



Australian Government

**Australian Government response to the Climate Change
Authority's Review of the Emissions Reduction Fund**

March 2019

Introduction

The Government welcomes the findings of the Climate Change Authority's review of the operation of the *Carbon Credits (Carbon Farming Initiative) Act 2011*, which provides the legislative basis for the Emissions Reduction Fund. The independent Authority found the Fund is performing well. The Fund is helping Australia meet and beat its 2020 emissions reduction target, and is contributing to its 2030 target.

The Authority made 26 detailed and technical recommendations. The Government's response to these recommendations is set out below. Before implementing any of the substantive amendments to legislation described in the response, the Government will consult with Fund participants and other interested parties. Implementation will also depend on the Government's legislative priorities.

Some recommendations refer to independent statutory bodies. The Government has consulted with these bodies in preparing its response. It will be for these bodies to implement the relevant recommendations as they see fit.

Recommendation 1

The Department establish a formal submission process so stakeholders can propose new Emissions Reduction Fund methods. Following assessment of stakeholder proposals by the Department, the Minister would publish priorities for method development every two years.

Response: The Government *accepts-in-principle* this recommendation.

The Emissions Reduction Fund has over 35 methods available for use by all sectors of the economy. As the Fund matures, the focus is on reviewing and refining these methods so emissions reductions remain genuine and additional.

In their submissions to the Climate Change Authority's review and the Government's 2017 Review of Climate Change Policies, stakeholders requested greater transparency in the prioritisation and scoping stages for Fund methods, including information on how the public can input to the method development process, and why some method concepts progress and others do not. The Department has already published on its website a fact sheet outlining how potential methods are prioritised, and supplied a channel through which stakeholders can suggest a new method for consideration in the method prioritisation process.

In response to these stakeholder requests, the Department of the Environment and Energy will provide better information on the method development prioritisation process. The Department will also examine whether a more formal process for obtaining stakeholders' method proposals would be an improvement on current practice.

Recommendation 2

The Emissions Reduction Assurance Committee work with the Department to develop guidance (in the form of a legislative rule) to clarify how the Emissions Reduction Assurance Committee will interpret the Emissions Reduction Fund's offsets integrity standards.

Response: The Government *accepts-in-principle* this recommendation.

The Government welcomes opportunities to further improve the operation of the Emissions Reduction Fund. The Department of the Environment and Energy is working with the Emissions Reduction Assurance Committee to clarify how the Committee interprets the offsets

integrity standards. This improved transparency will help ensure consistency and rigour in the Committee's advice to the Minister on proposed new and varied methods.

The Government does not agree the guidance should take the form of a legislative rule as this could be overly prescriptive. The most effective way to implement this recommendation is for a guidance document to be developed and published which is not in the form of a legislative rule.

The Department will work with the Committee to develop guidance and publish this on the Department's website. The published guidance will be in an easy to understand format, readily accessible to Fund project proponents and other interested parties, and able to be updated as required - more quickly and efficiently than if it were in the form of a legislative rule.

Recommendation 3

Senior Executive accountability for the Emissions Reduction Assurance Committee secretariat to be segregated from method development.

Response: The Government *accepts* this recommendation.

The Government agrees the independence of the Emissions Reduction Assurance Committee is important for ensuring the ongoing integrity of the Emissions Reduction Fund.

The Committee is an independent body and required by statute to assess whether potential methods meet legislative standards and conduct regular reviews of existing methods.

The Departmental Member of the Committee is prohibited by law from voting or indicating a position on the resolution of a vote.

The Government notes the Authority's view that shared Senior Executive accountability for the Committee's secretariat and the method development functions could give rise to the perception of a conflict of interest. The Government also notes the Authority did not present any evidence of such a conflict, or perception of such a conflict, has occurred. The Government is also not aware of any Fund participant identifying this as a perceived conflict of interest.

However, in response to this Recommendation the Department has separated Senior Executive accountabilities for method development and the Committee's secretariat.

Recommendation 4

The Minister to make improvements to methods (in the form of variations) to maintain their alignment with the Emissions Reduction Fund's offsets integrity standards. Variations should incorporate guidance on the most current emissions estimation techniques, tools and calculators including those used for the national inventory. Scheme participants must use the varied method and updated tools within two years of the varied method coming into force.

Response: The Government *notes* this recommendation.

The Emissions Reduction Assurance Committee periodically reviews methods to ensure they continue to meet the offsets integrity standards given potential technological improvements, regulatory changes and other factors. The Committee's findings are provided to the Minister for the Environment and the Secretary of the Department of the Environment and Energy. Based on advice from the reviews, the Minister may seek further advice from the Committee on whether methods should be varied to ensure they maintain their integrity. Many methods already incorporate updated documents and models to reflect the latest science, inventory

requirements and estimation techniques; ensuring updates apply to all registered projects, even without a method variation.

Under both the Emissions Reduction Fund and its predecessor, the Carbon Farming Initiative, project proponents can apply to the Regulator to transition to a new version of a method, but are not compelled to do so. This helps to provide long-term certainty for proponents about the conditions and criteria they will have to meet to generate eligible emission reductions.

Methods are improved and updated over time to reflect scientific developments and/or operational improvements. As there is currently no requirement for existing proponents to shift to an updated method, they are likely to do so only if the new version provides a greater financial return or other benefits.

The Authority has argued there is a balance between providing long-term certainty for project proponents while also maintaining the integrity of offsets generated under the Fund. The Government agrees project proponents have an incentive to maintain the environmental integrity of the Fund while acknowledging the Government, as the maker of methods, should bear some of the risk.

The Government notes requiring projects to transition to new or varied methods would help support the integrity of the Fund, but that it must be balanced with considerations of fairness to existing participants. Before making a final decision, the Government will consult with Fund participants and other interested parties on the implications of such a change, including whether any changes should apply to existing projects and methods, the length of any transition period and whether there are alternative approaches to the Authority's recommendation that achieves similar results.

In relation to varying methods to ensure they remain current, the *Carbon Credits (Carbon Farming Initiative) Act 2011* will be amended to facilitate variations that are agreed by the Chair of the Emissions Reduction Assurance Committee to be minor. The Government will also ensure that final methods and variations can reflect suggestions made in consultation. The Government will also pursue amendments to the legislation to allow consultation for longer than 28 days in the case of complex methods or variations.

Recommendation 5

As part of its method reviews, the Emissions Reduction Assurance Committee examine:

- i.) the measured soil carbon method to assess its effectiveness in distinguishing between natural variability (rainfall) and management actions in crediting abatement from soil carbon
- ii.) estimation and project requirements for the human-induced regeneration method
- iii.) the native forest managed regrowth method to assess the additionality of project activities and baselines
- iv.) regulatory additionality baselines for the landfill gas method and
- v.) the additionality requirements for each method to see if they are still current given changes in technologies, practices and regulation for relevant activities and sectors when considering whether the method's crediting periods should be extended.

Response: The Government *accepts* this recommendation.

The Government agrees on the importance of ensuring additionality requirements are current. In endorsing a method, the Emissions Reduction Assurance Committee is required by legislation to consider whether it complies with the offsets integrity standards. In particular, methods must promote projects that result in carbon abatement that is unlikely to occur in the ordinary course of events (i.e. are additional).

The Committee has already undertaken or is currently undertaking the work identified in this recommendation. The Committee recently endorsed a new soil carbon method, including examining the interaction of natural variability and management action on soil carbon levels. The Committee is currently undertaking a review of the Human-Induced Regeneration and Native Forest from Managed Regrowth methods and will consider the issues raised by the Authority. The Committee has already completed a crediting period review of the Landfill Gas method and is undertaking a periodic review of the method. Other crediting period reviews will follow, as required by legislation.

Recommendation 6

The Minister make a legislative rule requiring scheme participants to provide the Clean Energy Regulator with a plan for maintaining carbon stores during the permanence period when registering projects.

Response: The Government *accepts* this recommendation.

The Minister made an amendment to the *Carbon Credits (Carbon Farming Initiative) Rule 2015* that commenced on 2 May 2018 to require proponents and land owners to provide evidence to the Clean Energy Regulator of how carbon will remain sequestered in the project area for the permanence obligation period. This information is provided when applying for the declaration of an offsets project and, if the offsets report is the project's last or only crediting period, at the first offsets report after the start of the 8th or 24th year.

Recommendation 7

The Clean Energy Regulator require scheme participants to provide fire management plans for sequestration and savanna fire projects. These plans could be the same as those required to meet state or local fire management requirements.

Response: The Government *notes* this recommendation.

Preparation to minimise fire risk and mitigate wildfire is the responsibility of landholders, state and territory fire authorities and other bodies. The Clean Energy Regulator requires evidence of necessary fire permits before issuing any credits for a savanna fire project.

The Regulator liaises with fire authorities to ensure the type and location of Emissions Reduction Fund projects - where relevant - are known to them. This enhances the ability of these authorities to respond in the event of a fire incident and enables them to work with participants to minimise fire risk. This practice will continue, including for projects under new methods, such as savanna fire management projects.

The Government is not convinced that new requirements for the provision of fire management plans to the Regulator by scheme participants will help to ensure the fire plans are appropriate or will be implemented. As the Climate Change Authority acknowledged in their review, the Regulator does not hold the expertise to assess these plans, nor the power to enforce adherence to these plans. State, territory and local authorities with fire management responsibilities are the appropriate bodies to prescribe, assess and seek compliance with fire plan requirements.

The recently made savanna methods require participants to submit to the Regulator a project management plan that includes planned burns. These burning plans do not deal with wildfire or fuel suppression to mitigate fire risk, but are to assist participants to realise opportunities for carbon abatement and sequestration.

Participants in sequestration projects must also provide plans to the Regulator for maintaining carbon stores (see Recommendation 6). It is expected these plans consider the risks from fire to permanent sequestration or carbon in a project area. The Government and Regulator will give further consideration to how fire risks are dealt with in these plans.

Recommendation 8

The Department review the definition of a significant reversal of carbon stored to ensure it is calibrated to the risk of carbon losses across the scheme.

Response: The Government *accepts* this recommendation.

The Department of the Environment and Energy, together with the Clean Energy Regulator, monitors risks to the Emissions Reduction Fund on an ongoing basis. This includes the risk carbon sequestration might be reversed and not recovered.

The Department and the Regulator consider the definition of a significant reversal of stored carbon remains appropriate at this stage, noting there have been no reported reversals to date. However, the Department and the Regulator will continue to examine the operation and adequacy of scheme requirements as the Emissions Reduction Fund matures.

Recommendation 9

The *Carbon Credits (Carbon Farming Initiative) Act 2011* (Cth) be amended to remove the ability for a scheme participant to request that the project area be omitted from the project register for new projects.

Response: The Government *accepts* this recommendation.

The Government is committed to improving transparency for Emissions Reduction Fund projects. The public have shown a high level of interest in the location of Fund projects and their positive contribution to the economy of regional centres. In some cases, this has facilitated expansion of projects into neighbouring areas.

The recommendation as drafted is limited to applications made after any legislative change occurs. Amendments to enable retrospective application of this transparency provision will be considered, as there are currently only around 10 project areas suppressed from publication. Publication of these suppressed project areas would ensure a level playing field for all Fund projects.

Recommendation 10

The Clean Energy Regulator include on their website a search function that allows potential land buyers or other eligible interest holders to search for individual properties and determine if the land is subject to Emissions Reduction Fund permanence obligations.

Response: The Government *accepts* this recommendation.

Information on whether a project area has a permanence period and its expiration date is currently available on the Emissions Reduction Fund project register (and the mapping tool's supporting information), on the Clean Energy Regulator's website. Nevertheless, making it easier for interested parties to see if a property has a Fund project or a carbon maintenance obligation would allow further inquiries to be made of relevant parties – for example in the case of the sale of land.

Recommendation 11

The Clean Energy Regulator develop guidance for conveyancers and state and territory legal societies on permanence obligations that run with the land.

Response: The Government *accepts* this recommendation.

The Clean Energy Regulator will develop guidance on permanence obligations for conveyancers, law societies and future scheme participants. The Regulator is also exploring other appropriate mechanisms to enhance transparency and effectiveness of permanence obligations.

Recommendation 12

The Authority review in every second review of the Carbon Farming Initiative legislation the risk of reversal buffer and the 25 year permanence discount to determine whether these discounts are calibrated to potential losses of carbon, based on evidence of actual losses of carbon in the Emissions Reduction Fund.

Response: The Government *notes* this recommendation.

The Government notes the Climate Change Authority's intention to conduct reviews of the risk of reversal buffer and the 25-year permanence period discount. The amount at which these discounts are set reflects the risk the Government may need to recover lost carbon in order to meet its emissions reduction targets. The Government continually considers these settings in the development of methods and general operation of the Emissions Reduction Fund.

The *Carbon Credits (Carbon Farming Initiative) Act 2011* allows the risk of reversal buffer to be adjusted at method level under the *Carbon Credits (Carbon Farming Initiative) Rule 2015*. The Government is committed to ensuring the risk of reversal buffer is set at an appropriate level to insure against these risks, while still encouraging project uptake. The Clean Energy Regulator regularly tracks actual sequestration losses in relation to the buffer to inform the Government's consideration of this matter.

Recommendation 13

Scheme participants advise the Clean Energy Regulator of individuals and firms they paid to provide advice on the Emissions Reduction Fund when new projects are registered and updated in project reports.

Response: The Government *does not accept* this recommendation.

Scheme participants may receive advice from a wide variety of sources when developing a project proposal, including carbon service providers, legal and financial advisors, greenhouse auditors, regulators, and consultants. Requiring participants to identify all of those who have assisted in project registration and reporting raises potentially complex legislative issues (such as what constitutes 'advice') and may impose a significant regulatory burden on proponents. The Clean Energy Regulator can use existing information gathering powers in the event this information is required to achieve a compliance outcome.

Recommendation 14

The *Carbon Credits (Carbon Farming Initiative) Act 2011* (Cth) be amended so that the Fit and Proper Person requirement is extended to designated agents that act for scheme participants.

Response: The Government *accepts* this recommendation.

Agents who receive a benefit from participating in the Emissions Reduction Fund should be subject to the same requirements as other scheme participants. Designated agents, including authorised representatives and authorised bidders, will be required to pass the Fit and Proper Person test. Implementing this recommendation will reduce the risk to the scheme of involving an agent with an inappropriate compliance or solvency background.

Recommendation 15

The Clean Energy Regulator require a declaration from landholders that they have read the Department's aggregation agreement resources prior to scheme participants registering a project that involves multiple landholders.

Response: The Government *accepts-in-principle* this recommendation.

It is important landholders understand their commitments and legislative obligations, especially when a project involves multiple landholders. The Government will consider if an amendment to the *Carbon Credits (Carbon Farming Initiative) Rule 2015* could help ensure that project proponents have made informed decisions about those agreements before a project is declared.

Recommendation 16

Some industry bodies and local government associations consider providing advice on Emissions Reduction Fund projects to their members.

Response: The Government *notes* this recommendation.

In implementing the Emissions Reduction Fund and the transition to business-as-usual operation, the Department of the Environment and Energy and the Clean Energy Regulator have worked closely and successfully with local governments and industry bodies from the waste, transport, mining and industrial sectors. Since 2014, the Department of the Environment and Energy has held more than 100 technical working group meetings and workshops with more than 2000 representatives, including representatives from the business community.

The Government welcomes further engagement from industry bodies and local government on participation in the Emissions Reduction Fund.

Recommendation 17

The Clean Energy Regulator finalise its guidance to clarify expectations on consultation with Indigenous communities; scheme participants to notify and engage with Registered Native Title Body Corporates on project applications on determined Native Title land and other eligible interest holders before projects are registered and provide the Clean Energy Regulator with evidence this consultation has occurred; and the Clean Energy Regulator not allow scheme participants to bid at auction until all known eligible interest holder consents have been obtained.

Response: The Government *accepts-in-part* this recommendation.

The Clean Energy Regulator has published guidance to clarify expectations about how scheme participants should engage and consult with Indigenous communities, Registered Native Title Body Corporates of project applications on determined Native Title land, and other eligible interest holders. The guidance material also explains the intersect between the *Carbon Credits (Carbon Farming Initiative) Act 2011* and *Native Title Act 1993* (including legal obligations).

The Government agrees-in-principle that as a prerequisite for project registration, project applicants should provide evidence to the Clean Energy Regulator demonstrating they have advised all relevant Native Title groups of a proposed project on Native Title land. The Clean Energy Regulator is working to integrate this requirement into assessment systems. This requirement will be separate to existing eligible interest holder requirements, which are to be retained (see below).

This notification will facilitate any relevant consultation or notification requirements under the *Native Title Act 1993* at an early stage in the project's life, ensuring rights assigned under Native Title are respected by the activities of an Emissions Reduction Fund project.

The Government proposes an alternative approach to preventing scheme participants from bidding at auction until all known eligible interest holder consents have been obtained. Allowing proponents to conditionally register their projects and participate at auction before all eligible interest holder consents are obtained was a policy decision made following consultation with stakeholders, to provide flexibility under the Emissions Reduction Fund. Its application extends beyond Native Title and other Indigenous eligible interest holders to financial institutions, other landholders and state and territory governments. To minimise risk, no credits are issued to projects until all consents have been obtained. This approach balances the cost incurred in planning for an Emissions Reduction Fund project with the certainty and time needed to fund the activities and invest in the process of obtaining relevant consents. The Clean Energy Regulator will require written confirmation that negotiations with the relevant Registered Native Title Body Corporate, for the purpose of eligible interest holder consent in relation to the project, are well progressed towards attaining consent, before that project can qualify for auction.

Conditionally registered projects that have contracts with the Regulator are actively managed, and the majority have been progressively obtaining outstanding consents. The Clean Energy Regulator will examine how the conditions precedent mechanism might be used at auction qualification to require more detailed information on a bidder's plans for consultation on eligible interest holder consent. This would provide additional assurance that the planned consultation has occurred before any contract commences.

Retaining the current process, along with improved guidance and evidence of consultation with Native Title stakeholders and use of the conditions precedent mechanism, is expected to lead to earlier engagement and greater confidence in the successful delivery of these projects. The efficacy of this approach should be evaluated before there is further consideration of more substantive changes to policy.

Recommendation 18

The *Carbon Credits (Carbon Farming Initiative) Act 2011* (Cth) be amended to make it explicit that the Clean Energy Regulator can reverse specific decisions in cases where the original decision was based on false or misleading information.

Response: The Government *accepts* this recommendation.

The Government will seek to amend the *Carbon Credits (Carbon Farming Initiative) Act 2011* and/or legislative rules to make it explicit the Clean Energy Regulator can review and reverse decisions where the original information was false or misleading. This amendment is consistent with the intent of the Act.

Assessment is made at a point in time. If a delegate was satisfied at the time but the information used during the assessment turns out to be incorrect, the Government agrees the Regulator should be able to review and replace its original decision retrospectively.

Recommendation 19

The *Carbon Credits (Carbon Farming Initiative) Act 2011* (Cth) be amended to remove the requirement for scheme participants to state whether sequestration or area based projects are consistent with local Natural Resource Management plans and replaced with a requirement that scheme participants provide the Clean Energy Regulator with evidence that they have advised the relevant Natural Resource Management body about the proposed Emissions Reduction Fund project.

Response: The Government *accepts* this recommendation.

Currently, the *Carbon Credits (Carbon Farming Initiative) Act 2011* requires applications for area-based offsets projects to indicate whether the projects are consistent with relevant regional Natural Resource Management plans. It is not required to demonstrate how projects are consistent with these plans, and project proponents may or may not consult the bodies in question.

Improving communication between project developers and regional natural resource management bodies in the early stages of new projects being developed could help identify potential for projects to deliver additional benefits and avoid unintended effects. Requiring potential scheme participants to notify relevant Natural Resource Management bodies of their proposed projects would allow these management bodies to be informed in advance about anticipated landscape level changes in their area.

The Government agrees with this recommendation as it could encourage dialogue between scheme participants and Natural Resource Management bodies, while noting the Clean Energy Regulator will not judge the adequacy of advice provided by scheme participants to Natural Resource Management bodies (or vice versa), and has no compliance mechanism to manage disagreements on these matters. Information on all registered projects will continue to be publicly available on the Emissions Reduction Fund Register.

Recommendation 20

There be no change to the purchasing principles.

Response: The Government *accepts* this recommendation.

Under the Emissions Reduction Fund, over 475 projects have been contracted across Australia for around 193 million tonnes of emission reductions at an average price of \$12.00 per tonne. The success of purchasing under the Fund demonstrates the appropriateness of the purchasing principles and the Government agrees there should be no change to the principles at this time.

Recommendation 21

The Clean Energy Regulator periodically revisit the cap on buyer's damages in new Emissions Reduction Fund contracts to provide a greater incentive for scheme participants to deliver their contracted Australian Carbon Credit Units.

Response: The Government *accepts* this recommendation.

The Clean Energy Regulator will periodically review the cap on buyer's market damages for new Emissions Reduction Fund contracts. This is for the purposes of ensuring damages reflect the loss the non-breaching party (being the Government, as buyer) suffers from non-delivery, and to encourage participants to meet contractual delivery obligations. The market damages cap cannot be imposed as a penalty to encourage compliance.

In assessing whether to increase the cap, the Regulator will need to consider the future market price of Australian Carbon Credit Units and whether an increased cap would discourage participation in the scheme.

Recommendation 22

The Clean Energy Regulator require scheme participants to deliver a minimum of 30-50 per cent of Australian Carbon Credit Units from the project they used to register at auction.

Response: The Government *does not accept* this recommendation.

The Clean Energy Regulator assesses at a point in time (pre-auction) if a registered project has the potential to deliver 100 per cent of Australian Carbon Credit Units under a future contract. While the actual source of delivery may change over the course of implementation, in practice, the majority of Australian Carbon Credit Units have been delivered from the contracted project. The Regulator monitors the performance of all contractors to ensure they will meet their delivery obligations and has in place tools to manage contracts where the project has either failed or is underperforming.

This flexible approach maximises the likelihood deliveries will be met and also acts as an important incentive for proponents to undertake projects even when not contracted by the Regulator. By retaining this flexibility around delivery, contracted parties can source units from non-contracted parties in the case of shortfall, or if it provides a more cost-effective way to fulfil their contractual obligations. Requiring 30-50 per cent of Australian Carbon Credit Units to come from the contracted project would limit the options for contract fulfilment, the availability of units for compliance and voluntary buyers, and may lead to an increase in delivery risk and prices.

Recommendation 23

The Clean Energy Regulator publish timely information about the holding of Australian Carbon Credit Units including ownership, volume and project method and a six monthly 'statement of opportunities' that sets out the forward schedule for Australian Carbon Credit Units from Emissions Reduction Fund contracts, the availability of Australian Carbon Credit Units in the secondary market and, to the extent known, indicative demand and prices for Australian Carbon Credit Units.

Response: The Government *accepts-in-principle* this recommendation.

The Regulator supports publication of timely market information on Australian Carbon Credit Units, including supply and demand, price information, ownership and volume. The average price per tonne of abatement or the weighted average price for each Australian Carbon Credit Unit purchased at each auction is already published.

Before publishing the additional information recommended, further consideration and consultation is required to understand the implications for contracts and the market. Further investigation into the technical challenges of tracking and presenting information in the Australian National Registry of Emissions Units is also required.

Above all, the additional information published needs to assist in the development of a deep and liquid secondary market for Australian Carbon Credit Units and ensure their availability for Emissions Reduction Fund contract delivery and other purchasers.

Once issues such as these are resolved, consideration to the format, content and timing of future communication products will be settled.

Currently, the Clean Energy Regulator does not have the legislative powers to require or publish some of the information recommended by the Authority, such as on ownership. The Government may consider legislative changes in the future to improve information available for Fund proponents and others, such as the publication of Australian Carbon Credit Unit holdings.

Recommendation 24

The Clean Energy Regulator investigate ways to further enhance client services, particularly when responding to complex enquiries.

Response: The Government *accepts* this recommendation.

The Clean Energy Regulator is always seeking to improve client engagements. Client service processes are reviewed regularly and feedback from clients is an important input to these reviews. The Regulator will consider a stakeholder roundtable or other process targeted to engaging with key stakeholders. Complex enquiries will be escalated and single point-of-contact within the Regulator provided, where appropriate.

Recommendation 25

The *Carbon Credits (Carbon Farming Initiative) Act 2011* (Cth) be amended to expand the Clean Energy Regulator's regulatory toolkit to include issuing penalty infringement notices (similar to fines) for some specified instances of non-compliance such as non-reporting.

Response: The Government *accepts* this recommendation.

Civil penalties exist but the Regulator currently has no ability to issue penalty infringement notices. These notices would be a quick and effective tool to manage non-compliance, and a potentially effective deterrent for less serious forms of compliance that could escalate if not rectified in a timely manner. These penalties would not be intended as a form of revenue-collection.

The Government will consult with relevant stakeholders on the impact of penalty infringement notices before making any legislative changes.

Recommendation 26

The Government allocate additional funds to the Department so it can collaborate with research organisations and stakeholders on new methods for the land sector, drawing on the consultation process for new method development (see Recommendation 1) and the Government require rural research and development corporations include emissions reductions as one of the priorities for their research and development work.

Response: The Government *notes* this recommendation.

The Government provides a number of funding opportunities for research which can inform development of new methods under the Emissions Reduction Fund. For example, there are two research projects funded under the National Environmental Science Program up until 2018 and 2020 which contributed to the development of the Savanna Fire Management methods.

Another research project in 2015-2016 reviewed the current state of knowledge on techniques for estimating soil carbon in northern Australia, and provided recommendations on future research directions to improve carbon sequestration methodologies under the Fund.

The Minister and the Department identify new and emerging priority research needs on a yearly basis for funding by the National Environmental Science Program.

The Government has provided broad advice on research funding to the Rural Research and Development Corporations through establishing four clear, farmer-oriented research priorities. These research priorities were developed through a consultation process leading to the *Agricultural Competitiveness White Paper*, and were agreed by State and Territory ministers at the Agricultural Ministers' Forum in 2016. The research priorities include the improvement of resilience to climate events and impacts, in relation to research on soil, water and managing natural resources.

As separate legal entities, the Rural Research and Development Corporations are each responsible for determining their own research programs, in partnership with industry and taking Australian Government priorities into account. The Department of Agriculture and Water Resources intends to write to all Rural Research and Development Corporations, noting this recommendation by the Authority, and requesting that they consider it when next reviewing their research programs.

The Government will continue to consider decisions about additional funding through its budget processes.