Australian Government

Department of Climate Change
and Energy Efficiency

CARBON FARMING INITIATIVE

Draft Guidelines for Submitting Methodologies

These draft guidelines are published for consultation purposes only and are not to be used to submit a methodology for assessment. They will be amended in light of stakeholder feedback on the proposed design of the Carbon Farming Initiative (CFI) and an amended version will be released in February or March 2011 with a public call for draft methodologies to be submitted to the Domestic Offsets Integrity Committee (DOIC).

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Purpose of these guidelines

These guidelines provide information for methodology proponents on how to prepare a draft methodology for assessment by the Domestic Offsets Integrity Committee (DOIC) for use under the Carbon Farming Initiative (CFI) following passage of the CFI legislation. They include information about the different aspects of a CFI methodology and a template for submitting proposed methodologies and supporting evidence to the DOIC for assessment. They also provide information on applying for inclusion of an activity on the 'positive list' of activities deemed additional.

The guidelines are organised into five distinct parts covering:

- **Part 1** – overview of the CFI and the methodology assessment process;
- **Part 2** – explanation of how to develop a draft methodology;
- **Part 3** – guidance on how to apply for inclusion of an activity on the positive list of activities that are recognised as additional;
- **Part 4** – the standards for evidence submitted in support of a draft methodology; and
- **Part 5** – a template for presenting methodologies and supporting evidence to the DOIC.

These guidelines have been prepared to enable early assessment of CFI methodologies and fast-track the development of offset projects on scheme commencement. They will be reviewed and updated to ensure consistency with scheme requirements following passage of the CFI legislation.

Part 1: The Carbon Farming Initiative (CFI)

The CFI will be a legislative scheme that provides for credits to be issued in return for the abatement of greenhouse gases (i.e. reduced or avoided emissions and removals and sequestration) through activities in the land sector.

The CFI will provide farmers, forest growers and landholders with opportunities to generate carbon credits for sale in domestic and international markets. To be eligible to receive CFI credits, abatement projects would need to meet scheme eligibility criteria and apply a methodology approved for use under the CFI.

More information on the CFI is available on the Department of Climate Change and Energy Efficiency website at: http://www.climatechange.gov.au/cfi.

Eligible activities

The Government has proposed that the CFI would credit land sector abatement, whether or not it is recognised towards Australia's Kyoto Protocol target. Credits representing non-Kyoto abatement would be distinguished from credits that are issued for Kyoto-recognised abatement.

Eligible abatement activities may include:

- Reductions in emissions from agricultural production, including from:
    - : Livestock digestion;
    - : Fertiliser;

: Manure management in intensive livestock farming;

: Burning of stubble and agricultural crop residues; and

: Rice cultivation;

- Reforestation and avoided deforestation, as defined in Australia's National Greenhouse Accounts for Kyoto Protocol compliance purposes;
- Savanna fire management;
- Reductions in emissions from waste deposited in landfill facilities before 1 July 2011 ('legacy waste'); and
- Any land sector abatement activities that are not recognised towards Australia's obligations under the Kyoto Protocol, including:

: Revegetation;

: Improved forest management;

: Management of agricultural soils ('soil carbon'); and

: Feral animal management.

More information on what is included in Australia's National Greenhouse Accounts is available at: http://www.climatechange.gov.au/emissions.

CFI legislation

The CFI legislation would set out common requirements for abatement projects, including eligibility criteria, crediting periods, and requirements for reporting, auditing and verifying abatement. The legislation would also include provisions for streamlining assessment of additionality, where appropriate, and ensuring credits issued for sequestration projects represent permanent abatement.

CFI methodologies will be legislative instruments and do not need to include provisions or rules for matters that are addressed in the enabling Act. They will contain activity-specific rules, providing detailed instructions to project proponents on how to implement and monitor abatement projects.

An exposure draft of the CFI legislation is available on the Department of Climate Change and Energy Efficiency website at: http://www.climatechange.gov.au/government/submissions/carbon-farming-initiative.aspx.

This draft was made available for consultation only and to help stakeholders prepare their submissions on the proposed CFI design. The legislation is to be finalised taking stakeholder feedback into account following the public submission period and prior to introduction to Parliament in early 2011.

CFI methodologies

CFI methodologies must relate to eligible abatement activities and will need to contain:

- a description of the abatement activities, greenhouse gases, and emissions sources and sinks affected by a project;

- procedures for identifying and estimating any increases in emissions outside of the project boundary as a direct result of the project activities ('leakage');
- procedures for determining a baseline which represents emissions and removals that would occur in the absence of the ability to generate carbon credits;
- procedures, including models, for estimating or measuring abatement (net of leakage) relative to the baseline;
- project-specific monitoring requirements; and
- any additional reporting and record keeping requirements which are specific to the project and not included in the CFI legislation.

Applications for assessment of draft methodologies will need to include supporting evidence to enable the DOIC to assess whether the proposed methodology is consistent with the offsets integrity standards outlined below and other requirements specified in these guidelines.

Application of methodologies

Abatement projects will be approved for a defined crediting period during which the application of the project methodology is assured. At the end of the crediting period, the project proponent would have to reset the project baseline in accordance with the methodology.

Further, if the project methodology is amended or revoked during the crediting period, the new or amended methodology will apply from commencement of the subsequent crediting period. Project proponents could apply to use an amended methodology during the current crediting period, but would not be required to do so.

Crediting periods would be specified in the CFI regulations and may vary for different activities.

Methodologies will be periodically reviewed by the Department of Climate Change and Energy Efficiency. Any amendments would need to be assessed by the DOIC and approved by the Minister for Climate Change and Energy Efficiency.

Domestic Offsets Integrity Committee (DOIC)

All methodologies must be assessed by an independent expert panel known as the Domestic Offsets Integrity Committee (DOIC). The DOIC will also assess whether activities can be included on the positive list of activities that will be treated as additional.

The Minister for Climate Change and Energy Efficiency established an interim DOIC to enable project developers to bring methodologies forward for assessment prior to passage of the CFI legislation. The interim committee was established on 27 October 2010. The interim DOIC will assess whether draft methodologies and supporting evidence meet the requirements of the CFI, including the offsets integrity standards listed below. Adherence to these standards will ensure that CFI methodologies and projects are rigorous and lead to real and verifiable abatement.

More information on the DOIC is available at: http://www.climatechange.gov.au/doic.

Offsets integrity standards

The environmental integrity of the scheme will directly affect consumer confidence and the amount that buyers are willing to pay for CFI credits. For this reason, it is important that abatement credited under the CFI meets internationally recognised offsets integrity standards designed to ensure that abatement is real and verifiable. These integrity standards include:

- **Additional** – a project must result in abatement that would not have occurred in the absence of expected returns from the sale of CFI credits. There would be no reduction in emissions as a result of the CFI if the project activity would have occurred in the normal course of business.
- **Permanent** – permanence is an important characteristic of any offset project that involves the removal of carbon from the atmosphere and its long-term storage in plants, soil or other carbon sinks. There would be no real abatement if carbon were to be stored and subsequently released to the atmosphere. For practical purposes, biological carbon stores are generally considered permanent if they are maintained (on a net basis) for at least 100 years.
- **Accounting for leakage** – material increases in emissions elsewhere, which nullify or replace the abatement that would otherwise result from the project, must be identified and accounted for.
- **Measurable and auditable** – abatement must be credibly measured or estimated to ensure each offset credit represents one tonne of carbon dioxide equivalent (CO_2-e) of emissions reduction or removal. Data collection, estimation and modelling approaches must be consistent over time and enable abatement estimates to be audited. Projects must be audited by an independent, qualified third party.
- **Conservative** – conservative assumptions, numerical values and procedures must be used to ensure that abatement and other claims are not over-estimated. Every CFI credit must be equivalent to at least one tonne of CO_2-e abatement.
- **Internationally consistent** – estimation methods must be consistent with (not necessarily the same as) Australia's National Greenhouse Accounts, where relevant, and internationally agreed methodologies and reporting practices adopted by the United Nations Framework Convention on Climate Change (UNFCCC).
- **Supported by peer-reviewed science** – where emissions estimation methods are not the same as those used for Australia's National Greenhouse Accounts, scientific evidence used to support the estimation methods must be peer-reviewed. The methodological assessment process will provide for peer-review of estimation methods.

Assessment of additionality

To streamline assessment of additionality, the Government has proposed that activities that are clearly additional be listed in the CFI regulations. This is referred to as the positive list. These activities would be treated as additional for the purposes of participation in the scheme.

The DOIC would assess whether activities should be included on the positive list.

For activities not included on the positive list, project proponents would need to demonstrate that they satisfy project-level additionality tests. Projects would be considered additional where they:

- would not commonly be undertaken; and, either
- are not financially viable (that is, the financial returns from the activities are unlikely to be sufficient to justify the initial investment in the absence of carbon credits); or
- there are other barriers that prevent the activities from occurring, such as access to finance or technology, skills or knowledge gaps.

Whether or not individual abatement projects satisfy the additionality tests would be assessed by the scheme administrator in line with the Act or regulations.

The Government is considering other ways of streamlining assessment of additionality, including scope to develop standardised baselines that define common practice under particular circumstances or conditions. These could be included in CFI methodologies and would be assessed by the DOIC.

Abatement projects would not be eligible under the CFI if the specified activity is required under Commonwealth, state, territory or local government legislation.

CFI permanence provisions

Carbon that is removed from the atmosphere and stored in the landscape can be re-released to the atmosphere, reversing the sequestration benefit. Biological carbon stores are generally considered permanent if they are held for at least 100 years.

The risk of reversal is unique to sequestration activities. The Government recognises the difficulties involved in making very long-lasting decisions about land use and the value of preserving future land use flexibility. The Government is therefore considering the following approach to permanence:

a) scheme participants would be able to withdraw voluntarily from the scheme and associated permanence obligations at any time as long as they relinquish an equivalent number of CFI credits to those which have already been issued for the project activity;

b) a risk of reversal buffer to insure the scheme as a whole against re-release of carbon that is not otherwise covered by compliance and penalty provisions;

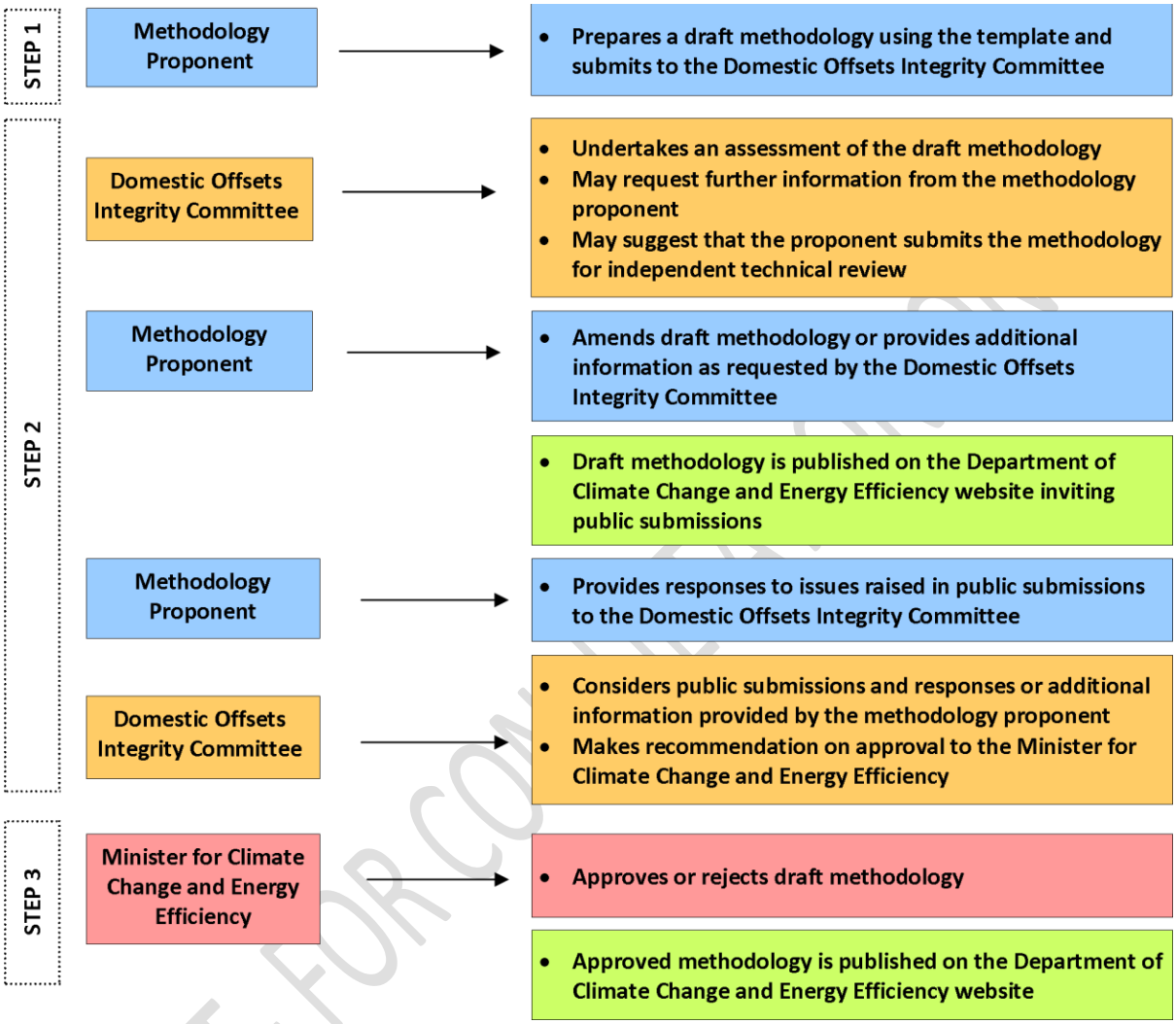
c) an obligation to relinquish credits if carbon stores are destroyed and not re-established; and

d) a carbon maintenance obligation that would require future landowners to maintain carbon stocks if the project is not properly transferred and the proponent becomes insolvent, goes into receivership or dies.

Methodology assessment process

The key steps and roles and responsibilities in the methodology assessment process are outlined in Figure 1.

Figure 1: Methodology assessment process



Further information

The DOIC will undertake an initial review of the application for assessment of a draft methodology and may request further information from a methodology proponent if the methodology is incomplete, introduces untested scientific claims or is not supported by evidence.

The DOIC may separately commission, through the Department of Climate Change and Energy Efficiency, additional expert assessment of proposed methods or supporting evidence.

Public consultation

The DOIC will publish draft methodologies and supporting evidence on the Department of Climate Change and Energy Efficiency website and invite public comments for a minimum period of 30 days. For this reason, methodologies could not be approved if subject to confidentiality requirements which would prevent or unduly restrict public dissemination or use.

A proponent could request that proprietary information used as supporting evidence, for example proprietary model code and parameter sets or data, remain confidential.

Public feedback on draft methodologies will be provided to the methodology proponent and published on the Department of Climate Change and Energy Efficiency website.

Methodology proponents must submit a written response addressing any concerns raised in public comments to the DOIC.

The DOIC will consider both the public comments and the methodology proponent's responses in making its recommendations to the Minister for Climate Change and Energy Efficiency. The DOIC will provide the methodology proponent with reasons if they decide not to recommend a methodology for approval by the Minister.

Methodology approval and publication

The Minister may accept the DOIC's recommendation and approve a methodology.

Prior to the passage of the CFI legislation, approved methodologies will be published on the Department of Climate Change and Energy Efficiency website.

Supporting information submitted to the DOIC as part of an application for assessment of a draft methodology will not be included and published as part of the approved methodology.

Following passage of the CFI legislation, approved methodologies will be made into methodology determinations (legislative instruments) under the CFI legislation and published on the Federal Register of Legislative Instruments. This will promote scheme integrity and facilitate broad participation in the scheme.

Part 2: Preparing a CFI draft methodology

Applications for assessment of CFI draft methodologies will consist of:

1) details of draft methodology, including detailed instructions to project proponents on how to implement an abatement project involving the eligible activity; and

2) supporting evidence to enable the DOIC to assess the draft methodology against the offsets integrity standards and other requirements specified in these guidelines.

This section of the guidelines explains the steps involved in preparing a draft methodology and the information that must be included in the application template provided in Part 5.

All methodologies intended for use under the CFI must be assessed by the DOIC. Proposals for inclusion of activities on the additionality positive list must also be assessed by the DOIC and can be submitted separately from draft methodologies using the application template.

Step 1: Determine whether a new methodology is necessary

Each CFI methodology must apply to a distinct abatement activity.

Before developing and submitting a draft methodology for assessment by the DOIC, proponents should determine whether there is an approved CFI methodology for the proposed activity.

Where a new methodology proposal is similar to an approved CFI methodology, the proponent would need to explain to the DOIC how the new methodology proposal is different.

Approved CFI methodologies will be published on the Department of Climate Change and Energy Efficiency website at: http://www.climatechange.gov.au/cfi.

Methodologies may have already been approved for similar abatement activities under an offset scheme in another country or Australian jurisdiction. Methodology proponents should consider whether these could be consolidated or adapted to Australian conditions.

Where a draft methodology is based on an existing methodology from another offset scheme, the proponent should include references to the existing methodology in the supporting evidence to their application for assessment by the DOIC.

Methodology proponents are encouraged to contact the Department of Climate Change and Energy Efficiency to determine whether methodologies similar to their proposal are under development in Australia by private methodology proponents or governments. The department will promote collaboration between methodology proponents where possible.

More information on what the department is doing to support methodology development is available at: http://www.climatechange.gov.au/cfi.

Step 2: Define the scope of the methodology

The scope of the methodology refers to the activities, technologies or management practices to be implemented by abatement projects and the circumstances or conditions under which they may be applied.

Methodologies must be capable of being applied by any potential project proponent implementing the abatement activities in the particular circumstances. This will promote broader participation in

the CFI by minimising the need for individual project proponents to develop unique methodologies within a single activity category. It will also reduce the cost and complexity of scheme administration.

Methodology proponents will need to describe the abatement activities in detail, including how they will reduce or avoid emissions or remove and sequester greenhouse gases from the atmosphere.

Methodology proponents will also need to specify the climatic or other environmental conditions, such as land or soil types, under which activities must be undertaken. For example, a methodology for savanna fire management may be applicable to specific types of savanna grass lands only.

Under the Australian Constitution, Commonwealth legislation cannot discriminate between states. To enable approved methodologies to be converted into legislative instruments under the CFI legislation, methodologies must not be restricted to a particular state or any part of a state. Any specific geographic or climatic conditions specified in the scope of the methodology, such as savanna regions, rainfall bands or landscape attributes, should be described without referring to state jurisdictional boundaries.

Step 3: Define procedures for identifying a baseline scenario

Project abatement is estimated relative to a baseline that represents the emissions or greenhouse gas removals that would have occurred in the absence of the ability to generate carbon credits.

Methodology proponents will need to specify procedures for identifying feasible baseline scenarios and selecting the one most likely to occur in the absence of the ability to generate CFI credits.

There are various methods for developing baseline scenarios, including:

- **Historical baselines** – it will sometimes be reasonable to assume that in the absence of an abatement activity, emissions and removals will be the same in the future as they have been in the past and to derive baselines from historical emissions data. For example, this would normally be the case for reforestation or revegetation.
- **Projected baselines** – baselines can be set using projected or modelled estimates of future emissions under various scenarios.
- **Comparison baselines** – baselines can also be derived by monitoring and comparing emissions from the abatement project to that of a comparison or control project. Methodology proponents proposing to use comparison baselines will need to provide evidence that the land area or farm used to provide a comparison is operating in genuinely comparable circumstances and environmental conditions.

Procedures for selecting the most likely baseline scenario may include an analysis of financial or other barriers.

In supporting evidence, the methodology proponent will need to justify and provide evidence to support the proposed approach to identifying and selecting baseline scenarios, including all assumptions.

Standardised baselines

Over time, it may be possible to further streamline the assessment of additionality by developing standardised baselines that define common practice under particular circumstances or conditions.

Standardised baselines can provide a means of ensuring that early adopters of a new approach or technology are not disadvantaged.

Standardised baselines could be included in methodologies and would be assessed by the DOIC. Emissions reductions below these baselines would be considered additional, avoiding the need for project proponents to provide evidence of additionality to the scheme administrator.

Methodology proponents interested in exploring the potential for standardised baselines for a particular activity are encouraged to contact the Department of Climate Change and Energy Efficiency.

Step 4: Define project boundaries and potential sources of leakage

Methodology proponents must identify the greenhouse gas emissions sources and sinks affected by abatement projects. All affected emissions sources and sinks should be identified, regardless of whether they are controlled by the project or eligible for crediting.

All direct and indirect emissions sources and sinks within the project proponent's control would form the project boundary. This would include emissions from electricity consumption.

The project boundary is not a physical or geographic boundary, but rather is representative of the boundary for assessing the greenhouse gas effects of the project activities.

Indirect emissions sources and sinks outside of the control of the project proponent and not captured as part of the boundary represent potential sources of leakage.

For example, leakage can occur when emissions are displaced because reductions in production in one location are nullified or replaced by increases in production elsewhere in the economy. This can occur because economic demand remains unchanged. Abatement projects involving avoided deforestation or reductions in livestock production are susceptible to this form of leakage.

Draft methodologies must outline steps that project proponents should take to identify, monitor and minimise potential leakage. They will also need to account for potential leakage in project emissions and abatement estimates (see Step 5 below).

Methodology proponents must justify the exclusion of any emissions sources or sinks from the project boundary. For example, very small emissions sources may be excluded on the basis of immateriality where the cost of ongoing monitoring outweighs the benefit of including the source within emissions estimates.

Emissions sources and sinks that would result in net reductions or removals under abatement projects applying the draft methodology, but are ineligible for crediting, must be excluded from the project boundary. An example would be a reduction in emissions from the displacement of coal-fired electricity because additional electricity has been generated from landfill gas. For further information on what is proposed to be eligible for crediting, refer to the list provided in Part 1.

Detailed process descriptions (such as flowcharts) must be provided to illustrate typical project boundaries and potential sources of leakage. Methodology proponents may also submit a draft project plan as an example.

The Department of Climate Change and Energy Efficiency will continue to consult with stakeholders on options to address leakage and provide further guidance in future iterations of these guidelines.

Methodology proponents should be aware that these options could result in a reduction in abatement estimates to take account of leakage risks.

Step 5: Define procedures for estimating abatement

All emissions and removals from sources and sinks identified in the project boundary and as potential sources of leakage (see Step 3) must be included in estimates of baseline and project emissions and removals. The abatement from the project is the difference between the baseline and project emissions and removals (net of any leakage and emissions reductions or removals from sources and sinks that are ineligible for crediting).

Baseline and project emissions and removals can be estimated using direct measurement or modelling.

The same measurement and/or modelling approaches must be used to calculate baseline and project emissions and removals.

Methodology proponents will need to describe in full the estimation and modelling approaches used to estimate emissions and removals. This includes:

- the generic form of models and validation statistics demonstrating their quality of fit against local data;
- parameters enabling models to represent cause and effect relationships in specific environments (such as species, soils, and markets), clearly defining the locations and conditions under which it is appropriate to use a model;
- input data defining each scenario for which a model is run to generate outputs, including management actions (such as ploughing, fertilising and harvesting); and
- the software via which the model is applied, documenting versions and relevant updates.

The draft methodology will need to explain what project proponents need to do to establish the parameter sets that allow the model to be tailored to the particular circumstances outlined in the methodology scope. For example, project proponents may need to collect project-level data sets for soil, species and/or climatic conditions and fit model parameters to these data using statistical methods.

Where site selection is part of the methodology, statistically valid sampling techniques need to be included and justified in supporting evidence.

Accounting protocols

In many cases, protocols for estimating greenhouse gas emissions have already been established under the National Greenhouse and Energy Reporting System (NGERS) and Australia's National Greenhouse Accounts.

Draft methodologies must:

- use methods set out in the NGER (Measurement) Determination to calculate emissions covered by NGERS;
- include consistent data collection procedures; and

- use global warming potentials adopted in NGERS.

If methods are not included in the NGER (Measurement) Determination, the draft methodology should use estimation approaches, measurement standards and emissions factors previously adopted in Australia's National Greenhouse Accounts, where these are available and suitable to project-level emissions estimates. If methods are unavailable or those previously adopted under Australia's National Greenhouse Accounts are unsuitable, proponents may propose new or alternative methods. These will need to be supported by credible scientific evidence (see Part 4).

The NGER (Measurement) Determination is available on the Department of Climate Change and Energy Efficiency website at: http://www.climatechange.gov.au/reporting/determination.

Variability and averaging

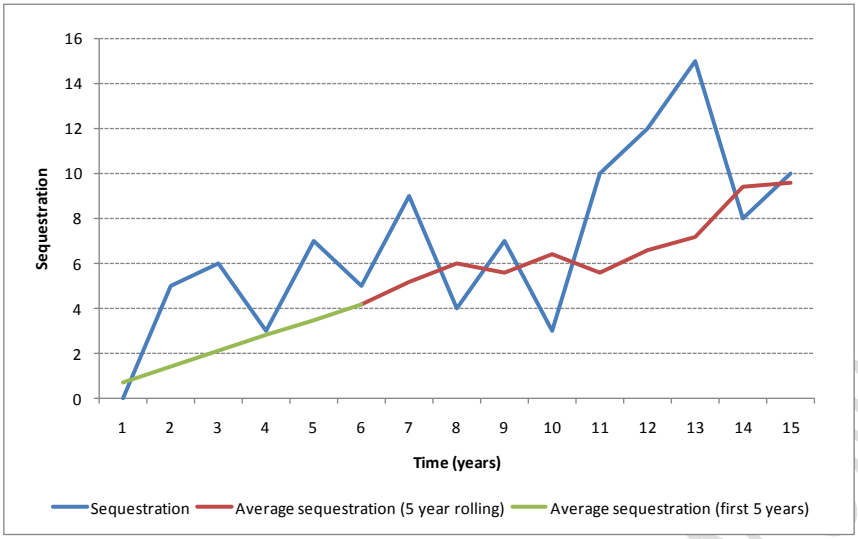
Many bio-sequestration activities are subject to a high degree of variability as a result of natural climatic or production cycles. Some abatement, such as soil carbon, will be subject to short-term cycles following human-induced and natural disturbance, while others may be subject to longer term variability (such as harvest cycles in forestry). Where there is a positive overall trend in carbon stocks as a result of management actions it may be feasible to use an 'averaging' approach to estimate abatement over a relevant time period.

The time period and method of averaging will need to be included in the methodology. This will help reduce the likelihood that project proponents would need to surrender large numbers of credits when carbon stores are lost and provide more credible, conservative abatement estimates.

Variability can be accounted for using rolling or projected averages. Projected averages can be updated over time as estimates are obtained.

In Figure 2, a rolling average is used to estimate abatement for a bio-sequestration project subject to significant inter-annual variability. Abatement could initially be projected using a model or similar estimate approach (indicated by the green line). This can be updated as proponents report actual levels of sequestration achieved (blue line). Over time, sufficient data could be collected to enable the projected average to be replaced with a rolling average, which would be calculated using estimates of past abatement (red line). The period over which a rolling average is calculated can be set to reflect the expected variation associated with the activity.

Figure 2: Estimating changes in carbon storage for variability at annual or inter-annual timescale



A similar approach can be used to estimate longer term abatement for forests that are periodically harvested.

Step 6: Outline processes for monitoring and reporting

The CFI legislation will include common reporting, record keeping and audit requirements. Guidance for project proponents on reporting, record keeping and auditing for projects will be provided separately.

Methodologies need to include project-specific requirements for monitoring and reporting. For example, methodologies will need to include rules for monitoring and reporting on:

- the conditions under which abatement activities must be undertaken in order for projects to conform to the methodology;
- emissions and removals resulting from the project;
- the data required to identify and justify baseline scenarios and to support baseline estimation and resetting; and
- increases in emissions outside the boundaries of the project (leakage).

All measurement systems have errors and are subject to uncertainty. Monitoring and reporting systems must achieve confidence levels and manage uncertainty using the standards and procedures laid out in the NGERS.

In many cases, standards for measurement and estimation systems will already exist, either under NGERS or across a range of Australian and international standards. The monitoring and reporting section of a draft methodology must specify which Australian Standards, or other relevant standards, need to be complied with, including frequency of calibration and maintenance requirements for measuring equipment and qualifications for equipment operators.

Part 3: Applying for inclusion on the additionality positive list

The DOIC will consider whether an activity meets the requirements for inclusion on the CFI additionality positive list.

Proponents may apply to the DOIC to have an activity included on the positive list using the template provided in Part 5, with or without a full draft methodology.

Activities may be included on the positive list if they are obviously additional; that is, if they would normally be undertaken for the primary purpose of generating abatement and obtaining carbon credits. The positive list could include activities that have multiple purposes, for example that promote biodiversity, prevent erosion or increase profitability, but are too costly to be undertaken in the absence of returns from the sale of carbon credits. Examples could include flaring of methane emitted from manure management systems and the establishment of mixed-species or non-commercial plantings designed to maximise carbon sequestration.

Proponents applying for the inclusion of an activity on the positive list must provide supporting evidence to the DOIC, including:

- evidence that the activity is not commonly undertaken in the proposed circumstances or conditions (such as advice from state governments or industry experts that the activity is not occurring in a particular region); and, either
- financial analysis demonstrating that the abatement activity is unlikely to be economically viable without the income generated by CFI credits; or
- evidence of other barriers such as access to finance or technology, skills or knowledge gaps that constrain the adoption of the abatement activity.

Part 4: Supporting evidence

Methodology proponents must provide supporting evidence to enable the DOIC to assess the validity of the proposed methodologies.

Evidence provided to support draft methodologies must be:

- **Complete** – all claims (including methods for quantifying greenhouse gas emissions and removals) must be supported by evidence.
- **Transparent** – claims must be transparently documented and reproducible, such that they are capable of being independently audited.
- **Relevant** – all information, claims and decisions must be directly relevant to proving that the integrity standards and other legislative requirements have been met.
- **Consistent** – all information, claims and decisions made must be consistent across all aspects of methodology development.
- **Credible** – bias and uncertainties must be reduced as far as is practical. Approaches to data collection must be rigorous and applied appropriately, while estimation and modelling approaches must be consistent and reliable.

International consistency and peer-reviewed science

Estimation methods must be underpinned by credible scientific evidence that is subject to international or peer-review processes. Peer-review is the practice of independent review and critique by scientific peers used to test scientific evidence prior to publication in scientific journals.

The estimation methods that the Australian Government uses to develop the National Greenhouse Accounts are subject to international expert review under the United Nations Framework Convention on Climate Change. Like scientific peer-review, this tests the scientific rigor and ensures the credibility of estimation methods.

For this reason, further evidence of scientific peer-review will not be required for estimation methodologies that are used for the NGERS and Australia's National Greenhouse Accounts.

The Department of Climate Change and Energy Efficiency is continually developing and improving the methodologies used to formulate the national accounts. Methodology proponents are encouraged to seek advice from the department on incorporation of new estimation methodologies in the national accounts.

The DOIC will undertake an expert review of estimation methods that are not the same as Australia's National Greenhouse Accounts, including whether sufficient evidence has been provided to support draft methodologies. In doing so, the DOIC may seek further advice from technical or scientific experts or request further information or evidence from the methodology proponent.

Methodology proponents must document the published scientific literature (or scientific evidence and academic review processes) on which elements of the draft methodology are based.

Methodology proponents must provide expert evidence to support the application of peer-reviewed estimation methods in different circumstances (for example to different species, regions, soil types or climates) to those for which the methods were originally peer-reviewed.

Where draft methodologies are proposed to apply more broadly than for a specific region (and are not the same as Australia's National Greenhouse Accounts) the methodology proponent must indicate how the estimation approach takes account of variation between different regions, and provide supporting evidence.

Part 5: Assessment application template

Instructions for proponents

This template must be completed and used by proponents applying for assessment of a draft methodology by the DOIC. It incorporates:

1) details of a draft methodology, including detailed instructions to project proponents on how to implement and monitor a project for the specified eligible activity; and
2) supporting evidence to enable the DOIC to assess the draft methodology against the offsets integrity standards and other requirements specified in these guidelines.

Methodology proponents must complete all sections of the template, with the exception of Section 4, which is optional and relates to applications for inclusion of an activity on the positive list.

Proponents applying for inclusion of an activity on the additionality positive list only, without a full methodology, must complete Sections 1, 3, 4 and 9-12.

The instruction on project implementation and monitoring will form the basis of the methodology determinations made by the Minister for Climate Change and Energy Efficiency. This information is to be provided in the blue boxes. If the methodology is assessed to meet CFI requirements, the information in the blue boxes would form the published approved methodology.

Supporting evidence is to be provided in the green boxes. This information would not be contained in the published approved methodology, but will be made publicly available during the public comment period as part of the DOIC's assessment.

Methodology proponents may submit a draft project plan as an example.

If a proponent wishes for any information provided as supporting evidence to be exempt from public disclosure, the information must be clearly marked 'CONFIDENTIAL'. An explanation of why this information should not be published during the public comment period should be provided in Section 10 of the template. Where the DOIC requires more information from a proponent on why the information should not be published, it may seek additional information from the proponent.

Draft methodologies that include confidential information in blue sections will not be considered by the DOIC and will be returned to the proponent.

Section 1: Applicant details

Name:	
Company:	
Position:	
Telephone:	
Email:	

Address:	
Postal address (if different to above):	

Are you applying for inclusion of an activity on the additionality positive list?	Yes / No
If yes, are you also applying for assessment of a draft methodology for the proposed activity?	Yes / No

Section 2: Existing methodologies

Has a similar methodology already been approved for use under the CFI? If yes, outline how the new methodology proposal is different.

Is the draft methodology based on an existing methodology that has been approved under an international offsets scheme or an offsets scheme in another Australian jurisdiction? If yes, provide details of the existing methodology (include references).

Section 3: Methodology (or activity) scope

Describe in detail the abatement activity, technology or management practice to which the methodology (or application for inclusion on the positive list) applies. Explain how it will reduce or avoid emissions or remove and sequester greenhouse gases from the atmosphere.

List the circumstances or conditions under which the activity, technology or management practice must be implemented. If it can be applied under different circumstances or conditions (for example, climatic conditions, soil types and other regionally specific conditions), specify any differences in implementation.

Section 4: Inclusion on the additionality positive list (if applicable)

If applying for inclusion of the abatement activity on the positive list, provide a detailed analysis, including all relevant assumptions, justifying the inclusion of the activity. The analysis must include:

- evidence that the abatement activity is not commonly undertaken in the proposed circumstances or conditions (such as advice from state governments or industry experts that the activity is not occurring in a particular region); and, either
- financial analysis demonstrating that the abatement activity is unlikely to be economically viable without the income generated by CFI credits; or
- evidence of other barriers such as access to finance or technology, skills or knowledge gaps that constrain the adoption of the abatement activity.

This analysis must demonstrate that these barriers apply across potential abatement projects in the circumstances or conditions specified in Section 3.

Section 5: Baseline scenario

Specify the procedures for identifying feasible baseline scenarios for abatement projects implemented within the scope of this methodology.

Specify the procedures for identifying the baseline scenario most likely to occur in the absence of the ability to generate CFI credits. This may include analysis of financial or other barriers.

List and justify the assumptions on which baseline scenarios are based.

Section 6: Project boundaries and leakage

Describe in detail the steps and/or processes involved in undertaking the abatement activity, including any resulting increases in emissions outside of the control of the project. Flowcharts may be used to illustrate typical projects and potential sources of leakage.

In the table below, list all emissions sources and sinks controlled or affected by the project. Indicate whether the source or sink is to be included or excluded from the baseline or project boundary and provide justification for any exclusions. Indirect emissions sources outside of the control of the project must be identified as potential sources of leakage. Expand the table to include additional sources and sinks, as necessary.

Source		*Gas/carbon pools*	*Included / excluded*	*Justification for inclusion / exclusion*
Baseline	*Source 1*			
	Source 2			
	Sink 1			
	Sink 2			
Project Activity	*Source 1*			
	Source 2			
	Sink 1			
	Sink 2			
Leakage	*Source 1*			
	Source 2			
	Sink 1			

Indicate how project proponents should monitor and account for potential sources of leakage.

Section 7: Estimating abatement

Describe the measurement and modelling approaches that will be used to estimate *baseline emissions and removals*. Provide detailed instructions to project proponents on how these methods are to be applied, including the methods of data collection.

Describe the measurement and modelling approaches that will be used to estimate *project emissions and removals*. Provide detailed instructions to project proponents on how these methods are to be applied, including the methods of data collection.

For projects subject to significant variability, describe the averaging procedures that will be used to estimate long-term variability in emissions and removals, for example, those resulting from harvest cycles or natural climate variability.

Describe the measurement and modelling approaches that will be used to estimate potential *leakage*. Provide detailed instructions to project proponents on how these methods are to be applied, including the methods of data collection.

Provide a detailed description of all formulas and detailed explanations of the parameters included in each formula, along with a description of how each parameter is derived.

Indicate whether the estimation methods and emissions factors are from the NGER (Measurement) Determination or Australia's National Greenhouse Accounts. If not, explain why new or different estimation methods are proposed. Note that the methods set out in the NGER (Measurement) Determination must be used to estimate emissions covered by NGERS.

Section 8: Monitoring and reporting

Outline the elements of the project that will be monitored and describe how monitoring will be undertaken, including: • frequency of monitoring; • the Australian Standards, or other relevant standards, that project proponents will need to comply with to calibrate and maintain measurement equipment; and • any qualifications that operators will need to operate measurement equipment.

Specify the data and other information about the project that must be included in project reports, including: • data required to estimate emissions and removals resulting from the project; • data required to identify and justify baseline scenarios and to support baseline estimation and resetting; • data required to estimate leakage; and • information about project implementation or changes in environmental conditions that are required to determine whether the project remains within the scope of the methodology.

Section 9: References

Provide a full citation for all reports cited in the draft methodology or supporting evidence for an application for inclusion of an activity on the additionality positive list.

Section 10: Appendices

Append and list below all relevant documentation necessary for the DOIC to assess the methodology or application for inclusion on the additionality positive list.
Appendix A: *Appendix B:*

Section 11: Disclosure

Specify documents or parts of documents included as supporting information to the application that are marked CONFIDENTIAL and should not be published and the reasons why.

Acceptable justification would include that the information should not be published if it reveals, or could be capable of revealing:

- trade secrets; or
- any other matter having a commercial value that would be, or could reasonably be expected to be, destroyed or diminished if the information were disclosed.

Document/Part of document	*Reason for maintaining confidentiality*

Section 12: Declaration

This application must be signed by a duly authorised representative of the proponent. The person signing should read the following declaration and sign below.

Division 137 of the Criminal Code makes it an offence for a person to give information to a Commonwealth entity if the person providing the information knows that the information is false or misleading. The maximum penalty for such an offence is imprisonment up to 12 months.

By signing below, the signatory acknowledges that he or she is an authorised representative of the proponent, and that all of the information contained in this application is true and correct. The signatory also acknowledges that any of the information provided in this application may be copied, recorded, used or disclosed by the Department of Climate Change and Energy Efficiency for any purpose relevant to the CFI. Information will not be publicly disclosed by the department where it has been identified as confidential by the proponent.

Full name of the person signing as representative of the proponent		*Date*	
Position			
Signature			

Glossary

Abatement	The reduction or avoidance of greenhouse gas emissions or the enhancement of greenhouse gas removal from the atmosphere by sinks (sequestration) through planned activity.
Abatement activities	Activities conducted for purpose of achieving abatement.
Abatement project	A project which applies an approved offset methodology and implements abatement activities to obtain carbon credits.
Accounting protocols	Protocols for estimating greenhouse gas emissions, such as those established under the National Greenhouse and Energy Reporting System and Australia's National Greenhouse Accounts. These include estimation approaches, measurement standards and emissions factors.
Additionality	A requirement that a project or activity provide net abatement beyond that which would occur in the absence of the ability to generate carbon credits.
Avoided deforestation	The prevention of conversion of forested land to a non-forest land use. This is only eligible as an abatement activity in situations where deforestation would occur in the baseline scenario.
Barriers	Gaps in finance, technology, skills, knowledge or other resources that constrain the adoption of an abatement activity.
Baseline emissions	The emissions or removals likely to have occurred under the baseline scenario.
Baseline scenario	The set of assumptions determined to be a realistic counter-factual scenario that would occur in the absence of the ability to generate carbon credits.
Bio-sequestration	Capture and storage of atmospheric carbon dioxide by biological processes (for example, through photosynthesis in plants).
Carbon credit	A property right enabling an amount of abatement, usually equivalent one tonne carbon dioxide equivalent (CO_2-e), to be traded in carbon markets.
Crediting period	The period a project can generate carbon credits without revising a methodology.
Domestic Offsets Integrity Committee (DOIC)	An independent expert committee that will assess domestic offset methodologies and provide recommendations to the Minister for Climate Change and Energy Efficiency on their approval.
Emissions source	A biological, geological or human-induced process that emits greenhouse gases into the atmosphere.

Global warming potential	An index measuring the radiative forcing of a unit mass of a greenhouse gas in the present-day atmosphere integrated over a chosen time horizon, relative to that of carbon dioxide.
Greenhouse gases	The atmospheric gases responsible for causing global warming and climate change. The six classes of greenhouse gases included under the Kyoto Protocol are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydro-fluorocarbons (HFCs), per-fluorocarbons (PFCs) and sulphur hexafluoride (SF_6).
Kyoto Protocol	An international agreement created under the United Nations Framework Convention on Climate Change (UNFCCC) to reduce the collective greenhouse gas emissions of developed countries.
Legacy waste	Waste deposited in landfill facilities before 1 July 2011.
Leakage	An unanticipated increase in greenhouse gas emissions as a result of an abatement project that occurs outside the project boundary
Methodology	A set of instructions for how to conduct, measure and report on a specific abatement activity under certain circumstances or conditions.
Methodology proponent	An entity that develops and submits a draft methodology to the DOIC for assessment.
Methodology scope	The activities, technologies or management practices to be implemented by abatement projects applying the methodology and the circumstances or conditions under which they are to be implemented.
National Greenhouse Accounts	Comprehensive reports on Australia's greenhouse gas emissions prepared by the Department of Climate Change and Energy Efficiency. They assist the Government in developing climate change policy and setting emissions targets, meeting Australia's reporting commitments under the UNFCCC and tracking progress against Australia's target under the Kyoto Protocol.
National Greenhouse and Energy Reporting System (NGERS)	The national reporting framework for information related to the greenhouse gas emissions, and energy production and use of corporations operating in Australia. The framework is established under Commonwealth legislation, and makes registration and reporting mandatory for corporations whose greenhouse gas emissions or energy production or use meet certain thresholds.
Offsets integrity standards	Internationally recognised standards designed to ensure that abatement is real and verifiable.
Permanence	An assurance that carbon stored through abatement activities is not later reversed. Carbon stores are generally considered to be permanent if not reversed within a period of 100-years.

Positive list	A list of activities deemed additional by the DOIC.
Project boundary	All of the greenhouse gas emissions sources and sinks affected by an abatement activity and controlled by a project.
Project proponent	An entity that develops and applies to register an abatement project.
Reforestation	Reforestation is the direct human-induced conversion of non-forested land to forested land through planting, seeding and/or the human-induced promotion of natural seed sources, on land that was forested, but that has been converted to non-forested land limited to those lands that did not contain forest on 31 December 1989.
Sequestration	See Bio-sequestration.
Sink	A biological, geological or human-induced process that absorbs and stores greenhouse gases from the atmosphere.
Standardised baseline	A generic baseline defining common practice in certain circumstances or conditions.
United Nations Framework Convention on Climate Change (UNFCCC)	An international treaty, adopted in 1992, aimed at achieving the stabilisation of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system.