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PLANNING A CARBON PROJECT – FEASIBILITY

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Deciding to do a carbon project is a big decision. It can often involve significant financial investment to get it started and result in long-term obligations.

Before you start, it is important to get enough information to know whether the proposed project is 'feasible' (possible to do) and 'viable' (likely to succeed). It will also consider the impact of the project affecting what you can and cannot do on your land for up to 100 years.

It is important to ensure your feasibility study is objective. A feasibility study will summarise the requirements, financial considerations (costs and revenue) and benefits associated with undertaking a carbon project and help establish whether or not the project is viable. You might want to engage an independent expert to do this work.

If you are working with a carbon service provider, make sure they are considering all possible options, and not just putting forward a recommendation that supports their business model. Also, make sure you understand all costs associated with their services, and don't sign anything without independent advice, and in particular make sure you understand the conflict resolution and termination clauses, as the carbon service provider may seek to retain the rights to any carbon credits earned.

FEASIBILITY STUDY CHECKLIST

Here is a list of information you would expect in a feasibility study.

- Meeting ACCU Scheme Requirements

  Under the ACCU Scheme, there are a lot of requirements that you will need to meet to do a project, which can involve significant upfront cost and may require some ongoing costs.

  This will include:

  1. **Eligibility:** whether you meet both ACCU Scheme and method specific eligibility requirements.
  2. **Legal right:** if have the legal right to do the project, or what might be required to get the legal right. This might require you to get separate legal advice.
  3. **Environmental conditions:** some projects require certain environmental conditions to be successful. This might include vegetation mapping, analysis of local rainfall or investigating suitable land to be included in the project area. Doing this mapping may incur additional costs.
  4. **Legal or regulatory approvals:** the feasibility study should identify what legal and regulatory approvals are required to do a project, and how difficult these might be to obtain.

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- ## Governance, business, or administrative structures

  A big consideration when deciding to do a carbon project is how the project will be owned and managed. Some of the things you might want to consider include:

  - What is your existing organisational capability, and what resources might you need to run a carbon project?
  - How will any risks from the project be managed and can different business structures help to reduce risks to your organisation?
  - How will benefits from the project be applied and distributed, and who will make these decisions?
  - Will any aspects of the project be outsourced, and which ones?

  A discussion of governance should consider your organisational goals, as well as how to manage risks.

- ## Project implementation

  Setting up a carbon project is quite complicated, but that's just the beginning! It's important to think about how you will run your project year after year.

  Your implementation plan should include method-specific requirements, monitoring, reporting, record-keeping, and auditing rules, as well as managing unexpected events or risks (such as big bushfires), and meeting project costs (such as annual operating costs or audit costs).

- ## Estimating carbon credits

  When thinking about doing a carbon project, you need to understand how many carbon credits you can expect to receive from the project each year, and over the life of the project. Importantly, you will also need to understand how reliable this estimate is and whether it is likely to vary much each year.

  For many carbon projects, it is hard to predict in advance how many carbon credits they will receive. You will need to factor this uncertainty into your project management and business planning.

- ## Project costs

  There are a number of costs associated with running a carbon project. To make an informed decision about undertaking a project or not, it's important to have a good understanding of these costs.

  Here are some of the costs you should consider:

  - Start-up costs including mapping and sampling
  - Ongoing management costs
  - Audit and reporting costs
  - Any costs associated with permanence obligations (for sequestration projects only).

- ## Sales or marketing strategy

  You can sell carbon credits to different buyers for different prices. For example, you might earn more on the Voluntary Carbon Market than selling to the government who purchase at a set fixed price.

  You will need to consider how you plan to sell your carbon credits and what price you want (or need) to break-even or make a profit. Some groups choose to sell their carbon credits themselves, and others pay a 'broker' or 'trader' to do this for them. This will also have a cost involved.

- ## Risk management

  Carbon projects have different risks depending on whether they are sequestration or emissions avoidance projects, and the type of methods applied. For example, a risk could be insufficient funds to conduct fire operations or having to hand carbon credits back to the CER because of a project default. Identifying these risks, and developing strategies to manage them, is an important part of a feasibility study.

  Note: a person providing financial advice (including sales and pricing) must have an Australian Financial Service Licence.

Feasibility study

Is the project viable?

ICIN Indigenous Carbon Industry Network

Does the project meet:	
ERF eligibility	
Method specific eligibility	
Required environmental conditions	
Do you have:	
Legal right to the land	
Eligible interest holder consent	
Organisational resources and capabilities	
Company structure	
Project partners	
Project costs – start-up and ongoing	
Carbon credit estimation	
Project implementation strategy	
Sales and marketing strategy	
Risk management strategy	
Agreement about revenue distribution	

Rivercamp, Balanggarra Aboriginal Corporation

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