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Greenhouse Gas Emissions Offsets Policy and Technical Guidelines Northern Territory Offsets Framework

ALFA welcomes the chance to provide input to the Northern Territory Government's *Greenhouse Gas Emissions Offsets Policy and Technical Guidelines Northern Territory Offsets Framework*. This submission is based upon ALFA's extensive experience operating in the carbon industry in the Northern Territory over the last nine years.

ALFA (NT) Limited is an Aboriginal-owned carbon business working in partnership with Traditional Landowners and Aboriginal ranger groups over more than 80,000 km^2 of Aboriginal freehold land (under the *Aboriginal Land Rights Act (NT) 1976*) in Arnhem Land in the Northern Territory of Australia. ALFA is the registered project proponent for five eligible offsets projects which generate Australian Carbon Credit Units (ACCUs) through the savanna burning methodology under *the Carbon Credits (Carbon Farming Initiative) Act 2011* (CFI Act). ALFA is currently the largest producer of savanna burning ACCUs and is responsible for the generation of just under 5 % of Australia's total ACCU issuance (across all methodologies). At the NT scale, ALFA is responsible for over 80 % of all the ACCUs generated from savanna burning projects in the NT.

The Northern Territory's Greenhouse Gas Emissions Offsets Policy is a vitally important piece of legislation to establish how and when to use offsets in the Territory to compensate for emissions. This is critical for the Northern Territory to be able to meet its greenhouse gas emissions targets, for Northern Territory businesses to have policy certainty, to enable informed decision making and to provide a clear pathway for industries in the Northern Territory to achieve emission reductions. This policy will also stimulate the Territory's growing carbon industry.

ALFA notes that whilst greenhouse gas emissions offsets are a key component in the efforts to transition to a low carbon future, offsets only work in the context of strong efforts to avoid and mitigate emissions. Offsets should not be used to enable an increase in emissions from new and unnecessary developments. Instead, their use should be reserved for the offsetting of essential and existing emissions sources that cannot be avoided or further mitigated.

ALFA also notes the release of this draft legislation prior to the NTs Emissions Reduction Strategy is highly unusual and makes it difficult to comment on the likely effectiveness of the policies to meet the Northern Territory's emissions reduction targets.

Recommendations:

ALFA makes the following key recommendations in regards to the Draft Greenhouse Gas Emissions Offsets Policy and Technical Guidelines Northern Territory Offsets Framework:

1. NT Emissions Reduction Strategy

The absence of a published Northern Territory Emissions Reduction Strategy makes it impossible to comment on the effectiveness of the Draft Emissions Offsets Policy. Clear, science-based emissions reduction targets are required to both monitor and achieve the NTs progress towards emissions reduction goals. Both the draft Emissions Offset policy and the recently released Large Emitters Policy need to be situated within an overarching emissions reduction strategy. This strategy must develop and implement interim and long-term emissions reduction targets and include transparent carbon accounting metrics to monitor and manage progress towards targets for all sectors of the economy.

Recommendations:

- That the Northern Territory's Emission Reduction Strategy be developed as a priority
- That both the Emissions Offsets Policy and Large Emitters Policy be informed by the Emissions Reduction Strategy

2. Use of Offsets

The policy needs to clearly articulate and support an emissions mitigation hierarchy – mitigate, reduce and offset – to reduce development impacts on emissions in line with NT emissions reduction targets.

Recommendation:

- That the policy supports an emissions mitigation hierarchy by requiring that all residual emissions must be offset once the policy is triggered
- That the policy clearly states that the relevant Minister and Environmental Protection Authority (EPA) may decide against a development if the mitigation hierarchy is not applied or appropriate for the development

3. Decision making and compliance

The policy needs further clarity in relation to decision making and compliance. The policy as written delegates a significant amount of discretion to the Minister when requiring offsets as a condition of approval.

Recommendation:

- That the roles of the responsible Minister and the Environment Protection Authority (EPA) are clearly outlined in the policy
- The policy should enable the EPA, as an independent scientific body to assess and determine the requirement for offsetting in line with the policy
- That the policy once triggered requires the offsetting of all residual emissions
- That the mechanisms for compliance and enforcement are fully detailed in the Policy

4. Determination of the scale of offsets required

The policy does not outline the mechanisms to be used to determine the scale or proportion of offsets required. These determinations need to be developed to work within an overarching emissions reduction strategy. As previously stated, the NT's Emissions Reduction Strategy must develop and implement interim and long-term emissions reduction targets and include transparent carbon accounting metrics to monitor and manage progress towards targets for all sectors of the economy.

It is also critically important the Northern Territory Government upholds its commitments in relation to the complete offset of all life cycle emissions (Scope 1, 2 & 3) from onshore gas developments in line with Recommendation 9.8 in the 2018 Pepper Inquiry.

Recommendation:

- That the scale of offsets required is developed in line with the NT's Emissions Reduction Strategy
- That the policy supports an emissions mitigation hierarchy (Mitigate, Reduce, Offset) by requiring that all residual emissions must be offset once the policy is triggered
- That the NT Government upholds its commitments to offset all life cycle emissions (Scope 1, 2 & 3) generated from onshore gas developments

5. Use of alternative emissions offset units

ALFA supports the use of regulated alternative emissions offset units that are created in the Northern Territory. However, the use of alternative units should be capped so as not to undermine the value and integrity of Territory produced ACCU offsets.

Recommendation

- That strong integrity standards, equivalent to those applied to ACCUs be applied to the eligibility of alternative emissions offset units

- That ACCUs be required to satisfy at least 75 % of the required offsets

6. Cancellation of offsets

The policy should include clear instructions for the cancellation of ACCUs and alternative emissions offsets units if offsets are required under this legislation.

Recommendation:

- That offset units required under this legislation are cancelled with evidence of such cancellation by the proponent or a third party on their behalf
- That the policy should refer to the Clean Energy Regulator for the generation, trade and cancellation of ACCUs
- The policy should be explicit that the contracting of ACCUs to the Australian Government under an Emissions Reduction Fund Carbon Abatement Contract does not constitute the cancellation of ACCUs under this legislation

7. Indirect emission offsets

ALFA strongly supports emissions reduction method research and development, however, equivalent funding for research and development should not equate to an offset where offsets are required under this legislation. Investment into research and development has a separate social, environmental, cultural and economic return. Indeed, it has been ALFA's experience to date that corporate companies have invested in research and development outside of carbon obligations as a means to assist in the generation of further supplies of abatement (and thus their likelihood of being able to access such supply) and to deliver on other corporate commitments (such as social licence).

Recommendation:

- That the term indirect offsets is removed from the Draft Emissions Reduction Policy

8. Order of priority

The proportion of emissions to be offset using anything other than ACCUs should be limited. The current ability to offset up to 50% using non-ACCUs is too high.

ALFA strongly support the requirement for proponents to use NT generated ACCUs to deliver as much of the required emissions offsets as possible.

Recommendation:

- That at least 75% of offsets are required to be ACCUs

9. Interaction with the New and Expanding Large Emitters Policy

ALFA notes that consultation for this policy has closed. However, this existing policy will drive industry engagement with the draft emissions offsets policy and has major implications for achieving emissions reduction targets in the Northern Territory. The threshold values for both industrial and land use projects appear high and unlikely to be triggered. Without an overarching Emissions Reduction Policy these figures are entirely arbitrary and are likely to establish a precedent where overall emissions are encouraged to increase without any serious requirement to offset these emissions.

Of particular concern is the land use threshold set at five times the industrial threshold. Whilst land clearing produces a large initial release of emissions, there are also ongoing changes to carbon dynamics in the landscape including in soil and living biomass. It is also likely that the end use of the land clearing will result in an increase in emissions through pastoral and agricultural activity. There is also the high likelihood of high biomass weed infestations on cleared land and an increase in high emissions intensity fires.

Recommendation:

- That the Northern Territory's Emission Reduction Strategy be developed as a priority
- That the Large Emitters Policy is revised to be informed by the Emissions Reduction Strategy.
- That once triggered by the threshold, land use projects require the offset of 100% of emissions from such activities
- That the threshold for triggering offsetting in land use clearing be reduced to 100,000 tonnes in line with industrial projects