particularly in the Gascoyne, Murchison and Goldfields regions.

HIR carbon farming projects involve changing the way livestock is managed, and reducing the number of feral animals and weeds to help native trees regrow to above two metres (2m) in height

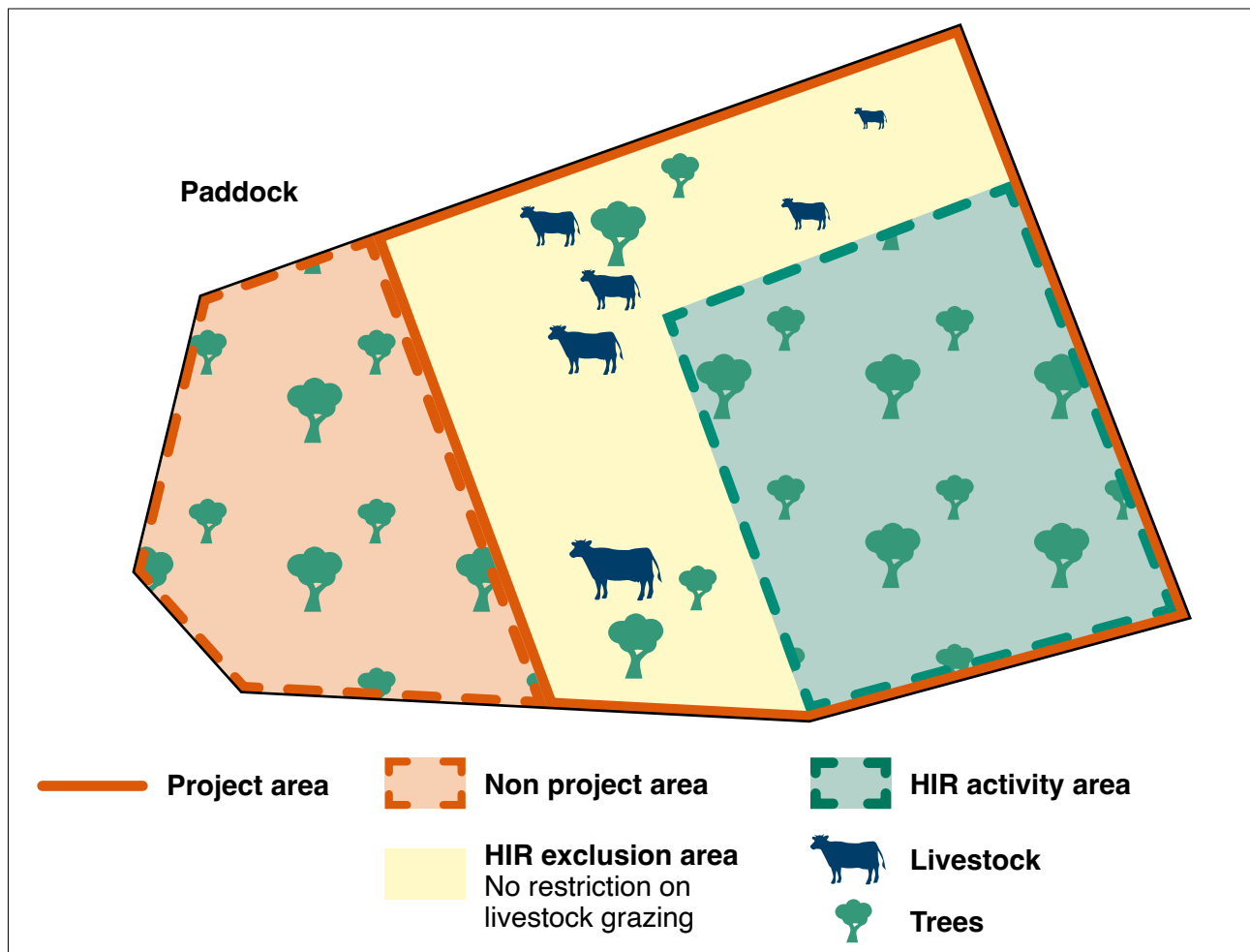
with 20% shade cover. HIR activities can improve agricultural productivity, soil health, and water quality, and help protect native species of plants and animals.

HIR activities include:

- keeping livestock away from growing trees
- grazing livestock for shorter periods in certain areas
- managing feral animals in a humane way
- managing plants that aren't native or wouldn't naturally occur in the project area, and
- stopping the removal of trees that are growing in the project area.



Diagram 3. Different areas of a human induced regeneration carbon farming project





Consider this...

Human induced regeneration projects might need pastoral lessees to reduce the amount of cattle on the land or reduce the amount of feed available to them. Pastoral lessees need to consider how this will impact the income they make from cattle and decide whether they can afford it. Speak to DPIRDs Aboriginal Economic Development unit for help understanding the financial risks. Email aed@dpiird.wa.gov.au or call 0459 867 908.

Carbon credits

Carbon farming projects, including human induced regeneration, savanna burning, and reforestation, improve the health of the planet, and can earn you credits (like a token) that you can sell to the government or private companies for money.

How much money will I make?

If carbon farming projects are carried out using the right methods, Australian Carbon Credit Units (ACCUs) can be earned according to the regulations set out by the Australian Government's Emissions Reduction Fund (ERF).

One ACCU is earned for each tonne of carbon dioxide 'equivalent' stored or stopped from being released into the atmosphere by a carbon farming project. We will refer to ACCUs as 'carbon credits' or 'credits' throughout this guide.

The amount of money that a carbon project will make depends on:

- how many credits are generated
- how much money the credits are sold for, and
- how much it costs to run the project.

You can sell carbon credits to the government through a Carbon Abatement Contract (CAC). You can also sell credits to businesses, such as airlines, that need to offset the amount of carbon they put into the atmosphere. Instead of changing their activities, these companies purchase credits from businesses that run carbon farming projects.

Setting up and running a carbon farming project creates opportunities, but can also involve additional costs, and may open a pastoral business up to risks. Pastoral lessees need to carefully consider the benefits and costs of taking part in a carbon project to make sure it's the right decision for your business and community.

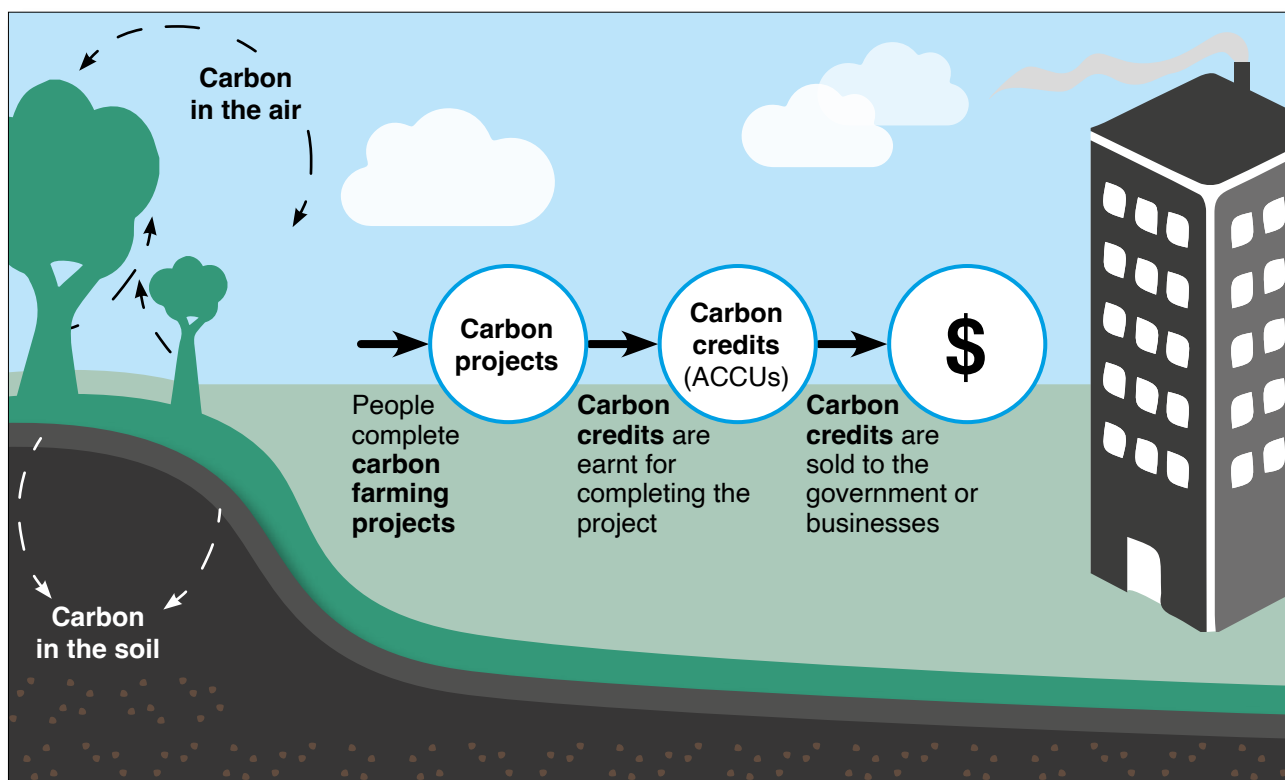


Diagram 4. How carbon farming projects work

2.3 Benefits

Aboriginal pastoral lessees may be able to undertake or participate in carbon farming projects on the land they manage or hold.

A benefit of carbon farming is the creation of an additional revenue stream, from a source separate to your main income, such as a cattle business. This can help increase your total income and provide resilience in times of change, when your normal income might be reduced.

Other potential benefits include broader environmental, economic, community, and cultural benefits.

As well as earning income from the sale of carbon credits, carbon farming projects can result in many benefits to Aboriginal organisations, including:

- Managing country and protecting sacred sites.
- Revitalising connection to country.
- Passing on knowledge to younger members of the community.
- Increasing native vegetation and protecting wildlife.
- Training and employment opportunities for the local community, and
- Sustaining culture through healthy country, and resilient, engaged communities.

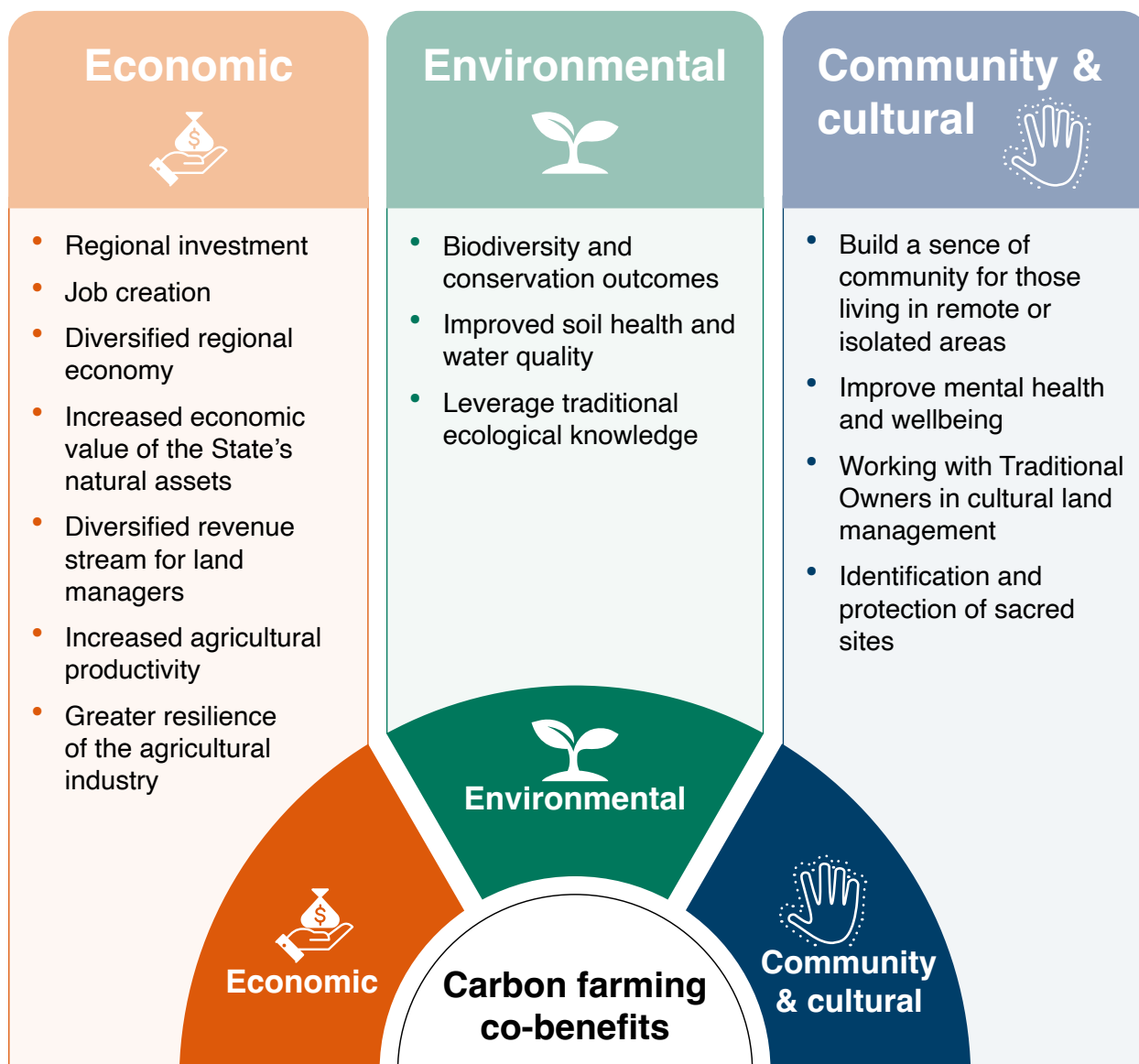


Diagram 5. Benefits outlined in terms of economic, environmental, and cultural outcomes that may result from completing a carbon farming project

Co-benefits

Companies are willing to pay more for carbon credits from projects that have economic, environmental, and cultural outcomes as well as carbon abatement. There is a strong demand for projects that result in verifiable Aboriginal cultural, economic and conservation outcomes. These additional outcomes or benefits are referred to as '**co-benefits**'.

Co-benefits provide an opportunity for Aboriginal organisations to increase profits from carbon farming projects. If you can demonstrate (or verify) that your carbon farming project is producing certain types of co-benefits, you may be able to sell your carbon credits at a premium price to certain buyers. However, this will require negotiation with the buyer.



Good to know!

Companies may pay a premium price for carbon credits with co-benefits. In doing this, they are connecting their brand with the story of the carbon farming project, and publicly demonstrating their support for the benefits the project delivers. It is important Aboriginal organisations develop a good business relationship with these companies and ensure they retain full control of how their story will be used and shared. DPIRD's Aboriginal Economic Development unit can help you complete an open expression of interest process.



Only someone with an Australian Financial Services Licence should give advice about the pricing of carbon credits.

3 Carbon project developers

‘Project developers’ are companies that help people carry out carbon farming projects.

A project developer may also be called a:

- Service provider
- Developer
- Aggregator
- Agent

Carbon stored from a project may have to be maintained for 25 or 100 years!

Before you lock in a contract with a project developer, contact DPIRD’s Aboriginal Economic Development unit for advice and assistance.

Email aed@dpiird.wa.gov.au or call 0459 867 908.

3.1 What do project developers do?

Project developers are experienced at designing, implementing, and managing carbon farming projects. They may be contracted by a landowner to provide project advice from before the project starts to the end of the project’s life.

Services that a project developer could provide include:

- Advising on potential carbon farming projects on a property.
- Advising on the potential costs, income, risks, and benefits of a project.
- Assisting with project design, and activities.
- Incorporating Natural Resource Management (NRM) plans into project design.

- Managing project compliance and reporting requirements, including monitoring, auditing, and reporting, and
- Assisting the lessee to find a buyer for their carbon credits through the Australian Government or the carbon market.

Carbon farming projects are very complex. You might need help from a business to start a project. However, these businesses also need you as you have the rights to the land where the project could take place.



Businesses don't have to work with project developers and can start carbon farming projects on their own. However, you might wish to benefit from a project developer's expertise in the industry. If you choose to work with a project developer, it is important to work together to develop and agree on clear arrangements and processes, to ensure the project remains Aboriginal-led and maximises the benefits to traditional owners.

For example, you could negotiate with a project developer that:

- You or any local Aboriginal groups or Indigenous ranger groups can undertake contract work, such as feral animal or invasive weed management, for the project.
- You complete training on various aspects of a carbon farming project.

Talk to DPIRD's Aboriginal Economic Development (AED) unit for advice or assistance if you are thinking about starting a carbon farming project or working with a project developer.

3.2 The Carbon Industry Code of Conduct

The Carbon Industry Code of Conduct (the Code) provides guidance for project developers, agents, aggregators, and advisers undertaking carbon projects.

The voluntary Code was designed to promote market integrity, consumer protection, and appropriate interaction with project stakeholders, including RNTBCs, representative bodies, land managers and project owners.

The Code aims to:

1. Define industry best practice for project developers, agents, aggregators and advisers in Australia's carbon projects industry.
2. Promote consumer protection and appropriate and open interaction with project owners and landowners.
3. Provide guidance to scheme participants, and
4. Promote market integrity, accountability, and display international leadership in carbon project development.

A good project developer should be a signatory to the Australian Carbon Industry Code of Conduct.

A copy of the Code can be found on the Carbon Market Institute website here - carbonmarketinstitute.org/code/

If you are contacted about carbon farming, you should seek independent advice and support from DPIRD's Aboriginal Economic Development unit.





4 Legal right and eligible interest holder consent

To carry out a carbon farming project under the Emissions Reduction Fund (ERF), you must have the **legal right** to carry out that project.

To have the legal right to carry out an ERF project, you must have:

- the right to carry out the project activities on, or for, the sites or assets included in the project, and
- a lawful and exclusive right to be issued all Australian carbon credit units (ACCUs) that may be created as a result of the project activities.

Aboriginal pastoral lessees in WA have the legal right to carry out HIR carbon farming projects. If there are multiple stakeholders involved in a project, arrangements can be made between them to determine who has the legal right to carry out that project.

All parties to an HIR carbon farming project are required to enter into a Deed of Agreement with Western Australia's Minister for Lands. This deed sets out the roles and responsibilities of the parties to the project, and must be agreed to before the Minister can consider providing the State's eligible interest holder consent for the project.

4.1 Eligible interest holder consent

All of the people or bodies who hold an eligible interest in the area of land on which a carbon farming project is to be carried out are required to provide, or refrain from providing, consent for that project to go ahead. This is called **eligible interest holder (EIH) consent**.

An eligible interest holder is a person or organisation that has a legal interest in the land on which a project will be conducted.

People and organisations that might be eligible interest holders over a pastoral lease include:

- Western Australia's Minister for Lands
- The pastoral lessee
- Registered Native Title Bodies Corporate (RTNBCs) with determined native title, and
- Financial institutions, like banks.

Consent from all EIHs is required before anyone can earn carbon credits from a project.

Eligible interest holder and Aboriginal pastoral lessees

If you are a pastoral lessee, generally either you or the project developer will be responsible for the project once it begins, and it is important that you know in advance what this will involve. This should be explained to you by the project developer. You can, and should, negotiate terms that benefit both you and the project developer.

If you want to undertake a land-based activity on a pastoral lease, you need to ensure the activity is consistent with the conditions of the lease.

If you are an Aboriginal pastoral lessee and a project developer wants to start a carbon farming project on your lease, you have the right to decide whether or not the project goes ahead.

Eligible interest holder and RNTBCs

Exclusive and non-exclusive native title holders are represented by an RNTBC.

If someone is developing a carbon farming project on land where exclusive or non-exclusive possession native title rights have been determined to exist, the RNTBC is an eligible interest holder.

The RNTBC is the primary contact point in regard to eligible interest holder consent, and engagement with the group. RNTBCs have the right to negotiate with project developers and should be granted **free, prior, and informed consent** (see next section).

RNTBCs can also withhold consent for a project and establish their own projects if they have the legal right to carry out the relevant activity.

Free, prior and informed consent

There are a number of situations where Aboriginal organisations need to be engaged, and their permission or consent obtained, in relation to carbon projects.

Free, prior and informed consent (FPIC) is based on the *United Nations Declaration on the Rights of Indigenous Peoples, 2007* (UNDRIP), which states that Indigenous people have the right to give or deny their free, prior and informed consent for projects that affect them, their rights and interests, their land and their natural resources. This includes carbon farming projects.

Free, prior and informed consent is a process and an outcome. It is a decision making process and framework that project developers should use when engaging with Aboriginal organisations to ensure they are involved from an early stage in decisions about carbon farming projects that affect them. This is a higher standard than 'consulting'.

The outcome of free, prior and informed consent is providing the right and opportunity for Aboriginal organisations to say 'yes' or 'no' to the use of their land for a carbon project, based on comprehensive, accurate, timely, and easy-to-understand information.



Good to know!

In similar carbon farming projects elsewhere in Australia, RNTBCs can expect to be offered a direct share of project

value in return for consent. RNTBCs working with project developers can contact DPIRDs Aboriginal Economic Development unit for help negotiating contract terms that benefit both parties. Email aed@dpiird.wa.gov.au or call 0459 867 908.

If you are an Aboriginal corporation or RNTBC and a project developer wants to develop a carbon farming project on land that you operate on, the project developer should go through a free, prior and informed consent process with you.





Free, prior and informed consent means the consent is:

- **Free** from force, intimidation, manipulation, coercion or pressure.
- Obtained **prior** to the project starting, and
- Obtained after Indigenous people are fully **informed** about the costs, benefits, and risks of the project, and provided the opportunity to seek independent advice.

To effectively obtain free, prior and informed consent, project developers should:

- Work with established channels within your corporation to identify all relevant affected people, and appropriate mechanisms for engagement.
- Engage early, and allow you to make decisions in your own time.
- Allow you to make decisions in your own ways, in languages of your choosing, subject to your customary laws and decision-making processes.
- Build relationships and trust with you through maintaining communications during the life of the project, and
- Apply the principles of free, prior and informed consent throughout the life of the project, from start to finish.

**The information presented in this section
was written by the Indigenous Carbon Industry Network (ICIN).**



More information on free, prior and informed consent can be found on the web here -

- *Seeking, free, prior and informed consent from Indigenous communities for carbon projects – A best practice guide for carbon project developers*, The Indigenous Carbon Industry Network, 2020 - savannafireforum.net/copy-of-key-re-sources?fbclid=IwAR1AcBeINfik8HIHgD-j90hT8IEs2nZ4y072d5ICq14JbSvY2dfPXX0tF58
- The United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), 2007 - un.org/development/desa/indigenouspeoples/declaration-on-the-rights-of-indigenous-peoples.html
- Native title, legal right and eligible interest holder consent information can be found on the Clean Energy Regulator website here - cleanenergyregulator.gov.au/ERF/Choosing-a-project-type/Opportunities-for-the-land-sector/eligible-interest-holder-consent



Image courtesy of Red Dirt Seeds

5 Carbon farming business models

Aboriginal pastoral lessees and RNTBCs may choose to work with a project developer to undertake a carbon farming project. Before you enter into a carbon farming project arrangement with a project developer, it is important to understand the type of business model they will use.

5.1 Identifying the project proponent

A range of business models is available for project developers to complete carbon farming projects. In each case, the responsibilities of involved parties, as well as how the projects developer is paid for their services, varies.

When a project is registered, one person will be responsible for the project – **they are called the project ‘proponent’** (or participant).

Who the project proponent will be is the first and, possibly most important, decision you will make.

5.2 Working with project developers

Project developers can assist in designing and implementing a carbon farming project, as well as providing the necessary services and support to effectively run a project on your behalf. In return, they charge a fee. This is usually a share of the money made from selling carbon credits, paid over the life of the project.

To enable the project developer to cover their costs, manage risks, and make a profit, they will ask you to enter into a contract with them. This is a normal arrangement, and a good contract will benefit both parties. However, you need to understand what you are signing up for. The contract could be for a period of 25 years, so you need to ensure you get it right from the start.

Due diligence

Get advice on any contract you are presented with before you sign.

Contact DPIRD's
Aboriginal Economic
Development unit for support.
Email aed@dpiird.wa.gov.au
or call 0459 867 908.

Carbon farming sequestration projects last 25 years! Make sure you are fully informed, and choose project partners that are right for you.

Note: For the purpose of explaining carbon farming business models, this section assumes either the Aboriginal pastoral lessee or the project developer will be the project proponent. As such the information presented is specifically directed towards Aboriginal pastoral lessees.

Make sure you completely understand any contract you are asked to sign, before you sign it. You have the right to negotiate with a project developer if you are unhappy with any of their terms.

It is important to work with your project developer to develop and agree on clear arrangements and processes, to ensure the project remains Aboriginal-led and maximises the benefits to traditional owners.

For example, you could negotiate with a project developer that:

- You or any local Aboriginal groups or Indigenous ranger groups can undertake contract work, such as feral animal or invasive weed management, for the project, or
- You complete training on various aspects of a carbon farming project.

Do I need to work with a project developer to undertake a carbon farming project?

It is possible for an Aboriginal pastoral lessee to start a carbon farming project on their land and complete many of the activities for which project developers provide services.

Alternatively, the lessee can choose to outsource specific activities that are typically undertaken by a project developer to technical specialists. However, the costs involved in this approach need to be considered.

An Aboriginal pastoral lessee may also choose to work with a project developer to benefit from their expertise in running large-scale projects. If this is your preferred approach, it is important to understand how project developers operate, as they use different business models.

Business models used by project developers include:

1. Project service provider (or agent).
2. Project aggregator, and
3. Do it yourself and hire services to assist, on a fee-for-service basis.

5.3 Project developer model 1: Project service provider

The project service provider model is common in the carbon farming industry, and involves the project developer providing multiple services to a lessee, and managing many or all of the project activities.

Most importantly, in this type of model, **the project developer is not the project proponent**. People who want regulatory and financial control of their carbon farming project will often use a project service provider model.

Project service provider business model

Diagram 6 opposite provides a visual representation of the project service provider business model.





The pastoral lessee is central to this type of project model as the go-between the Clean Energy Regulator, which controls carbon farming

projects, and the project service provider, who assists the lessee.

The project service provider simply delivers a service to the lessee and has no interaction with the Clean Energy Regulator. However, the lessee has legal and financial obligations with the Clean Energy Regulator.



Table 1. Strengths, weaknesses, opportunities, and threats of the project service provider model

Business developer model 1: Project service provider			
 Strengths	 Weaknesses	 Opportunities	 Threats
<ul style="list-style-type: none"> • Easy to participate in. • Project service provider manages resulting carbon projects on behalf of the lessee. • Project service provider manages all interaction with government. • Project service provider employed by project proponent/owner. 	<ul style="list-style-type: none"> • The project service provider fee schedule may be difficult to understand. • Fees paid as a percentage of carbon offsets generated or value of offsets sold over the project life. 	<ul style="list-style-type: none"> • The lessee remains the project owner. • Carbon credits are issued to the lessee. • Project service providers are private businesses, independent of government, who assist land managers to undertake carbon farming projects. 	<ul style="list-style-type: none"> • Legal and project risk held by the lessee. • Lessees become highly dependent on the project service provider.

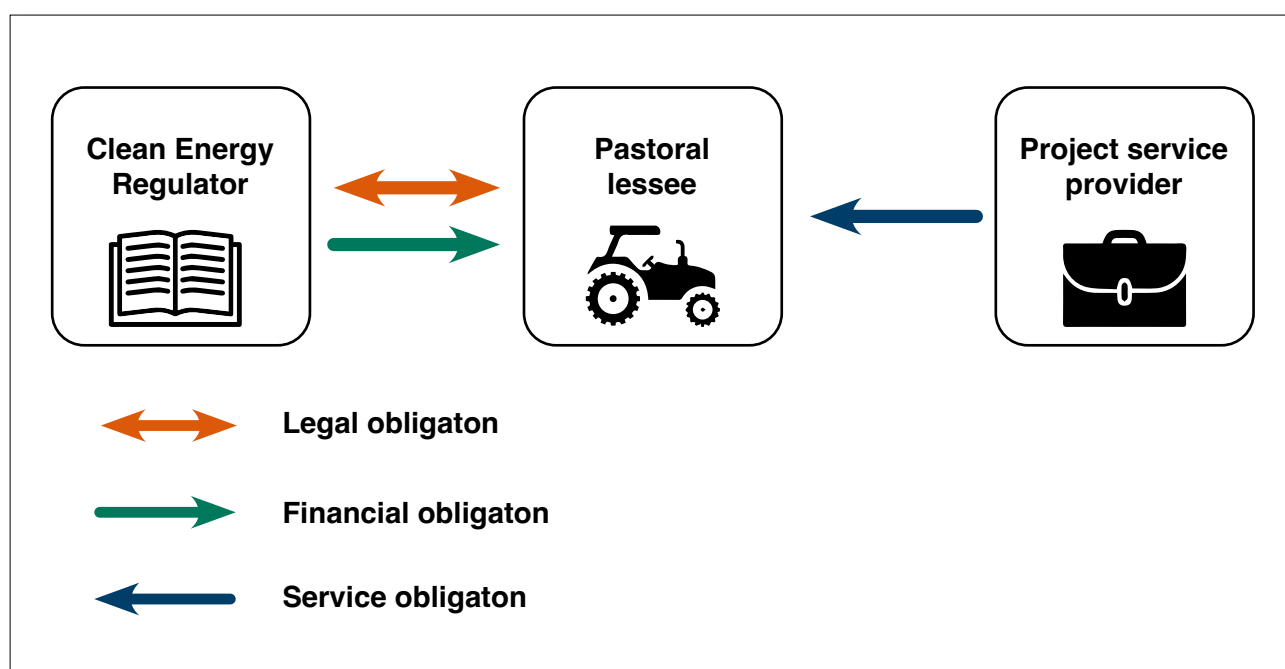


Diagram 6. Project service provider business model

Project service provider model – key points

Under the project service provider business model, the lessee:

- is the project proponent.
- carries financial and legal obligations with the Clean Energy Regulator.
- is paid carbon credits and may have obligations with a third party employed to sell those credits, and
- may choose to include conditions in the contract for the project service provider to take on some of these obligations.

Discuss all obligations, responsibilities and options with your service provider before signing any contract.

Project service provider - typical revenue model

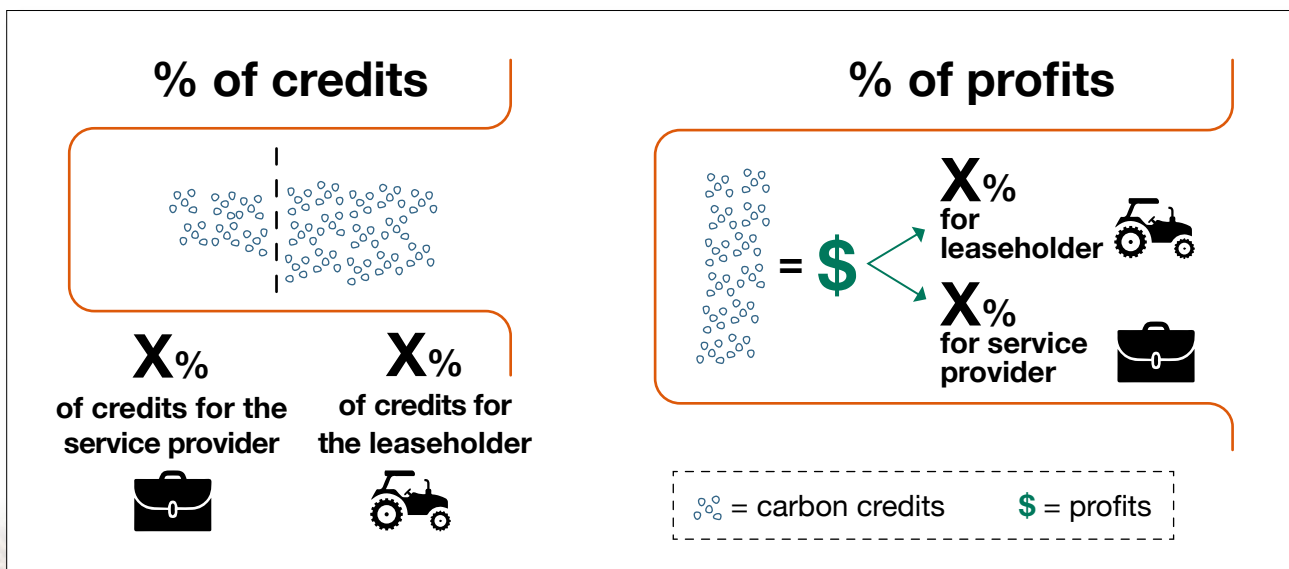
Project service providers generally charge a percentage of the carbon credits created by the project to cover their costs and make a profit.

Typically, they choose to take a share of the **total number of carbon credits** produced, before they are sold. This allows project service providers to sell and trade their share of the credits, as they see fit.

However, in some cases they may take a share of **total profit from the credits**, after they have been sold. The two approaches are illustrated in Diagram 7, below.

Under this model, it is typical for the project service provider to advise the lessee on trading carbon credits, and a brokerage service in which they sell credits for the lessee, or arrange a Carbon Abatement Contract (CAC) for the lessee with the Australian Government.

Diagram 7. Revenue models that service providers may use to earn fees are based on a percentage of the total number of credits produced, or a percentage of the profit from the sale of credits



Good to know!

RNTBCs with determined native title on land where a carbon farming project is being proposed can and should consider negotiating benefit sharing agreements. This might include financial and, or other benefits depending on the organisation's aspirations. Financial benefits may include a direct share of the carbon farming project value in the form of credits or profit from the sale of credits.





5.4 Project developer model 2: Project aggregator

A project aggregator is a project developer who undertakes and manages the project on behalf of the landholder.

In this model, **the project aggregator is the project owner and proponent.**

Key points to note about this business model are outlined in Table 2, below.

Table 2. Strengths, weaknesses, opportunities, and threats of a project aggregator model

Business developer model 2: Project Aggregator			
 Strengths	 Weaknesses	 Opportunities	 Threats
<ul style="list-style-type: none">• Legal and project risk held by the project aggregator.• Project aggregator manages all interactions with government.• Project aggregator enters contracts with the Australian Government and/ or other third-party buyers (called counterparties) on the lessee’s behalf.• Project aggregator may group carbon credits from multiple properties together under a single sale.	<ul style="list-style-type: none">• The project aggregator is the project owner.• The lessee has a low level of control.• Aggregator fees are paid as a percentage of the number of carbon offsets generated or; a percentage of the value of carbon offsets sold over the project life.	<ul style="list-style-type: none">• The project aggregator may contribute more capital, freeing up the lessee’s resources.• Project aggregators can absorb up-front costs.	<ul style="list-style-type: none">• Carbon credits are issued to the project aggregator.• Grouping of carbon credits from multiple properties could reduce the value received for co-benefits.



Project aggregator business model

A project aggregator typically takes full control of project development and management. They are contracted by a lessee to provide all project advice, and to implement and manage the project on behalf of the lessee.

The project aggregator also manages the sale of carbon credits, and may group the credits from multiple properties together, under a single sale.

The project aggregator business model is illustrated in Diagram 8, below.

Project aggregator model - key points

The project aggregator and lessee share the value of the sale of credits, which gives the lessee a level of assurance that the sale of credits is in the best interest of the lessee.

However, the lessee may not have control of the sale price.

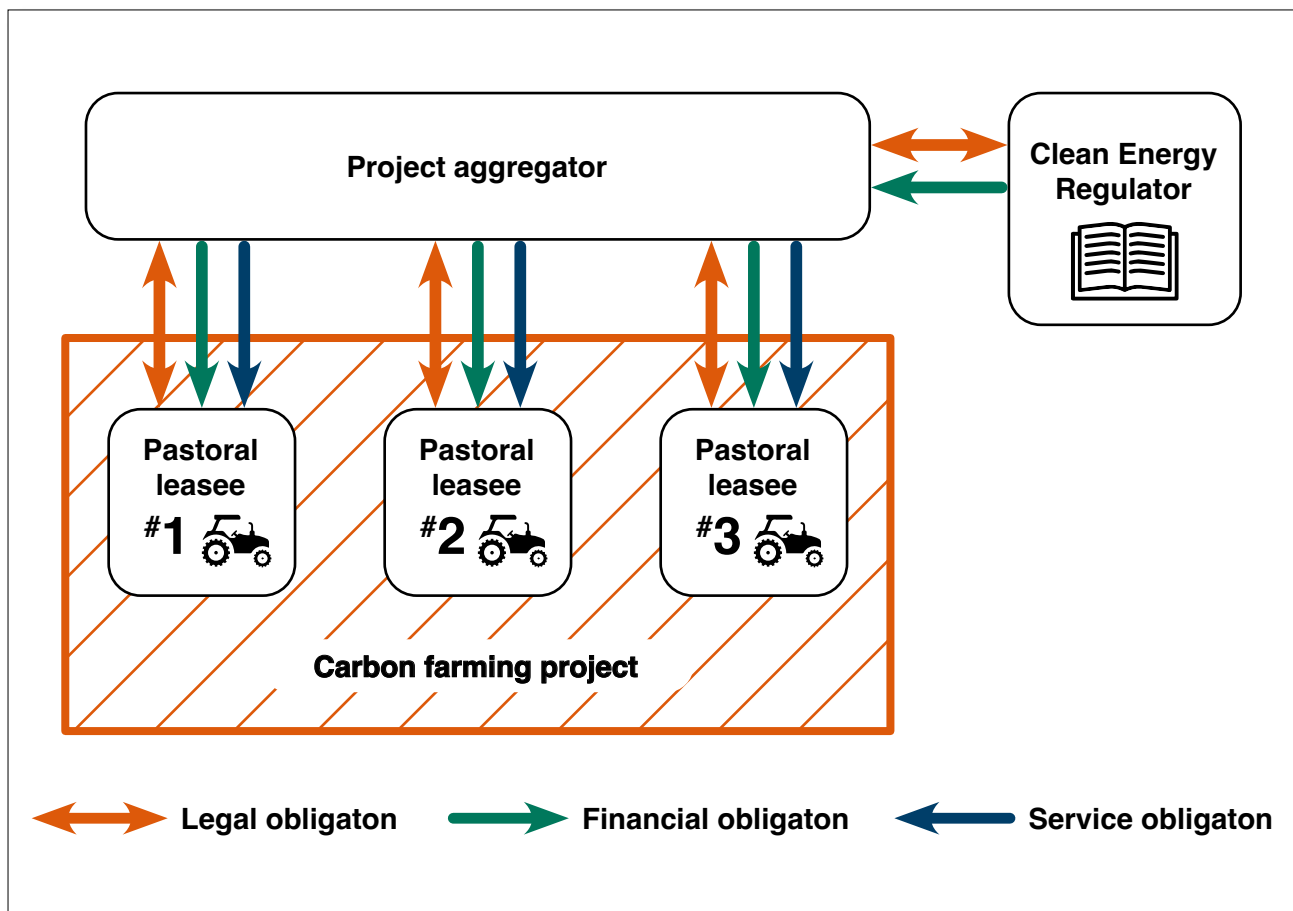
Project aggregators generally work with multiple lessees at once, meaning they have a larger pool of carbon credits from which to source. They can also participate in more kinds of sales than if they were working with a single property and lessee.

Project aggregator - typical revenue model

Project aggregators generally charge a percentage of the carbon credits their projects earn to cover their service fees and make a profit.

Across the industry, this is generally a share of the volume or value of the ACCUs produced.

Diagram 8. Project aggregator business model



5.5 Project developer model 3: Do-it-yourself project developer with hired services





A business does not have to work with a project service provider or aggregator, and may choose a ‘do-it-yourself’ project and hire services on an ‘as needs’ basis.

You can undertake a carbon farming project on your own, using the skills and capacity within your organisation. However, you may need help with some activities, and may need to hire an external business to complete the project.

You can contract industry experts to help you design, implement, register, and manage a carbon project. There are also service providers who offer their expertise for one-off, fee-for-service activities, as required.

Substantial costs are incurred at the beginning of project, and it is sometimes years before any revenue from a carbon project is received. This should be taken into account when considering the do-it-yourself project developer model.

Table 3. Strengths, weaknesses, opportunities, and threats of the do-it-yourself project developer model

Business developer model 3: Do-it-yourself			
 Strengths	 Weaknesses	 Opportunities	 Threats
<ul style="list-style-type: none"> • Lessee is the project owner. • Experts and professionals can be engaged to provide any of the required services or activities. • Fees for services from contracted external businesses can be paid with profits from carbon credit sales. • Carbon credits are issued to the lessee. 	<ul style="list-style-type: none"> • Legal and project risk held by lessee. • Lessee may need to manage interactions with government, or contract a service provider to act on their behalf. 	<ul style="list-style-type: none"> • Lessee has potential to retain greater financial and social benefits for successful projects. • May result in lower service provider fees over time. 	<ul style="list-style-type: none"> • Do-it-yourself projects are usually undertaken by groups with limited or no experience with carbon projects, which have a higher risk of project failure. • Service provider will not be there to watch over the project. • Lessee may not have the business or financial business management skills to effectively manage a large scale project, threatening investments.

5.6 Summary of project developer models

Table 4 below summarises the differences between each of the carbon farming project business models.

Table 4. Summary of project developer models

	Project service provider				Project aggregator				Do-it-yourself			
	Strength	Weakness	Opportunity	Threat	Strength	Weakness	Opportunity	Threat	Strength	Weakness	Opportunity	Threat
Managing government interactions	•				•					•		
Service fees		•				•					•	
Ownership of project			•			•			•			
Lessee issued with carbon credits			•					•	•			
Legal and project risk				•	•	•				•		
Extent of potential financial benefit				•				•			•	
Capital requirement				•			•			•		
Expertise risk			•				•					•

5.7 Things to consider if you are working with a project developer

The Australian Government is not involved with agreements or contracts between lessees, RNTBCs and project developers, and does not set or enforce their terms.

You should seek legal and financial advice before you enter into any contracts.

If you don't like the deal that you are being offered, you have other options: there may be other project developers to work with; or you can do it yourself.

The project developer, or their employees, should demonstrate a good understanding of how to do project activities, and follow carbon farming project rules.

Before starting a carbon farming project, consider:

- Do you know if your project developer has a good track record, and sound financial backing?
- Do you understand how much the carbon farming project will cost?
- Do you know how much profit you could make over the life of the project?

Good to know!



Any agreement between you and a project developer should be in writing. If you sign up to a carbon farming project without independent advice, you may be at legal risk if anything goes wrong. If you are interested in carbon farming or you have already signed up to a project, it is a good idea to seek independent advice from DPIRD's Aboriginal Economic Development unit, as well as legal and financial advisors.

The project developer should have a good idea of how many credits the project can produce, and how much they can earn when sold. This may affect how much income you get. You may be paid:

- before or after the credits are sold.
- a fixed price in cash, or in kind, such as discounted equipment upgrades, or
- a percentage of the income from selling credits.



Recommended reading:

- The Clean Energy Regulator website:
Want to participate in the Emissions Reduction Fund?
cleanenergyregulator.gov.au/ERF/Want-to-participate-in-the-Emissions-Reduction-Fund

The project developer may charge a fee or commission to manage the project.

Anticipated income and fees should be clear to everyone before the project starts.

Questions to ask carbon farming project developers.

To help you understand the benefits, risks, and legal obligations involved in carbon farming projects, below are questions you can ask carbon farming project developers:

- Who is in charge of the project?
- Who will be the project proponent?
- If I agree to participate in the project, what happens next?
- Do you have permission from all relevant stakeholders to do this project?
- How will you, as the project developer sell any credits from the project?
- How will I be paid, and will I have to pay any fees?
- Do you have an Australian Financial Services licence?
- What happens if the project delivers fewer carbon emissions reductions than estimated?
- Will I have any ongoing responsibilities once the project is over?



6 Where to from here?

There are multiple services and organisations that can assist you in setting up a carbon farming project or exploring your options. See section 8 of this guide for a list of service providers who might be able to assist.

You can always contact DPIRD's Aboriginal Economic Development unit as a first point of call, as they can connect you with the relevant organisation and help you get assistance.



If you are interested in undertaking a carbon farming project, you should contact DPIRD's Aboriginal Economic Development unit to discuss opportunities and risks.



Image courtesy of Western Mulga



Reporting false or misleading claims

If you suspect dishonest conduct or fraudulent behaviour relating to project developer activities under the Emissions Reduction Fund, you should contact the Clean Energy Regulator by calling 1300 553 542 or send an email to fraud@cleanenergyregulator.gov.au.

Alternatively, you can contact DPIRD's Aboriginal Economic Development unit for assistance reporting false or misleading claims. Email: aed@dpird.wa.gov.au or call 0459 867 908.



7 Service providers and contact

Organisations that may be able to assist with advice on running your business or carbon project are outlined below:



Department of Primary Industry and Regional Development (DPIRD) Aboriginal Economic Development (AED) unit

DPIRD's Aboriginal Economic Development (AED) unit builds local capacity and supports new business and jobs for Aboriginal people through primary industries and strategic regional projects.

DPIRD's Aboriginal Economic Development unit provides a client-focused agricultural enterprise support service, engaged only on the invitation of Aboriginal lessees across the State. The service supports Aboriginal agricultural businesses in completing work that allows them to be better placed for commercial industry investment, such as the implementation of business management plans.

Through AEDs comprehensive corporate governance process, training and support, and the involvement of other government and non-government organisations, many Aboriginal enterprises now have the capacity to manage their business sustainably.

Phone: 0459 867 908

Email: aed@dpird.wa.gov.au

Website: agric.wa.gov.au/aboriginal-business-development-0

Australian Securities and Investments Commission (ASIC)

Company (Pty Ltd), Company Limited by Guarantee and business name registration. The ASIC website has many resources concerning how to comply with the CATSI Act and ASIC requirements, as well as company governance obligations.

Website: asic.gov.au



Carbon Market Institute (CMI)

The Carbon Market Institute is an independent peak industry body for the carbon farming industry. They are responsible for administering the Australian Carbon Industry Code of Conduct.

Website: carbonmarketinstitute.org/

Code of Conduct: carbonmarketinstitute.org/code/



Clean Energy Regulator

The Clean Energy Regulator is the Australian Government body responsible for administering legislation that will reduce carbon emissions, and increase the use of clean energy.

Website: cleanenergyregulator.gov.au





Department of Planning,
Lands and Heritage



Aboriginal
Lands Trust



Department of Planning, Lands and Heritage (DPLH)

The Department of Planning, Lands and Heritage is responsible for administering Crown land, including pastoral leases, and leases for the use and benefit of Aboriginal people; land use planning; administration of the Aboriginal Lands Trust, and Western Australia's heritage.

DPLH supports the Aboriginal Lands Trust and Pastoral Lands Board to carry out their roles, and also assists the Minister for Lands in providing the State's eligible interest holder consent for carbon sequestration projects on Crown land.

Email: proposals@dplh.wa.gov.au

Phone: (08) 6551 8002

Website: dplh.wa.gov.au/about/the-department/what-we-do



Indigenous Business Australia (IBA)

Indigenous Business Australia provides loans and business support to Aboriginal businesses around Australia. IBA provides a mix of products, services, advice, networks, and capability to help you start or grow your business.

Website: iba.gov.au



Indigenous Carbon Industry Network (ICIN)

The Indigenous Carbon Industry Network aims to support Indigenous land managers to participate as full as possible in emerging carbon industries.

Website: facebook.com/IndigenousCarbonIndustryNetwork



Indigenous Land and Sea Corporation (ILSC)

The Indigenous Land and Sea Corporation assists Aboriginal and Torres Strait Islander people to realise economic, social, cultural and environmental benefits that the ownership and management of land, water and water related rights can bring. The ILSC provides this assistance through the acquisition and management of rights and interests in land, salt water and fresh water country. The ILSC offers funding for small projects of up to \$100 000 and large projects of more than \$100 000.

Website: ilsc.gov.au



Kimberley Land Council (KLC)

The Kimberley Land Council is the recognised Native Title Representative Body Corporate for the Kimberley region, working with traditional owners to get back country, look after country and get control of the future.

This includes facilitating the Kimberley Ranger Network as a regional network of Indigenous land managers, thereby supporting traditional owners to protect and enhance the cultural and biodiversity values of the region and pursue sustainable enterprise development. The KLC has supported the planning, registration and operation of all Indigenous-owned savanna burning carbon projects in the Kimberley to date, and has been working with traditional owners to determine feasibility of additional projects in the region. This includes training and capacity-building in related operational skills and knowledge, such as prescribed early dry season burning.

Useful documents relating to Indigenous carbon farming and savanna burning projects can be found on the KLC website.

Website: klc.org.au/cultural-enterprises



Landgate

The Western Australian Land Information Authority operates under the business name of Landgate. It is the statutory authority responsible for property and land information in Western Australia.

Website: landgate.wa.gov.au



Many Rivers

Many Rivers Microfinance Limited (Many Rivers) is a not-for-profit organisation that supports aspiring business owners with microenterprise development support, and access to finance, in order to see the potential of people and communities realised.

Website: manyrivers.org.au



Morrgul

Morrgul is a Broome-based organisation that offers business development and ongoing business support to Aboriginal people. Morrgul services are provided at no cost to community members who have the ability and motivation to start their own business. Morrgul can help you start a business or improve your existing business.

Website: morrgul.com.au



Office of the Registrar of Indigenous Corporations (ORIC)

Registration and oversight of Aboriginal corporations. The ORIC website has many resources to assist Aboriginal and Torres Strait Islander businesses comply with the CATSI Act and ORIC requirements, as well as corporate governance obligations.

Website: oric.gov.au/



Rangelands NRM

Rangelands NRM is a natural resource management organisation that oversees WA's rangelands areas. The group supports the development of small community groups and Indigenous Rangers, providing for long-term investment in the environment by those that live, manage and work this land.

Website: rangelandswa.com.au



Yamatji Marlpa Aboriginal Corporation (YMAC)

Yamatji Marlpa Aboriginal Corporation is the Native Title Representative Body for the Pilbara, Mid West and Gascoyne regions of Western Australia. YMAC has a representative area of over one-third of WA and represents several traditional owner groups - all with their own language, culture and traditions. YMAC is a not-for-profit organisation run by an Aboriginal board of directors and provides a range of services to its members throughout their native title journey, including claim and future-act representation, heritage protection services, executive office, community and economic development, and natural resource management.

Website: ymac.org.au/



8 Glossary

Aboriginal corporation is a for-profit or not-for-profit Aboriginal-run corporation established under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006*, registered with the Office of the Registrar of Indigenous Corporations (ORIC) and governed by a rule book. The name of the corporation is generally followed by the words, “Aboriginal corporation”.

Aboriginal reserve refers to Crown reserve land that is set aside by the Western Australian Government for the purpose of Aboriginal use and benefit.

ACNC means the Australian Charities and Not-for-profit Commission which administers the *Charities Act 2003* (Cth) and other legislation, and registers and regulates Australian charities.

AED is the Department of Primary Industries and Regional Development’s Aboriginal Economic Development unit, which supports Aboriginal businesses.

Agistee means the person or organisation that uses part or all of the land from a pastoral lessee to temporarily graze their livestock, generally under an agistment agreement.

Aggregation is the process of bringing together multiple sources of carbon abatement. It can be undertaken by individuals or organisations.

ALT means the Aboriginal Lands Trust, Western Australia. The ALT is a statutory board constituted under the *Aboriginal Affairs Planning and Authority Act 1972*. The ALT is responsible for administering Western Australia’s ALT estate.

ASIC means the Australian Securities and Investments Commission which regulates Australian business entities, including a company Proprietary Limited (Pty Ltd), and a company Limited by Guarantee (Ltd).

ATO means the Australian Taxation Office, the Australian Government’s principal revenue collection agency.

Australian carbon credit unit (ACCU) represent one tonne of verified carbon emissions or equivalent abatement achieved by eligible offsets projects. ACCUs are created and issued by the Clean Energy Regulator.

Carbon (C) is an element that is a key component of many (but not all) greenhouse gases. Carbon is often referred to when discussing sequestration.

Carbon abatement refers to reducing carbon emissions released into the atmosphere, or reducing carbon already in the atmosphere, through carbon sequestration.

Carbon abatement contract (contract) refers to a contract between each participant successful at an auction (the seller) and the Clean Energy Regulator (the buyer). It is made up of four separate documents – Code of common terms, Commercial terms, Delivery terms and Financial terms.

Carbon dioxide (carbon) is the major greenhouse gas, but not the most important gas in the agricultural sector.

Carbon dioxide equivalence (carbon-e) is a measure of greenhouse gas emissions, and is estimated by multiplying the amount of gas by the global warming potential of the gas.

CATSI Act means the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (Cth) which establishes ORIC and sets out the Australian laws dealing with registration of Aboriginal and Torres Strait Islander groups as Aboriginal corporations.

Corporations Act means the *Corporations Act 2001* (Cth) which sets out the Australian laws dealing with certain Australian business entities, including company Proprietary Limited (Pty Ltd) and company Limited by Guarantee (Ltd).

Charity means a not-for-profit organisation or company (Ltd) whose primary objectives are philanthropy and social well-being. Charities are governed by the *Charities Act 2003* (Cth) and are registered and regulated by the ACNC.

Co-benefits are benefits that, while not bringing in direct cash to an enterprise, may have positive effects on production or the environment.

Company (Pty Ltd) is a for-profit private company established under the *Corporations Act 2001* (Cth), registered with ASIC, and governed by a constitution. The name of the company is generally followed by the term 'Pty Ltd' or 'Proprietary Limited'.

Company Limited by Guarantee is a public not-for-profit company established under the *Corporations Act 2001*, registered with ASIC and governed by a Constitution. The name of the company is generally followed by the word, 'Limited'. A Company Limited by Guarantee can also be a charity.

Compliance costs: The costs incurred in complying with the regulatory requirements of the Emissions Reduction Fund (ERF), including the costs of record keeping, reporting, and auditing.

Constitution means a document sets out the rules governing the relationship between, and the activities of, a company and its shareholders, or a company Limited by Guarantee and its members.

Emissions avoidance refers to projects that generate abatement by reducing or avoiding emissions of methane and nitrous oxide, or convert methane into carbon dioxide, which is a less potent greenhouse gas.

Emissions Reduction Fund (ERF) is a scheme in which the government purchases the lowest cost abatement (in the form of ACCUs) from a wide range of sources, providing an incentive to businesses, households and landowners to proactively reduce their emissions.

Financial costs are expenditure needed to establish and maintain a carbon farming project. These include set-up, equipment purchases, capital investments and ongoing maintenance costs.

Global warming potential (GWP) is measure of how much a given mass of greenhouse gas is estimated to contribute to global warming. It is a relative scale that compares a gas with the same mass of carbon, and is calculated over a specific time interval.

Greenhouse gas (GHG) are gases in Earth's atmosphere that trap heat. They let sunlight pass through the atmosphere, but prevent the heat that the sunlight brings from leaving the atmosphere. The main greenhouse gases are water vapour, carbon dioxide, methane, ozone and nitrous oxide.

Joint venture (or JV) is a commercial arrangement between two or more people or organisations to work together for a specific project or in an ongoing partnership for mutual benefit. A joint venture (JV) can be unincorporated (a relationship governed by a joint venture agreement rather than legislation) or incorporated (a relationship governed through a separate company, or company Limited by Guarantee, set up for the purpose of the JV).

Landholder see pastoral leaseholder.

Lands Administration Act means the *Lands Administration Act 1997* (WA) which sets out the laws dealing with pastoral leases in Western Australia.

Leaseholder see pastoral leaseholder.

Lessee see pastoral leaseholder.

Members mean the owners of an Aboriginal corporation or company Limited by Guarantee. They don't own an interest (or share) in the organisation like a shareholder does, but act as guarantors for the organisation.

Methods set out the detailed rules and processes for carrying out an Emissions Reduction Fund project, and measure the resulting reductions in emissions.

Minister for Lands means Western Australia's Minister for Lands, who is responsible for WA's Department of Planning, Lands and Heritage, and for the management of Crown land in Western Australia.

ORIC means the Office of the Registrar of Indigenous Corporations, which supports and regulates Aboriginal corporations.

Partnership is an arrangement between two or more people or organisations where the partners jointly manage the business to make a profit. Governed by the *Partnership Act 1895* (WA), the partnership can trade under the names of the partners, or register a new business name with ASIC.

Pastoral Lands Board (PLB) is a statutory authority established under the *Land Administration Act 1997* (WA) and is responsible with the Minister for Lands for administering pastoral leases in WA.

Pastoral lease is a lease over Crown land in Western Australia that gives the leaseholder the right to graze authorised livestock on the land, as well as certain supplementary uses and ancillary activities. It can also be known as a 'head lease'. The pastoral lease is registered with Landgate.

Pastoral leaseholder (or **leaseholder**) means an organisation or person that leases land for pastoral uses from the WA Government.

Rule book means a document that sets out the rules governing the relationship between, and the activities of, an Aboriginal corporation and its members.

Sequestration refers to abatement generated by removing carbon from the atmosphere and storing it as carbon in plants as they grow, or in the soil.

Shareholders means the owners of shares in a company.

Shareholders agreement means an agreement between the shareholders of a company that sets out their rights and responsibilities to each other.

Sole trader is one person that runs their own business or enterprise, generally under their own name, or a business name registered with ASIC. There is no legislation governing sole trader businesses, but they must report their income to the ATO.

Sublease is where a pastoral lessee forms a written agreement with someone else (the sublessee) for use of part or all of the land under the pastoral lease for pastoral purposes. It involves the lessee renting the land to the sublessee. The head lease remains with the pastoral lessee, which means they remain responsible for management of the land and the lease requirements.

Sublease agreement is a written agreement between the pastoral lessee and the sublessee, which describes the terms and conditions they have both agreed to in relation to a sublease.

Sublessee means the person or organisation subleasing (or renting) part or all of the land from a pastoral lessee, under a sublease agreement. The sublessee is a tenant and the lessee is a landlord.

Trust is a legal entity that is created to allow a second party the rights to manage the assets or property on behalf of the party (beneficiary).

Trust deed is a legal document that sets out the rules for establishing and operating a trust.



Important disclaimer

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