

The Carbon Farming Initiative: What is it and what does it mean for cotton?

By Adam Kay, CEO, Cotton Australia

Following a period of consultation, on August 23 the legislation to underpin the Carbon Farming Initiative (CFI) was passed by parliament, and the scheme will be operational from December this year. With the carbon tax legislation also now passed through the House of Representatives, the next 12 months will start to see a focus on reducing emissions across the Australian economy. For agriculture, which is of course exempt from the tax, the Carbon Farming Initiative is the main way government sees agriculture contributing to a reduction in greenhouse gas emissions in the foreseeable future.

What is Cotton Australia's take on the scheme and what are the opportunities for cotton producers?

Let's start with the basics. The Carbon Farming Initiative includes three main components:

- Legislation to establish a carbon crediting mechanism;
- A set of approved methodologies for offset projects; and,
- Information and tools to help farmers and landholders benefit from carbon markets.

Essentially, the CFI is a carbon offset scheme to help primary producers earn income from reducing emissions through voluntary changes to agricultural and land management practices. It is a package of measures that creates a framework for recognising the abatement activities of farmers.

Under the CFI, landholders can develop a project that provides carbon mitigation or sequestration, have that project officially recognised by the Government and then sell the resulting carbon credits, generating income. The CFI is not a grants program, but more like a process for achieving compliance and recognition that provides an incentive for farmers to undertake activities that will both help reduce Australia's carbon emissions AND increase profitability.

To generate carbon credits under the CFI, landholder projects must comply with approved CFI methodologies that can be developed by private proponents, industry associations and government. Govern-



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ment will publish all methodologies as they are assessed and approved (by an independent 'Domestic Offsets Integrity Committee') and then anyone else can use them to develop their own projects.

Carbon credits generated by landholder projects will be purchased and used by individuals or companies to cancel out or 'offset' the emissions they generate during their day-to-day life or business.

Details of the CFI continue to be developed, with industry groups such as Cotton Australia having a chance to contribute and respond to ideas on its structure and implementation.

Potential risks

Previously, as the CFI was being developed, Cotton Australia echoed the NFF's concerns for the potential risks of the scheme in creating unintended outcomes that may affect communities, regional economies and the environment, namely transfer of prime agricultural land to carbon sink forests.

The Government has since attempted to address such concerns through excluding certain projects if they are likely to present these impacts. Additional risks could be potential changes to rules over time, the

very long term nature of contracts for sequestering carbon (permanence of 100 years) and implications on land values and transfer.

With the scheme in such early days, it's hard to predict the exact environmental and economic potential that could be realised from the CFI, but initial estimates suggest that the land sector could offset up to three per cent of Australia's total emissions in 10 years time, or around 10 per cent of the sector's own emissions – a reduction of up to 15 million tonnes in 2020.

Cotton is a very small contributor to agriculture's greenhouse gas emissions, but nevertheless there may be opportunities for cotton farms and processing systems to reduce or capture GHG emissions in a number of ways.

Some of these include:

- Optimising application and use of fertilisers with reduced nitrogen loss,;
- Managing for soil carbon;
- Managing vegetation on areas of less productive land; and,
- Composting cotton trash and manure.

Many of these options are already the subject of current industry research efforts and incorporated into on-farm best management practices.

The cotton industry also sees opportunities to build on this existing industry research and development through accessing further funding opportunities announced as part of the carbon tax policy, designed to complement the CFI. This includes a Carbon Farming Futures Program (of \$429 million in total) for research, development and extension for GHG mitigation and soil carbon improvement work.

Cotton Australia believes there are opportunities through the CFI to turn the Government's policy agenda into a positive one for the industry and has engaged with Government through submissions and discussions to ensure it provides appropriate opportunities for cotton growers to participate.

As more details emerge, Cotton Australia will keep growers informed of opportunities and the best ways to get involved in a scheme that has the potential to be a win-win for some growers.