

9.

PLANNING A CARBON PROJECT – GOVERNANCE



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Project governance is a very important part of planning a carbon project. Project governance is about who will own the project (i.e. who will be the Project Proponent) and how decision will be made over the long-term and day-to-day. It will also impact on who bears the risk and how benefits are shared.

Good governance can be the difference between success and failure. A good governance structure will help to reduce costs, improve efficiency, increase benefits, and reduce the potential for future conflict.

IMPORTANT CONSIDERATIONS

Indigenous carbon projects across Australia operate under many different governance models – there is no one size fits all. It is important to take the time and carefully plan a governance structure that will suit you now and in the future.

There are a lot of things to consider when it comes to project governance, and all these things will depend on you and your project's individual circumstances. You need to ask:

- What is important to me right now?
- What will be important in five or 10 years?
- How do we need to design our carbon project so that our long-term interests are protected?

Below are some examples of the types of things you might want to think about when weighing up different governance options, however, this list is not exhaustive.



ICIN CEO Anna Boustead presenting, ALFA NT Pre-Season Fire Meeting 2022

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9

Project Proponent capabilities

The Project Proponent owns the carbon project and registers it under the ACCU Scheme. Deciding who will be the project owner is a big decision. This can be an individual or an organisation.

The person owning the project is ultimately the one responsible to the CER for the project. They will make decisions, sign documents, and are legally responsible for the project and any ACCUs issued—including if something goes wrong.

When deciding who will be the Project Proponent, you need to consider:

- Will they pass a 'fit and proper person test' i.e. be viewed as having good standing and complying with the law? This test must be met for the duration of the project. Therefore, if there is a risk of a corporation going into receivership or administration, it may not be the right entity to be the Project Proponent.
- Will they be available and able to sign documents, enter information on the computer, and speak with the CER if required? Having good computer literacy and some level of understanding of the ACCU Scheme is important. If the Project Proponent is a corporation, you can identify individuals (e.g. directors or Company Secretary) who can be the nominated contact people.
- How will legal right of the Project Proponent be established? How difficult or easy will it be to show legal right? What might be the cost involved if you must do a lot of complex legal arrangements?
- How important to you is having control over the project and its decision making? If this is a big priority, you should look at a governance model where you have project ownership (or joint ownership). However, if ownership is not an issue, you might be willing to outsource project ownership to an aggregator or other third party.

Fit and proper person checklist

Does the person meet these criteria?	Yes/No
Good character, diligence, honesty, integrity, and good judgement	
No white-collar crime	
Knowledge, skills, and experience to run the project	
Understand good governance	
Computer literate and reliable	
Available to sign documents and represent the organisation	
Able to demonstrate legal right to the land	

PROJECT DECISION MAKING

While the Project Proponent has the legal right to run the project, you can still have rules in place about how decisions are made. It is important to understand who holds responsibility for these decisions and how decision-making will be informed.

For example, if the Project Proponent is a corporation, then the Board of Directors will probably be making decisions about the project. However, you might consider that not all decisions are important enough to go to the board. Could some (or all) aspects of running the project be delegated to a staff person?

Alternatively, if you have decided that a third party should be the Project Proponent, are there certain core decisions which you think still need to be referred to you? If so, these should be clearly set out in a legal agreement. For example, if the Project Proponent is third-party aggregator, you might still want to have a say in where carbon credits are sold.

For example, some Indigenous projects require the Board of Directors to make big decisions about the project – like when and where to sell ACCUs – but delegate the day-to-day decisions about operations (like undertaking early season burning) to the rangers or engage contractors to develop up carbon offset reports for them.

- How will day-to-day operation of the project be carried out?

There is a lot of flexibility in governance arrangements, and there is a lot involved in operating a carbon project. Not only do the activities, such as burning, fencing or planting, need to be undertaken, but carbon offset reports must be developed and submitted to the CER, and at times the project will need to be audited. Regardless of who owns the project, you might decide that some or all aspects of project operation should be delegated to staff or contractors with appropriate skills and expertise.

- Selling Your ACCUs

Who will be responsible for taking your ACCUs to the market? How will decisions about who to sell to be made and at what volume?

Who will advise you on engaging in the carbon market and negotiating a contract? What other matters do you need to consider when negotiating a sales contract? Who will be responsible for making decisions about price, volume and whether you need to engage a third party broker or trader?

- Revenue distribution

For most Indigenous carbon projects, revenue is reinvested in keeping the carbon project running as a priority. For sequestration projects, where there are ongoing obligations to keep doing certain activities beyond the time when income is received, it is important that any decisions about revenue have taken this into account, with good planning to run a successful and sustainable carbon project. Make sure there are clear rules about how carbon credits will be sold, how money generated from sales will be

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9

distributed, and who has the authority to make changes to these rules if required.

- **How will risks be managed?**

There are both risks and benefits involved in owning a carbon project and your governance structure will be one of many tools to help ensure successful outcomes for you and the project. It is critical that you are clear about the risks upfront – especially in relation to sequestration projects, which have a direct impact on what can and cannot occur on the land over a long timeframe, up to 100 years.

“How will revenue earned from sales of carbon credits from your project be distributed and who will make decisions about this? It’s a good idea to decide before any money arrives what will happen once it does!”

Values-based decision making

- *prioritises healthy Country*
- *respects Indigenous rights and self-determination*
- *values cultural knowledge and practice*
- *respects local cultural protocols*
- *supports diversity*
- *invests in long-term, fair and honest partnerships*
- *supports genuine positive community-owned outcomes over expediency and short-term profits*
- *acknowledges that climate change is caused by colonial impacts since the Industrial Revolution*
- *addresses colonial impact of climate change*
- *addresses social and economic disadvantage*

The Strong Women for Healthy Country Network facilitating a session about supporting women in fire and promoting best practice principles at the 2024 North Australia Savanna Fire Forum





Mimal and Jawoyn rangers discuss the years burning at the end of year fire meeting, ALFA, 2020

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