



**28 April 2011**

## Wool Industry Carbon Farming Initiative response. ( CFI ).

### CONTEXT

1. AWI noted the substantial scientific uncertainty regarding man-made global climate warming, and does not accept that carbon dioxide and methane by products of ruminants are proven contributors to man-made climate change or should be considered carbon pollution.
2. Nonetheless, AWI recognizes the important role sheep producers already play in storing atmospheric carbon, and supports mechanisms which reward farmers for activities which result in carbon mitigation or capture and storage on-farm.

### PROPOSED PRINCIPLES

3. To ensure the CFI not have perverse impacts on the sheep industry, AWI proposed 3 principles which should be considered when evaluating the CFI:
  - a) the scheme should be complementary to Australia's long-term food and fibre security;
  - b) avoid deleterious impacts on the economy and communities, especially in rural and regional Australia
  - c) minimize imposition of cost or regulatory burdens on participants or the Commonwealth, while facilitating the efficient operation of carbon markets..

### AWI CONCLUSIONS

4. In this light, AWI concluded that the CFI as proposed had little by way of practical, cost effective options for participation by woolgrowers. The 4 key difficulties identified were:
  - a) difficulty meeting proposed eligibility criteria for additionally and permanence;
  - b) likelihood that implementation costs would exceed revenue from CFI offset credits
  - c) complex and demanding leakage and administrative obligations for project proponents, and potentially high transaction costs
  - d) lack of landholder knowledge and local enterprise networking making aggregation and cost sharing more difficult.
5. AWI's conclusions are backed up by detailed farm economic modelling, which shows that under the expected range of carbon prices (e.g. \$20-40/t), enterprise gross margins would be substantially reduced, and only forestry projects would be economically sensible. Break even prices of up to \$250/t would be required for most scenarios.
6. On these bases, AWI concluded that the CFI scheme as proposed would drive land use change toward agro-forestry, commit participating farmers to zero or low productivity gain in other parts of their enterprises, and thus have negative impacts on the long-term food and fibre production, and Australia's farmers and rural communities.

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## AWI RECOMMENDATIONS

7. AWI proposed a more flexible approach which addressed its above concerns:

- a) revise the definitions for 'additionally', 'permanence' and 'leakage' to allow achievement of long-term productivity gain on farms
- b) conduct detailed investigations of the potential impacts of the CFI on landholders and rural and regional communities before commencing any such scheme.
- c) develop methodologies allowing broad scale participation at the level of individual producers, regions, or industries.

8. AWI also identified a number of research opportunities which could be considered - noting that these should be funded by the government directly and not through the RDC's such as AWI until the potential conflict between the CFI and the Rural RDC priority to 'improve the productivity and profitability of existing industries' has been overcome

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## Related Links

<http://australianwoolgrowers.com.au/>