

Private Forestry Guidance Materials

Information Sheet 03: Forests and carbon

Overview

As forests grow, they accumulate and store carbon. When forests are managed to improve their health and productivity, they grow faster, delivering better carbon sequestration outcomes. Wood stores the carbon it sequesters from the atmosphere in the wood products it's used to make such as paper, house framing and furniture.

In Australia, it is possible for the carbon stored in plantation forests to generate revenue for the forest owner through the Emissions Reduction Fund. This is made possible through either:

- **Carbon Credits (Carbon Farming Initiative – Plantation Forestry) Determination 2022**, commonly referred to as the plantation method; or
- **Carbon Credits (Carbon Farming Initiative— Measurement Based methods for New Farm Forestry Plantations) Methodology Determination 2014**, or the new farm forestry method.

This fact sheet provides an overview of how the plantation and new farm forestry methods work to reward growers for establishing and managing plantations that store carbon.

Australia's Emissions Reduction Fund

What is it?

Australia's Emissions Reduction Fund (ERF) provides an opportunity for landholders, communities and businesses to secure financial returns for Australian Carbon Credit Units (ACCUs) through projects that either avoid the release of greenhouse gas emissions or remove and sequester carbon from the atmosphere.

What is an ACCU?

One ACCU represents one tonne of carbon dioxide equivalent emissions (tCO₂e) that an eligible, registered project stores (for example by growing trees) or avoids creating. ACCUs can be sold by the project proponent or held to offset emissions from other activities (such as growing livestock or using energy to manufacture products).

There are two ways to sell ACCUs: directly to the Australian Government through a carbon abatement contract that is secured through a reverse auction process or to private buyers operating in the secondary market.

ACCUs are maintained in an account on the Australian National Registry of Emissions Units (ANREU). The Clean Energy Regulator is currently developing an Australian Carbon Exchange that will facilitate simpler trading of ACCUs to meet increasing demand in the secondary market.

Recognising an eligible carbon project

For a carbon project to be eligible to participate in the ERF it must satisfy the requirements of one of the numerous carbon project methodologies documented by the Clean Energy Regulator (CER), which are broadly divided between industry methods and land-based methods. The project must then be registered with the CER and must continue to meet the requirements of the methodology.

The plantation and new farm forestry methods

The plantation and new farm forestry methods allow for plantations to participate in the ERF subject to specific rules and conditions. Plantations established under the methods can be either for future harvest or can be permanent. The new farm forestry method limits the total size of plantations that can be established, which is the key difference between the two methods. The other main difference is that the plantation methodology has four schedules that apply to different plantation management approaches. The plantation method also has stricter requirements around independent advice and auditing.

This information is valid at October 2023, but is subject to change in policy, regulation and legislation.