



Carbon Farming

Carbon farming can potentially provide farmers and graziers with supplementary incomes

IMAGE: DAN PROUD COURTESY TOURISM QUEENSLAND

With Tony Grant Taylor

For landholders willing to contemplate coal seam gas drilling on their land, 'rents' paid by CSG companies can provide a supplementary income to increase returns from their properties. Adding a further potential income stream for farmers and graziers will be the Federal Government's carbon trading system whereby farmers can provide 'carbon farming' benefits for companies that need to pay for their carbon emissions.

We spoke to lawyer Isaac West, a partner from McCullough Robertson, who said as the carbon reduction scheme matures companies from CSG to coal producers – but also a suite of other industries – will be seeking to offset their carbon emissions either by generating their own 'carbon credits' or by buying such credits on what, hopefully, will become a liquid (and for credit sellers quite lucrative) market.

West points out that, "At present, only four means of carbon reduction have been approved for offset credits: early dry season savanna burning; the combustion of landfill gases; cuts in methane emissions from piggery manure; and tree planting projects. The system is in its infancy, at present," says Mr West. "And there's a bit of frustration among businesses keen to increase their offset operations."

West says the government obviously needs to ensure there are 'stringent processes – methodologies' to measure how much carbon is sequestered – that is locked up – by various sequestration schemes and getting more methodologies certified is taking time. "Twelve or 18 months ago, we thought we'd be more advanced than we are," said Mr West. "But we still believe the carbon reduction scheme offers great opportunities for landholders."

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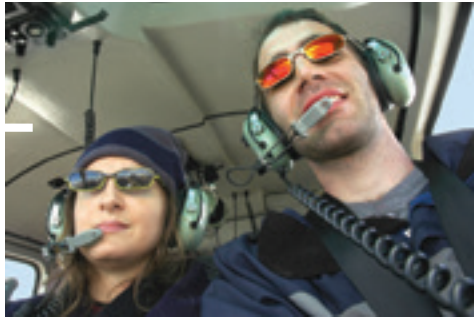
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He said the so-called 'Carbon Farming Initiative' or CFI will progressively allow farmers and land managers to earn carbon credits by storing carbon or reducing greenhouse gas emissions on their land. "These credits will then be able to be sold to people and businesses wishing to offset their emissions," said Mr West.

The CFI can have environmental benefits by encouraging sustainable farming and providing a source of funding for landscape restoration projects. For example, Country Carbon – an accredited provider of carbon offsets from Australian farmers – is active in the origination of carbon offsets from native biodiversity plantings. The company's website states, "Biodiversity plantings for carbon sinks offer the landholder a way of achieving a financial return from the land set aside and also improving farm productivity of the land in food production. Increasing vegetation cover on a farm to enhance biodiversity and for other purposes, is likely to lead to higher productivity of commercial products, apart from those generated by the trees themselves." The site goes on to identify several key benefits including insect control by birds; windbreak shelter for stock and crops; and protecting waterways.

With the carbon market currently maturing slowly, major greenhouse gas emitters have in a number of cases set up their own abatement schemes. BHP Billiton, for instance, in the 2011 and 2012 financial years, set about identifying greenhouse gas (GHG) emissions abatement projects and committed to implementing the most cost-effective options from FY2012 through to FY2017.

In its 2012 sustainability report BHP said: "The suite of abatement projects successfully implemented in FY2012 will deliver an annual GHG emissions reduction of up to 260,000 tonnes. The combined effect of all abatement projects to be undertaken through to FY2017 has enabled us to set an ambitious target to limit FY2017 GHG emissions equal to or below FY2006 levels."

Queensland's coal seam gas industry is also looking to limit or offset emissions, and also to cope with one of the by-products of CSG production – a large amount of water of varying quality. Traditionally, CSG water would be stored in evaporation ponds or injected back into hopefully secure underground structures or treated in desalination plants.

Desalination plants are in fact popping up in numbers in the gas fields that will feed the huge liquefied natural gas plants being developed in Gladstone Harbour. Some will upgrade

the CSG water to a level that will make it suitable for town water for communities near the gas fields while others have developed alternative options. Santos set out from the start to research and develop 'commercially viable environmental strategies (responding) to local and regional stakeholder priorities'. The aim was the most cost-effective management solutions across a range of water qualities.

The former chief executive of Queensland Gas Company – these days controlled by UK group BG, the lead proponent of the Curtis LNG project – used to speak of the CSG industry 'drought proofing' large swathes of agricultural and grazing land across Queensland.

Santos is already using CSG water to irrigate large tree plantations, which will presumably eventually qualify as carbon sinks. As it has stated, trees – while maintaining soil structure – are environmentally and commercially attractive. And where CSG water is too salty, the company is using desalination to irrigate the shrub legume leucaena with a range of summer and winter active inter-row grasses for intensive cattle finishing. Santos engaged a local Australian company, Tree Crop Technologies, to establish its first forest plantation, destined to consist of two million Chinchilla white gums.

Richardson Agricultural Solutions was contracted to establish the leucaena forage and intensive grazing system. Santos' aim, as set out when it formulated these plans, was to ensure coal seam gas production would have, "At the very least, a neutral impact on land owner asset values; surface water quality and ground water quality."

It and the other LNG proponents are also looking to water flows for stock, domestic or broader irrigation purposes in the local area and in downstream catchments. Santos estimated that about 68 gigalitres of water would be available over a 10 to 14 year period for such purposes.



Isaac West of McCullough Robertson

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