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RUNNING A CARBON PROJECT



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Undertaking a carbon project means you have a legal responsibility to carry out specific activities on your land in a particular way, for a certain amount of time. It is important that you understand the method, what activities you are required to do, and what you are prohibited from doing.

For example, a savanna burning project will require fire planning each year and the implementation of fire management in line with your burn plan. A sequestration project might mean planting trees and taking care of them while they grow for up to 100 years.

Want to participate in the Emissions Reduction Fund?

The Clean Energy Regulator has further information about registering and reporting on a carbon project on its website and is the first port of call if you have any questions about registration.

The four key steps to registering are:

1. Apply
2. Establish a contract
3. Reporting and auditing
4. Delivery and payment

Read more:

[CER What to participate in the Emissions Reduction Fund?](#)

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MONITORING, REPORTING, RECORD-KEEPING, AND AUDITING

Under the ERF, you are required to continuously monitor the project, keep certain records, and regularly report to the CER. The exact monitoring and reporting requirements will be set out in the method.

When you start your project, you should identify all your monitoring, reporting and record-keeping obligations, and establish a good system for collecting, storing, and maintaining this information for the entire duration of the project.

ERF projects must also be regularly audited, i.e. checked by an independent and specially qualified expert. Each ERF project will receive an ‘audit plan’ which sets out how often your project will need to be audited – these costs need to be factored into your project planning. The auditor will check whether you are meeting the eligibility criteria, monitoring, reporting and record-keeping requirements of your project.

CONTINUING TO MEET ELIGIBILITY REQUIREMENTS

At the start of the project, you will need to meet eligibility requirements, including the legal right to do the project, regulatory approvals, and meeting 'fit and proper person' criteria, which continue to apply for the whole project.

This means that if you change your rights in relation to your land (e.g. you grant a lease to someone else) or if your company goes into administration or receivership, this will have implications for your carbon project and legal obligations.

CARBON SALES CONTRACT REQUIREMENTS

Once you are receiving carbon credits, you are likely to enter a contract to sell those credits. These contracts can have their own obligations, such as delivering a certain number of carbon credits by a certain time or keeping certain information about the contract confidential. These obligations might be one-off, or ongoing.

Figure 3 illustrates some of the activities involved in running a carbon project, and who might be responsible for these. As governance models are flexible, you can pick and choose what works best for you.

SEQUESTRATION – SPECIAL CONSIDERATIONS

A sequestration activity involves drawing down carbon from the atmosphere and storing it in the landscape, for example planting trees to increase carbon dioxide stored in the wood, roots, trunks, branches, and leaves. However, for the carbon to stay there, the trees must be maintained – they cannot be cut down. The carbon stored must be stored 'permanently', which is why sequestration projects have long-term obligations.



Carrathalala GanGan Early Management Burn 2020, Yirralka, Laysnhapuy Homelands Aboriginal Corporation

Permanence Period

If you are planning a sequestration project, you will need to choose a Permanence Period of either 25 or 100 years. The Permanence Period is how long you will be responsible for maintaining the activity and the carbon stored. You will also need to provide the CER with a Permanence Plan, outlining how you will protect the carbon stores for the entire Permanence Period.

For example, your sequestration project can be maintaining the trees (not clearing them), continuing to look after soil health, or good early dry season burning activities. How long you are responsible for these activities depends on the Permanence Period for the project.

It is important to note that the Permanence Period can be longer than the Crediting Period for your project. This means that your obligation to keep doing the activity (as set out in the Permanence Plan) might extend beyond when you get ACCUs – and income – from your project.

For example, a savanna sequestration project has a Crediting Period of 25 years. The Project Proponent decides to adopt a 100-year Permanence Period. At the end of 25 years, the project no longer receives ACCUs, and therefore no longer receives income from the sale of ACCUs. However, it must keep doing the burning activity for the duration of the Permanence Period to maintain the carbon stores.

“When deciding on a permanence period, you need to consider the cost of having to maintain the carbon stored for up to 100 years. These obligations run with the land – so they continue even if the land is sold or there is a change in management.”

Risk of reversal buffer

Whether the Permanence Period is 25 or 100 years, the CER withholds 5% of potential carbon credits for the project to cover the risk that the carbon stored might be released. This is called the ‘risk of reversal buffer’ and it is applied to all sequestration projects.

Permanence period discount

If a 25-year Permanence Period is chosen, the Government generally keeps an additional 20% of potential carbon credits to cover the risk that carbon stores might be reversed after 25 years. If you choose a 100 year the permanence period discount does not apply but the risk of reversal buffer does. You will get 95% of the ACCUs rather than 75% over a 25-year period. Note that some methods provide even greater permanence period discounts.

When deciding on a permanence period, you need to consider the cost of having to maintain the carbon stored for up to 100 years. These obligations run with the land – so they continue even if the land is sold or there is a change in management.

CONSEQUENCES OF NON-COMPLIANCE

During the Permanence Period, the project proponent is expected to take steps to protect the stored carbon and will need to provide a permanence plan to the CER at different stages of the project. If something happens that significantly reduces the amount of carbon stored by the project, the ERF has rules to try to recover the carbon stored. While most of these rules are discretionary (which means the CER can decide whether to enforce them) the Government is serious about maintaining high integrity standards under the ERF.

For example, if a decision is made to finish a sequestration project prior to the end of the Permanence Period, all ACCUs issued to the project up to that date must be returned to the CER, even if those ACCUs have already been sold. A project would need to buy enough ACCUs to replace the ones sold, and hand these back to the CER.

The same could apply where it was found that the project proponent had deliberately taken actions which released carbon (like clearing forest), or had not taken reasonable steps such as those in their permanence plan, to protect the carbon.

If there is a reversal in stored carbon due to an unpreventable event (such as a bushfire burning the trees), the Project Proponent must take action to let the carbon stored recover. Recovery activities might be re-planting trees or management activities to help them recover.

Deregistering a project or Project Proponent

If the CER forms the view that you or your organisation is no longer capable of running the carbon project, they have the power to deregister the project or Project Proponent. This might mean the carbon project ceases altogether, or that someone else takes on the running of the project.

Handing back (relinquishing) carbon credits

If you stop running your carbon project in line with the method, or something goes wrong and you fail to fix it, the CER can require you to hand back carbon credits, up to the total amount issued for the project. The CER can do this even if you've already sold the credits – which means you might need to buy carbon credits to repay the CER.

For example, if you are running a forest planting method and a fire burns down the trees, you cannot give up and graze cattle in the area instead. You will be required to replant or regrow the trees, or hand back the carbon credits you have been issued.

Order to re-establish carbon stores

If something happens to reduce or remove the carbon that has been stored on your land and ACCUs are unable to be relinquished, the CER has the option of requiring you to re-establish the carbon. This is called a Carbon Maintenance Obligation.

Financial penalty

The CER has the power to impose financial penalties for non-compliance with certain requirements of the ERF.

Criminal charges

Certain offences under the ERF, such as dishonest or fraudulent conduct, are considered criminal offences. Remember that undertaking a carbon project involves rules and responsibilities. If something goes wrong, or you're worried you won't be able to meet your obligations, you should talk to the CER.

Read more:

[CER The Emission Reduction Fund and Permanence on the Land](#)

[ICIN Emission Reduction Fund \(ERF\) Overview](#)



Aerial burning, North Australian Indigenous Land and Sea Management Alliance (NAILSMA)

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