ndevr environmental

Carbon and Co-benefits Co-Investment Guide

Part B: Supplementary Guidance Material

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Prepared for: *The Victorian Water Sector, through the State-wide Climate Change Coordinator hosted by*

VICTORIA State Government Energy, Environment and Climate Action

VIC CATCHMENTS
A Collaboration of CMAs

Contents

1.0 Purpose of this Supplementary Guidance Material

1.1 Background and Purpose

Background to the Co-Investment Process Guide

The context for developing a process to guide water sector organisations through developing and financing carbon projects that also deliver environmental and socio-cultural benefits is described in *Part A: Carbon and Co-benefits Co-Investment Process* of this two-part series.

The core objective is to leverage investment opportunities so as to drive the convergence of climate change mitigation and adaptation on the one hand, and the delivery of core or co-benefits (CoBs) through carbon project development on the other.

Purpose of this Supplementary Guidance Material

This Document constitutes ***Part B: Supplementary Guidance Material*** to the Process Guide (Part A).

Part A: Co-Investment Process provides the context and practical step-by-step process for Victorian water sector organisations to design and plan carbon projects that are also capable of attracting co-investment, first and foremost, on the basis of their co-benefit (CoB) value.

This Part B provides supplementary guidance to support organisations in implementing the steps in the Co-investment process, as well as a case study to illustrate lessons learnt from the proposed Winton Wetland carbon project.

Carbon and Co-benefits Co-Investment Guide

Part A: Co-Investment Process

Part B: Supplementary Guidance Material

2.0 Supplementary Guidance on Co-Investment Process

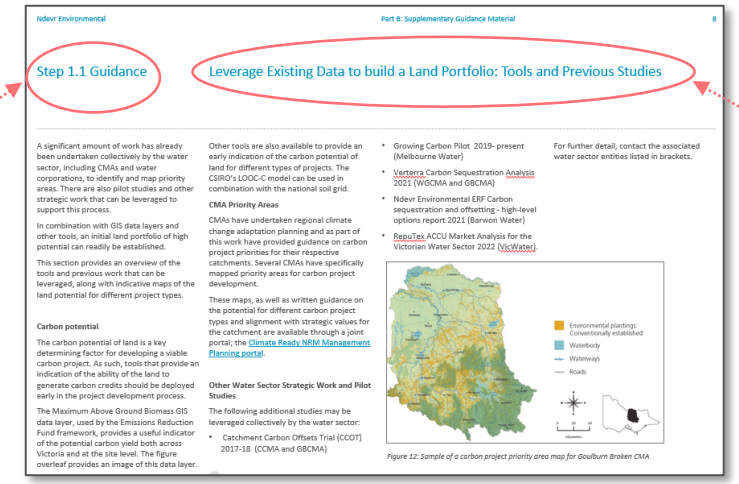
2.1 Carbon Project Development and Co-Investment Process

The diagram below depicts the carbon project development and co-investment process that may be applied in seeking to incorporate CoB delivery and leverage investment and/or government funding opportunities. Each stages consists of a series of steps, set out in detail in Part A of the Co-Investment Process Guide.

Supplementary Guidance in this Document:

Provided below is additional guidance relating to particular steps in the overarching process below. The steps to which the guidance relates is identified on each relevant page as per the diagram below.

Step from Part A: Carbon and CoB Co-Investment Process to which additional material relates



Description of step in co-investment process and identification of topic of additional guidance provided

Figure 1: Presentation of Guidance Material

Stage 1. Target Site Identification

Develop a land portfolio of potential sites, assess for and select sites capable of delivering on twin-objectives of generating carbon credits and co-benefits.

Step 1.1 Guidance Leverage Existing Data to build a Land Portfolio: Tools and Previous Studies

A significant amount of work has already been undertaken collectively by the water sector, including CMAs and water corporations, to identify and map priority areas. There are also pilot studies and other strategic work that can be leveraged to support this process.

In combination with GIS data layers and other tools, an initial land portfolio of high potential can readily be established.

This guidance material provides an overview of the tools and previous work that can be leveraged, along with indicative maps of the land potential for different project types.

Carbon potential

The carbon potential of land is a key determining factor for developing a viable carbon project. As such, tools that provide an indication of the ability of the land to generate carbon credits should be deployed early in the project development process.

The Maximum Above Ground Biomass GIS data layer, used by the Emissions Reduction Fund framework, provides a useful indicator of the potential carbon yield both across Victoria and at the site level. Figure 3 overleaf provides an image of this data layer.

Other tools are also available to provide an early indication of the carbon potential of land for different types of projects. The CSIRO's LOOC-C model can be used in combination with the national soil grid.

CMA Priority Areas

CMAs have undertaken regional climate change adaptation planning and as part of this work have provided guidance on carbon project priorities for their respective catchments. Several CMAs have specifically mapped priority areas for carbon project development.

These maps, as well as written guidance on the potential for different carbon project types and alignment with strategic values for the catchment are available through a joint portal; the Climate Ready NRM Management Planning portal.

Other Water Sector Strategic Work and Pilot Studies

The following additional studies may be leveraged collectively by the water sector:

- Catchment Carbon Offsets Trial (CCOT) 2017-18 (CCMA and GBCMA)
- Growing Carbon Pilot 2019- present (Melbourne Water)
- Verterra Carbon Sequestration Analysis 2021 (WGCMA and GBCMA)
- Ndevr Environmental ERF Carbon sequestration and offsetting - high-level options report 2021 (Barwon Water)
- RepuTex ACCU Market Analysis for the Victorian Water Sector 2022 (VicWater).

For further detail, contact the associated water sector entities listed in brackets.

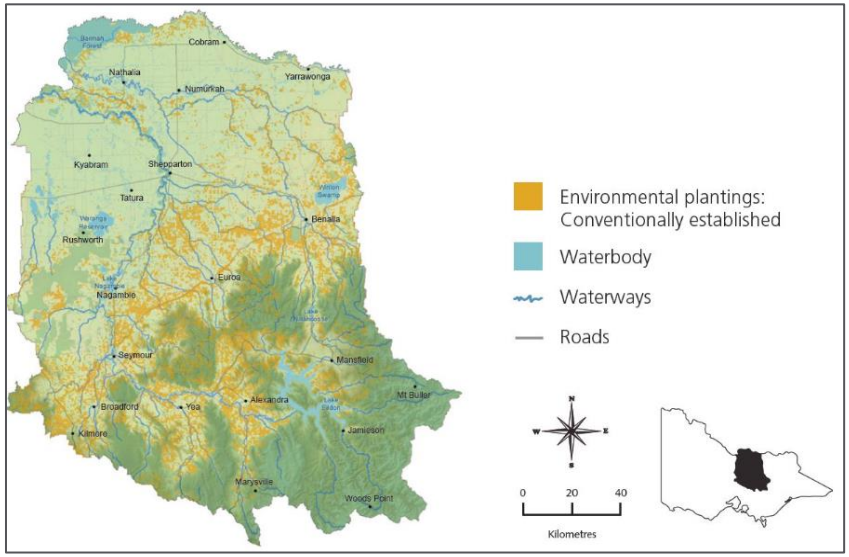


Figure 2: Sample of a carbon project priority area map for Goulburn Broken CMA

Step 1.1 Guidance Leverage Existing Data to build a Land Portfolio: Max Biomass Map

Figure 3 maps the land's maximum upper limit to accumulation of above-ground biomass (M) in woody vegetation according to normalised difference vegetation index, soil fertility, vapour pressure deficit, soil water content, and temperature. Since the above-ground biomass of vegetation sequesters carbon as it grows, this provides an indication of locations where vegetation projects with high carbon abatement potential could be targeted in Victoria.

M is reported as tonnes of dry matter per hectare (tDM/ha). Blue areas of high potential in the east of Victoria are more attractive for the development of carbon projects. Typically, these areas have a baseline land use of forest cover or high agricultural priority due to the favourable conditions for vegetation. Red areas to the northwest have low above-ground biomass potential and often correspond to grassy plains, grazing native vegetation or deserts.

To identify regions and areas for Environmental Planting and Plantation Forestry carbon projects, Figure 3 can be overlaid against areas that are non-forest land but have the ability to be restored to forested systems (i.e. display forest cover potential). Noting that further work on state-wide opportunities is conducted through CMAs and the water sector collectively, and there may be opportunities to build on and share state-wide strategic mapping data.

Roxburgh, S. H., Karunaratne, S. B., Paul, K. I., Lucas, R., Armston, J. A., & Sun, J. (2019). A revised aboveground maximum biomass layer for the Australian continent. Forest Ecology and Management, 432, 264-275. https://doi.org/10.1016/j.foreco.2018.09.011

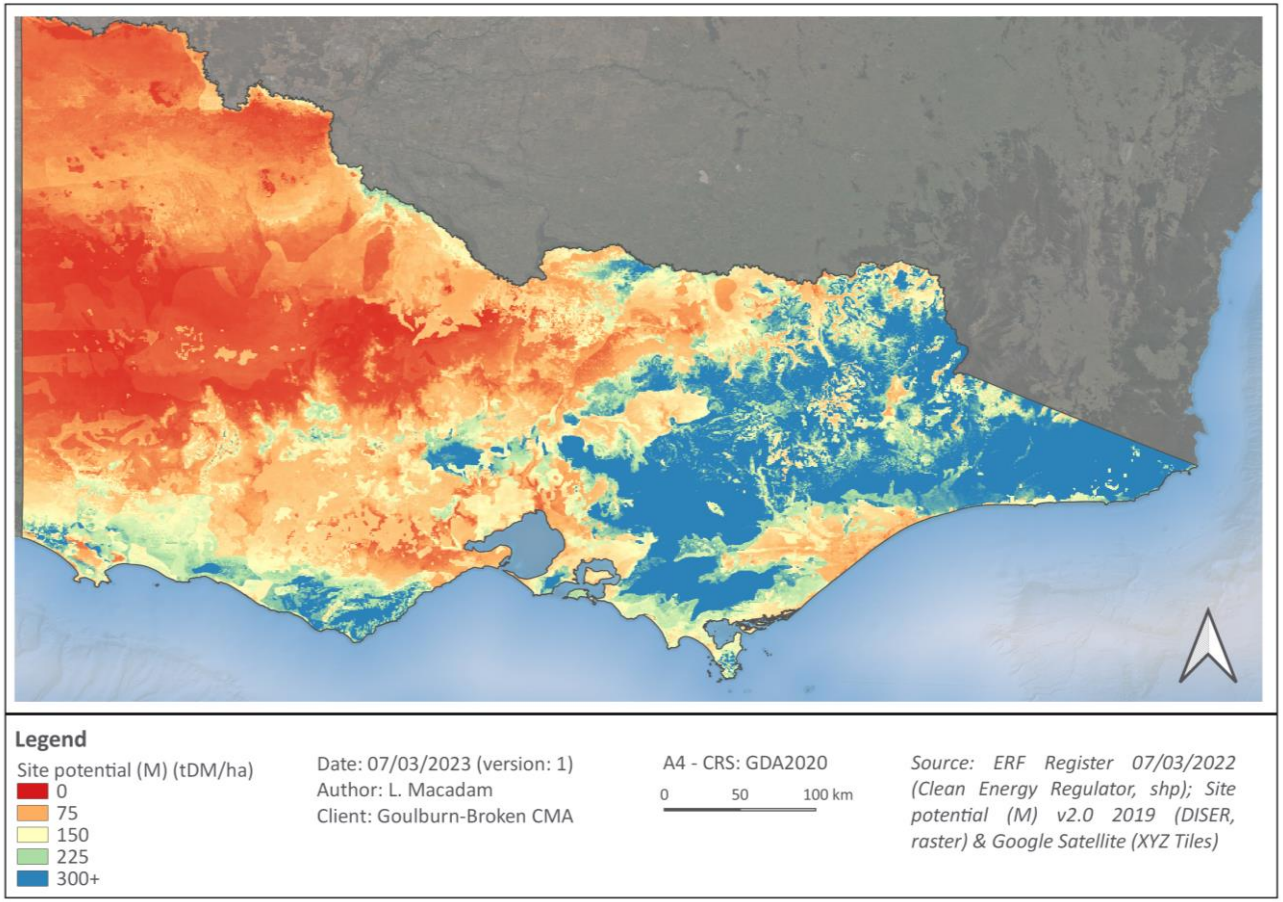


Figure 3: Maximum Above Ground Biomass mapping. Source: Roxburgh et al. (2019) available from the Clean Energy Regulator

Step 1.1 Guidance Leverage Existing Data to build a Land Portfolio: Soil Carbon Potential Map

Soil carbon sequestration varies greatly according to the change in land management. Soil carbon abatement activities can comprise of land use conversion, or land management undertaken alongside or replace of baseline land use.

Opportunities are primarily found in areas of agricultural land use such as grazing modified pasture, cropping and horticulture. The spatial distribution of these agricultural land uses is mapped for Victoria in Figure 4.

Land uses suitable for soil carbon projects are spatially distributed across the state, with a particular concentration in central-west Victoria.

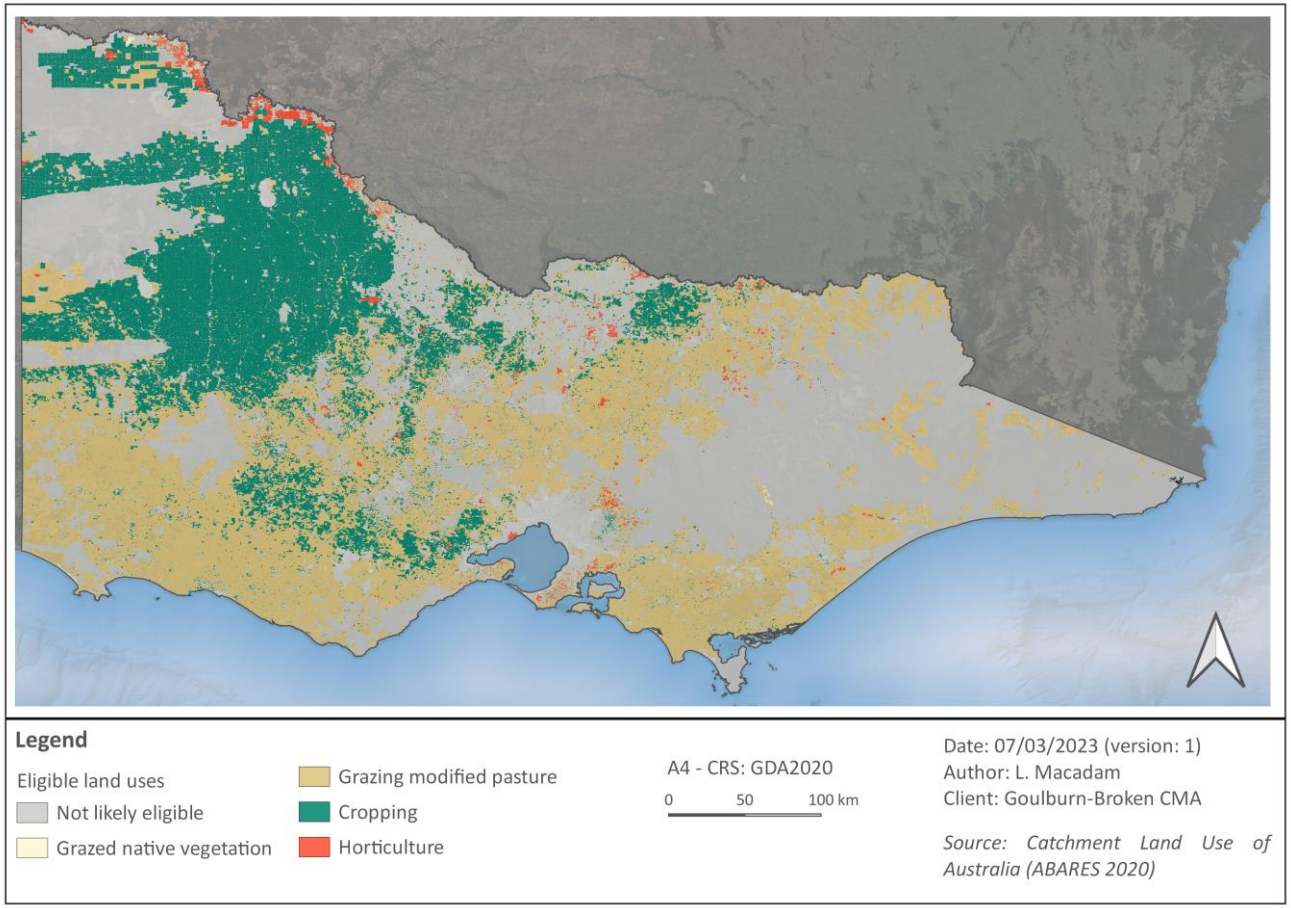


Figure 4 : Victorian land use types eligible for soil carbon projects

Step 1.1 Guidance Leverage Existing Data to build a Land Portfolio: Blue Carbon Map

The target areas for blue carbon projects under the ERF is land comprising of coastal ecosystems (i.e., wetlands) that have been tidally restricted.

Coastal areas within the Glenelg-Hopkins, Corangamite, West Gippsland, East Gippsland and Melbourne Water catchments contain coastal ecosystems, as mapped in Figure 5.

To be eligible under the BlueCarbon Method, there must be an existing tidal restriction mechanism (typically bunds) in place (legally) that can be removed to enable re-wetting and restoration of the area.

Large-scale assessment of opportunities in Victoria under the Blue Carbon ERF method has not been conducted due to the difficulty of identifying tidal restriction mechanisms without detailed local knowledge. It is important to note that viable opportunities for such projects may be limited for the following reasons :

- Tidal restriction mechanisms are likely near to existing coastal infrastructure and owners prefer to keep development opportunities open;
- Logistical challenges of removing or modifying coastal infrastructure; and
- Corresponding difficulty of finding sites of sufficient scale for carbon project economic feasibility.

However, restoration and repair of inland wetland areas can occur alongside and in conjunction with other vegetation / restoration works such as Environmental Planting projects. Future development of ERF methods relating to inland water bodies (e.g., teal carbon) would uplift potential for project establishment.

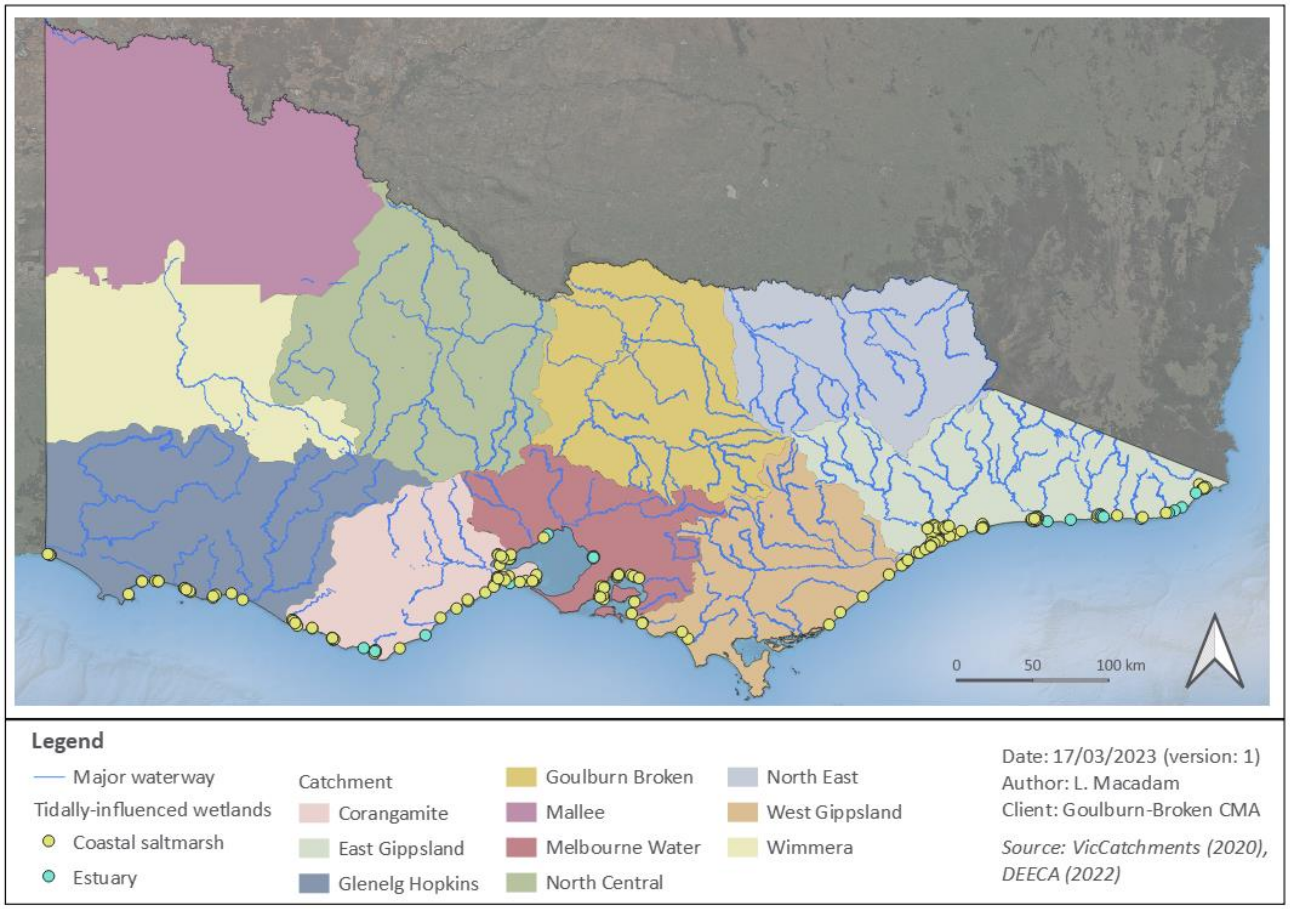


Figure 5: Tidally-influenced wetland ecosystems in Victoria

Step 1.2 Guidance

Maximising CoB Potential by Matching Study Area with High-Potential Project Types to Identify Target Sites: Study Area and Opportunity Assessment

Opportunity Assessments Explained

Opportunity Assessments move project development from the landscape level to individual target sites; that is from the landscape scale a study area is selected for more detailed consideration at the Opportunity step.

The Assessment is focused on considering:

- Land suitability for different project types
- High-level abatement estimate
- Costings for project implementation.

Getting ready for Assessment

The key requirement for conducting this Assessment is to settle on a study area.

A number of factors should inform the choice of study area. These are presented in the table alongside.

Table 1: Factors for selecting a study area from the landscape portfolio

Factor	Description
Contiguous nature of locations within study area	Geographically dispersed sites are more challenging to assess, develop as a carbon project and implement. Aggregation of dispersed sites into one carbon project is possible but management will be more complex particularly where not held under common ownership. Aggregation may also present challenges where CoB values and potential to generate nature-based credits differ across sites. Starting with contiguous area and/or sites in close proximity to each other is pragmatic.
Size (ha) of the study area	The size of the area in relation to carbon credit needs and high-level carbon potential of sites, if known from Step 1.1, should be considered. Scale is also an important consideration in attracting investors. As a generic reference, and noting that much depends on the carbon potential of the land, internal carbon pricing of the organisation and need for co-investment, environmental planting projects less than 100ha may not be viable.
Current land use patterns, project type and CoB potential	Current land condition and land use provide good indicators of suitable project types. Different project types also hold different CoB potential. Selecting a study area that aligns with project types that maximise CoB potential is essential.
Ownership: self-owned or third party owned	As an initial step, land may be clustered by ownership. This is to account for the nuances in delivery models applicable to different ownership scenarios. Carbon project development on third-party owned land raises multi-party risk and increases complexity. Given the need for compensation or benefit-sharing with landowners, developing projects on third-party land likely implies to need to share carbon credits. Testing co-investment mechanisms on CMA/water corporation-owned land before proceeding to involving private landholders holds advantages.

Step 1.3 Guidance Early Stakeholders Identification, Mapping and Ongoing Engagement

The Role and Importance of Stakeholders

Stakeholder engagement is a critical component of the project development process. It is crucial to both the CoB identification and evaluation process, project design and delivery models, as well as in identifying investors and ultimately securing investment.

Timing

Stakeholder engagement should commence at the earliest possible stage of the development process, although the focus of the engagement and the particular stakeholders engaged will depend on the stage within the project development process.

In Stage 1 of the project development process, engagement with land interest groups, such as CMAs will be critical. The focus here will be on early identification of CoB values and suitability of a site for carbon project development.

Similarly, early engagement (in Stage 1) with Traditional Owner groups is important as this can help inform assessment of opportunities to enhance and protect cultural value of target site(s) and ascertain interest for involvement in project delivery, as well as understand how to design a carbon + CoB project around cultural values.

In Stage 4, the focus may shift to leveraging stakeholder relationships that can assist in the identification of investors or project partners.

Stakeholder Categorisation and Mapping

Stakeholder mapping can help crystallise the timing, intensity/level and style of engagement for different stakeholder categories.

Figure 6 alongside presents a common way to map stakeholders developed by Ndevr Environmental from various sources for this carbon + CoB context.

Presented over the page are definitions of the three different stakeholder categories that can be relied upon to segment stakeholders (refer to Figure 7).

Also overleaf is a table that provides a list of stakeholders to help in the process of identifying individual people or organisations and some of the topics on which they may be engaged.

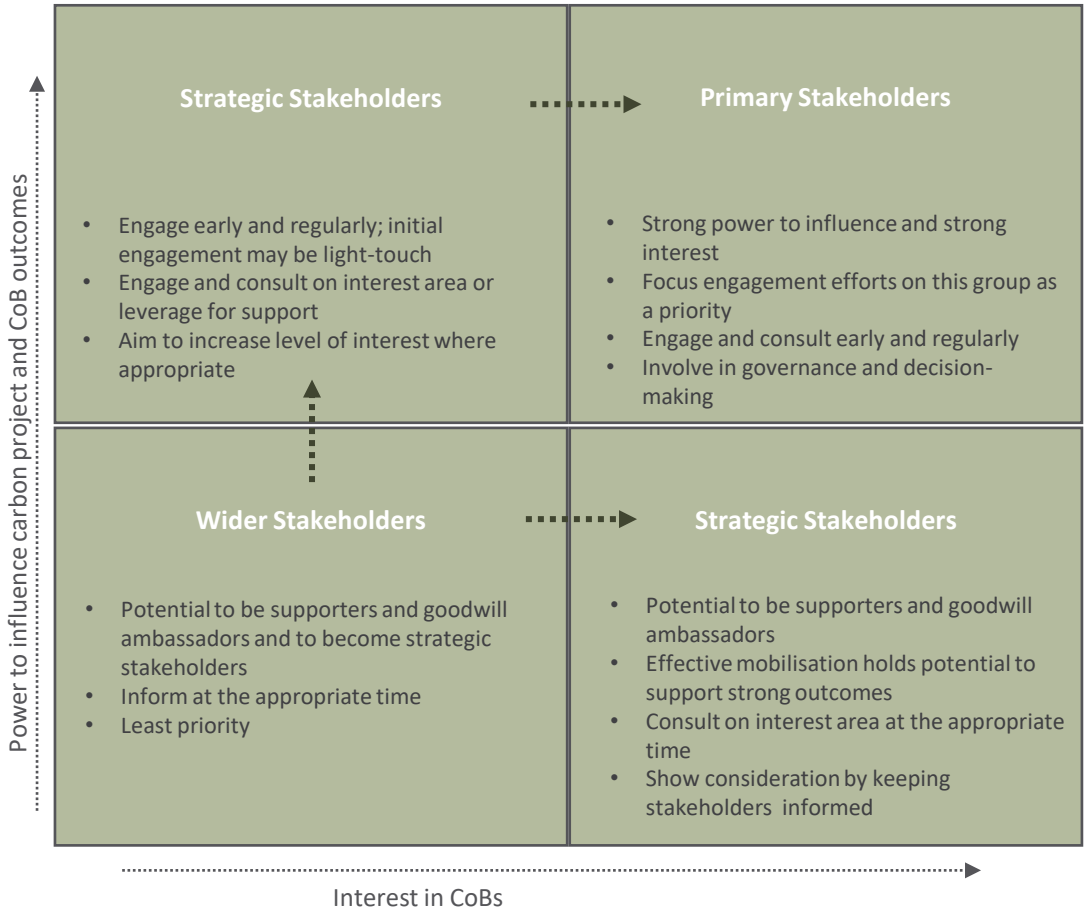


Figure 6: A map of the types Stakeholder and their relationship to CoBs

Step 1.3 Guidance Early Stakeholders Identification, Mapping and Ongoing Engagement

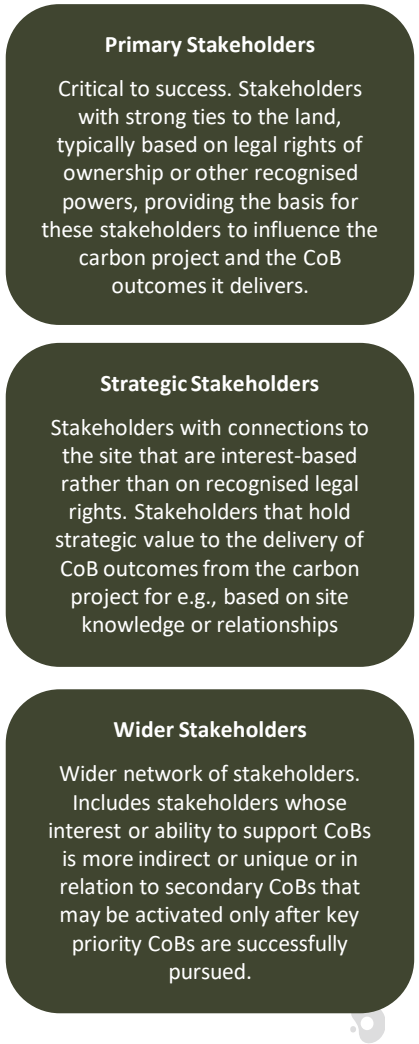


Figure 7: Stakeholder categories

Table 2: Overview of stakeholders and engagement topics

Stakeholders to consider	Description	Engagement Topics
Land Interest Groups	This group includes stakeholders that have a connection with, interest in or specific knowledge of the target site(s). It includes parties such as CMAs, Local Councils, Traditional Owners, Local Landcare Group, Community Groups. Where a site is owned by a third party, the landholder will be one of the most critical stakeholders to be engaged.	• CoB values of the site • Involvement in project implementation and land management • Consent and benefit sharing arrangements for third party owned sites and Traditional Owners
Conservation Organisations	This group may overlap with the others but could also involve land conservation organisations more broadly to explore funding streams and partnerships. These organisations may act as conduits for investor identification. This category could include organisations such as Greening Australia, The Nature Conservancy, and others.	• Potential investor relationships • Funding models for CoB activities
Service Providers and Implementation Partners	This group includes organisations involved in the project development process, such as carbon technical experts, ecologists, nurseries, CMAs etc. These partners may be in a similar position to conservation organisations; acting as conduits to identify and establish investor contact.	• Potential investor relationships
Credit scheme administrators	Where there are indications from stage 3 that a project may be eligible for generating nature credits under one of the voluntary schemes, early engagement with the administrator will be important to clarify eligibility and how the commercial model aligns with the project.	• Applicability of the framework to the target site(s), process for generating and commercialising credit units

Stage 2. Carbon Framework Identification and Project Eligibility and Feasibility Assessment

Target sites must be eligible to generate carbon credits under a legislated or voluntary framework. The framework and project type chosen must harness the CoB value of the site. The site must be eligible and hold sufficient abatement potential.

Step 2.1 Guidance

Choosing a Carbon Credit Framework: Domestic and International Options Explained

Domestic: Emissions Reduction Fund Australian Carbon Credit Units

The ERF is a federal scheme designed to incentivise organisations and individuals to undertake emissions reductions projects in order to help Australia reach its current, modest emissions reduction target.

Units:
Australian Carbon Credit Units (ACCUs)

Geographic requirements:
Australia-based activities only

Registry:
Australian National Registry of Emission Units

Certification process:
Audited against legislated ERF methods by third party. Issuance via the Clean Energy Regulator.

Accreditation authority:
Clean Energy Regulator

Related Co-benefit standard:
No CoB labelling capacity on the registry currently

Precedence in Victoria:
110 land-based ERF projects registered.

International: Verified Carbon Standard (VCS) Program carbon credits

The VCS is a voluntary GHG program aimed to catalyses measurable climate action and sustainable development outcomes by driving large-scale investment that reduces emissions, improve livelihoods, and protect nature.

Units:
Verified Carbon Units (VCUs)

Geographic requirements:
Projects can be located globally. Limited to application in Australia – refer to discussion on double counting.

Registry:
The Verra Registry

Certification process:
Verified against published VCS methods by third party. Issuance via the Clean Energy Regulator.

Accreditation authority:
Verra

Related CoB standard:
- Climate Community and Biodiversity Alliance (CCBA) Labelled carbon credit – Verra CCBA
- SD VISta - Labelled carbon credit - Verified Impact Standard (SD VISta)

Precedence in Australia:
Two land-based carbon projects currently registered in Australia, none in Victoria. Two under validation.

International: Gold Standard Carbon Offsets

Gold Standard is a major global Voluntary GHG Program aimed to provide the highest level of environmental integrity and contribution to sustainable development.

Units:
Planned Emission Reduction (PER) units or Verified Emission Reduction (VER) units

Geographic requirements:
Projects can be located globally . Limited to application in Australia – refer to discussion on double counting.

Registry:
Gold Standard Impact Registry

Certification process:
Verified against published GS and VCS methods by third party. Accredited via SustainCERT. Issuance by GS.

Accreditation authority:
Gold Standard Foundation Board

Related CoB standard:
Certified SDG impact – Gold Standard for the Goals

Precedence in Australia
Two project certified in Western Australia in 2015, none in Victoria.

Step 2.1 Guidance

Choosing a Carbon Credit Framework: Limitations on the use of International Carbon Frameworks

As Australia's national legislation stands, there is limited scope for developing a carbon project under either of the international frameworks (the Gold Standard or VCS) in Australia.

The reason for this lies in the concept of double counting, which means that an emissions reduction or removal can not be counted more than once towards achieving climate mitigation. One way in which double counting can occur, is through double claiming of an emissions removal with respect to a host country.

Currently emission reductions and/or removals created by International carbon frameworks in Australia are accounted for within Australia's GHG inventory and toward Australia's Nationally Determined Contributions (NDCs) under the Paris Agreement. Further, there is no mechanism at present to account for a corresponding adjustment for an international carbon project.

The development of an Article 6 regime under the Paris Agreement around internationally transferred mitigation outcomes (ITMOs) and corresponding adjustments (CAs) is still in the early discussion phase.

Verra and the Gold Standard have published various discussion papers in regard to double counting[2]. There has been some reticence to permit the registration of a projects where the emissions removal or reduction will be accounted for in the host country's national inventory. Conversely, it is also considered a legitimate option for a voluntary unit to be purchased and claimed by a corporate for the purpose of carbon neutrality or a net-zero commitment, whilst also contributing to the NDC of a host country. Due to these discussions and policy uncertainties, the pathway to developing an international carbon project in Australia is challenging.

It is also important to note that Australia's National Inventory has a mechanism for accounting for Australian Carbon Credits (ACCUs) issued under the Australian government's Emission Reduction Fund (ERF) separately. As such, the double counting issue does not apply to ERF project ACCU issuance.

Step 2.2 Guidance

Choosing an ERF Project Type: Summary of Victoria-relevant ERF Methods and Eligibility Requirements

Blue Carbon

Method:
Carbon Credits (Carbon Farming Initiative – Tidal Restoration of Blue Carbon Ecosystems) Methodology Determination 2022

Project Mechanism:

Re-introduction of tidal flows to restore coastal wetland ecosystems by removal or modification of a restriction mechanism that has impeded or reduced tidal flows from the land for at least 7 years prior.

Eligible activities:

- Removal and/or modification of one or more tidal restriction mechanisms, such that tidal inundation is re-introduced to land for the restoration and/or improvement of the coastal wetland ecosystem condition.

Baseline land use :

- Baseline land use of flooded agricultural land, meadow or pasture, drainage channels, degraded wetlands.

Project land use:

- Potential to become an eligible coastal wetland type (supratidal forest, mangroves, saltmarsh, sparsely vegetated saltmarsh (saltflats) and seagrass).

Key Co-Benefits:

- Biodiversity/conservation
- Water quality/quantity

Environmental or Mallee Plantings (REMP)

Method:
Carbon Credits (Carbon Farming Initiative – Reforestation by Environmental or Mallee Plantings – FullCAM) Methodology Determination 2014

Project Mechanism:

Establishing and maintaining vegetation (trees and shrubs) to create a native forest on previous non-forested land (5 yrs.).

Eligible activities:

- Planting a mix of species (trees, shrub and understory) that reflect the local native vegetation.
- Planting mallee species.

Approach may include:

- Using propagates seedlings or direct seeding.
- Planting in blocks or belts (belt plantings allow concurrent agricultural activities).

Baseline land use considerations:

- Non-forest land for 5 years.
- Minimal native woody vegetation required to be cleared.

Project land use:

- Forest land with trees of greater than 2m height and at a canopy cover greater than 20%.

Key Co-Benefits:

- Farm productivity
- Soil health
- Biodiversity/conservation

Step 2.2 Guidance

Choosing an ERF Project Type: Summary of Victoria-relevant ERF Methods and Eligibility Requirements *continued*

Plantation Forestry Method

Method:

Carbon Credits (Carbon Farming Initiative – Plantation Forestry) Methodology Determination 2022

Project Mechanism:

Enabling plantation forests to begin, continue, or increase the sequestration of carbon through tree growth and maturation.

Eligible activities include:

- Establishing a new plantation forest.
- Converting a short rotation forest to a long rotation forest.
- Continuing a plantation where it would have ceased and become non-forested land.
- Transitioning a plantation to a permanent forest.

Baseline land use considerations (listed respectively, according to the list above)

- Non-forest land for previous 7 years.
- Demonstrated short rotation of species as listed in the method.
- Evidence that the land would otherwise be left fallow or converted to viable, non-forested land use.
- Evidence that the land will not need to be cleared and would otherwise be left fallow or converted to viable, non-forested land use.

Key Co-Benefits:

- Farm productivity
- Soil health
- Socio-econonomic

Soil Method

Method:

Carbon Credits (Carbon Farming Initiative – Estimation of Soil Organic Carbon Sequestration using Measurement and Models) Methodology Determination 2021

Project Mechanism:

Soil carbon projects involve managing land to increase soil carbon levels by implementing eligible management activities which are new or materially different to those currently undertaken on the land.

Eligible activities include:

- Modifying landscape features.
- Conversion of existing cropping system to pasture system.
- Improving an existing pasture system, such as rejuvenating pasture, application of legumes, improved stocking management (rate, duration, intensity).
- Improving an existing cropping system, such as reduced tillage, improved irrigation and application of nutrients or other soil ameliorates.

Baseline land use considerations:

- Cropping, pasture or bare fallow land.
- Non-forest land for 7 years.

Key Co-Benefits:

- Farm productivity
- Soil health
- Biodiversity/conservation
- Water quality/quantity

Step 2.2 Guidance Choosing an ERF Project Type: ERF precedence in Victoria

In Stage 2, project types that a given site is likely to be eligible for should be identified under the chosen carbon credit framework.

Precedence of ERF projects types

There are currently 110 ERF-registered land-based carbon projects in Victoria as mapped in Figure 8. Projects range in size from 2 to 5,000 hectare. These comprise approximately only 20 environmental planting, 10 plantation forestry (including the largest four vegetation type projects, by project area), and 80 soil carbon projects (detail provided on next page). Figure 9 over the page shows the number of projects registered by Method and total ACCUs issued to date.

The new Blue Carbon method came into effect in January 2022. This is applicable to Victoria's coastline areas, although scale is likely a limiting factor. No such projects have been registered yet.

The state of Victoria does not contain land eligible for savanna fire burning projects. Conditions in Victoria are generally also not favourable for regeneration projects under the Human-induced Regeneration (HIR) method. This is also reflected in the fact that no such projects are currently active in the State.

The upcoming Integrated Farm Management (IFM) method is likely to benefit development of projects in Victoria by enabling a range of additional eligible activities and carbon pools to be aggregated and accounted for as one single carbon farming project with a single set of registration, reporting and auditing requirements. This will help to create economies of scale in terms of project administration and enable landholders to take a more holistic, land-based approach to their carbon project.

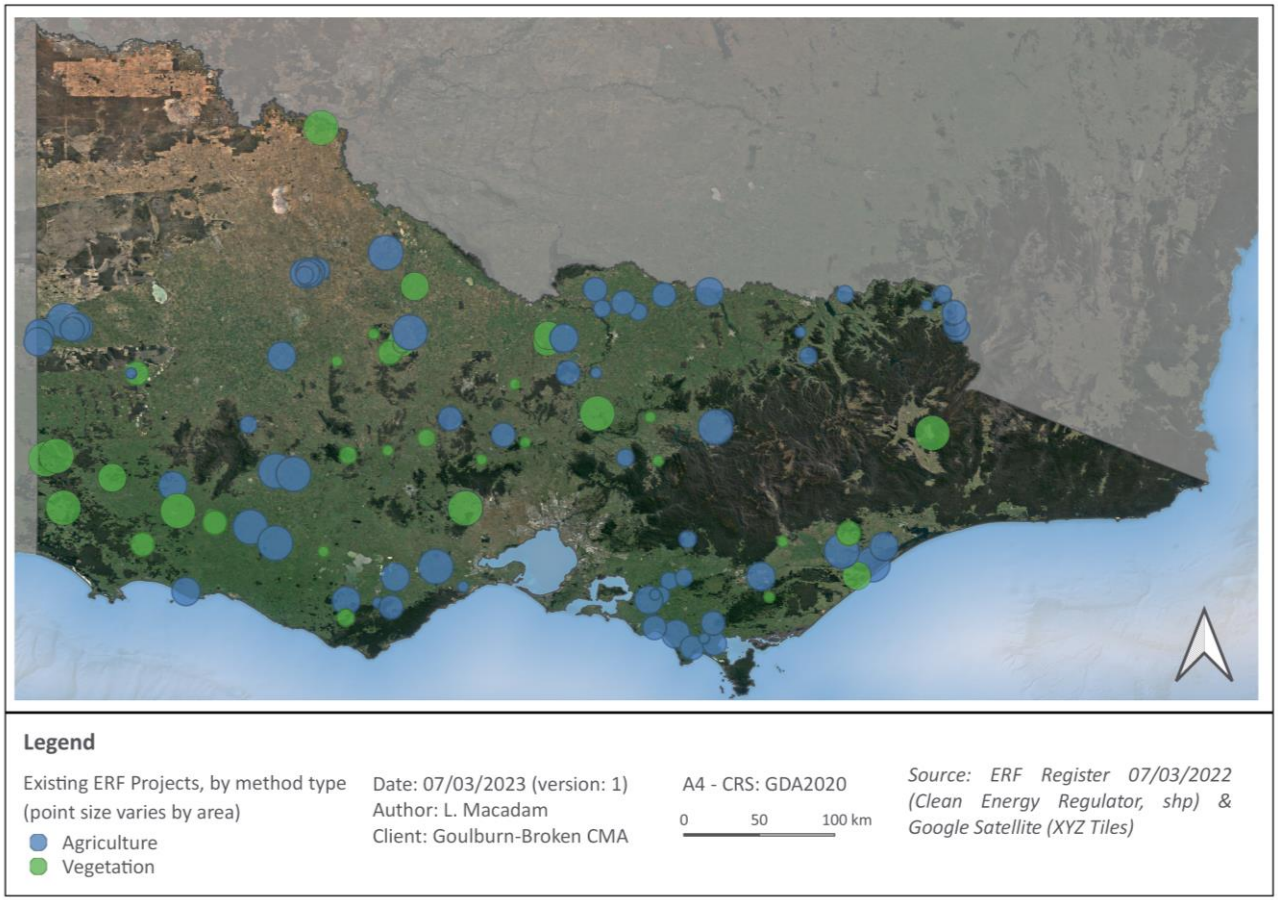
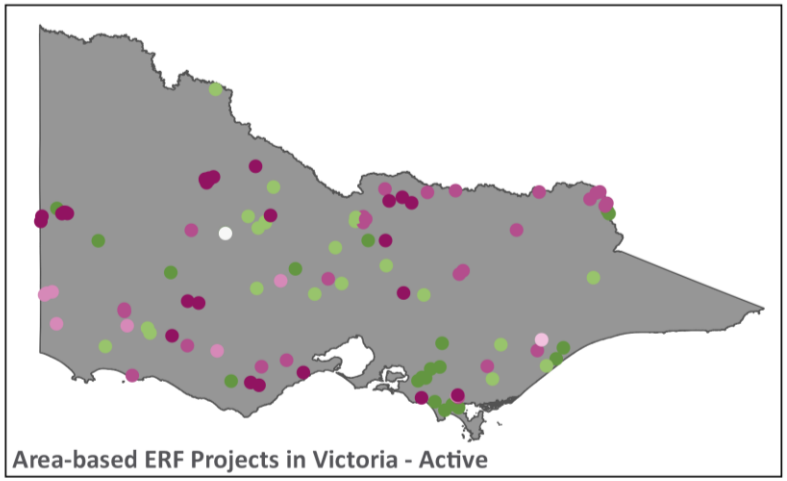
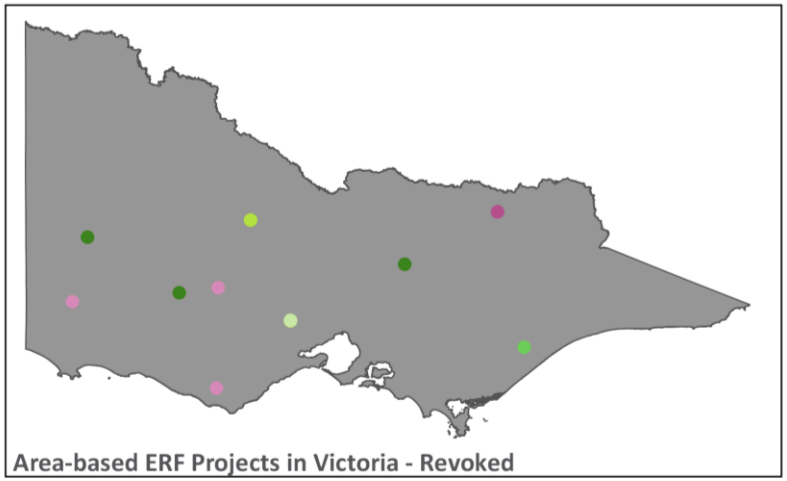


Figure 8: Existing area-based ERF projects in Victoria, by general project type

Step 2.2 Guidance Choosing an ERF Project Type: ERF precedence in Victoria *Continued*





Method	Active	Revoked
Carbon Credits (Carbon Farming Initiative - Estimation of Soil Organic Carbon Sequestration using Measurement and Models) Methodology Determination 2021	30	0
Carbon Credits (Carbon Farming Initiative - Measurement of Soil Carbon Sequestration in Agricultural Systems) Methodology Determination 2018	27	1
Carbon Credits (Carbon Farming Initiative - Plantation Forestry) Methodology Determination 2017	9	3
Carbon Credits (Carbon Farming Initiative - Plantation Forestry) Methodology Determination 2022	1	0
Carbon Credits (Carbon Farming Initiative) (Quantifying Carbon Sequestration by Permanent Mallee Plantings using the Reforestation Modelling Tool) Methodology Determination 2013	1	0
Carbon Credits (Carbon Farming Initiative) (Reforestation by Environmental or Mallee Plantings - FullCAM) Methodology Determination 2014	21	4
Carbon Credits (Carbon Farming Initiative) (Sequestering Carbon in Soils in Grazing Systems) Methodology Determination 2014	20	2
Carbon Farming (Quantifying Carbon Sequestration by Permanent Environmental Plantings of Native Species using the CFI Reforestation Modelling Tool) Methodology Determination 2012	1	3

Date: 08/03/2023 (version: 1)
Author: L. Macadam
Client: Goulburn-Broken CMA

A4 - CRS: GDA2020

0 100 200 km

Source: ERF Register 07/03/2022 (Clean Energy Regulator, shp) & Google Satellite (XYZ Tiles)

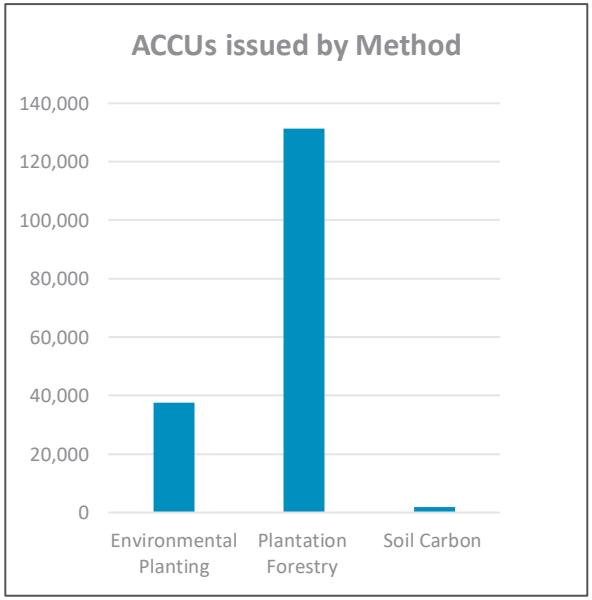


Figure 9: Precedence for area-based Emissions Reduction Fund projects in the state of Victoria, and ACCUs issued by Method

Stage 3. CoB Evaluation

Detailed assessment of site-specific environmental assets, identification of potential CoBs to environmental and socio-cultural values that may be strengthened via implementation of the selected carbon project type, and review of potential claims.

Step 3.2 Guidance Identifying suitable CoB Programs and Claim Options: Overview of CoB Programs

The following pages provide detailed information on the various CoB Programs that present opportunities applicable to Victoria. An overview of these programs is provided here as follows:

International Programs

Both Verra and Gold Standard international carbon frameworks have in place CoB Programs. These are as follows:

- Gold Standard for the Global Goals (GS4GG) label
- Sustainable Development Verified Impact Standard (SD VISta) label
- Climate, Community & Biodiversity Alliance (CCB) label.

These Programs enable hard claims that could be tied to a carbon project under the ERF in Australia. However, this is untested and it appears there is little appetite in the market for coupling with international programs. Having said that, the opportunity should not be discounted and is to be tested with investors.

Thus far, there have been just three Australian projects registered with the CCB, the longest running CoB program. One project had a certification lapse in 2014 and another project was withdrawn. The third Australian CCB-registered project, which remains certified, offers CCB-labelled carbon credits under the VCS.

Two projects are registered with the Gold Standard Registry; one planned and one is issuing carbon credits (afforestation/ reforestation project). No Australian projects are currently listed with SDG impact certification.

A further international CoB certification option by Plan Vivo (PV) is currently in the consultation stage. Plan Vivo biodiversity claims requires additionality to those activities implemented for the purposes of carbon.

Domestic Programs

A small number of Australian CoB Programs have been established that may be relevant to Victoria, as follows:

- Accounting for Nature (AfN)
- Core Benefits Verification Framework (CBVF)
- Wilderlands biodiversity units
- GreenCollar NaturePlus™ credits
- Firesticks Cultural Fire Credits.

AfN is currently the Program attracting the strongest endorsement from the market in terms of interest. It generates a hard claim and in the future AfN is hoping to enable stapling of a certified label with carbon credits, although not a separate nature credit unit. This sets AfN apart from Wilderlands and Greencollar credits, which are aimed at generating standalone nature credits, noting however, that additionality between carbon project activities and nature credit activities for these programs will require investigation.

The CBVF is unique in its purpose to support an Indigenous to Indigenous, strength-based approach, that supports the involvement of Traditional Owners not only in project implementation and/or supporting cultural activities but also as verifiers of the derived benefits.

Step 3.2 Guidance Identifying suitable CoB Programs and Claim Options: International Programs

The Climate, Community & Biodiversity (CCB) Standard (launched 2005)

CCBA certification offers assurance that a given land management project is delivering tangible climate, community, and biodiversity benefits. The product is a label on carbon credits, indicating that they were generated during a CCB-verified period.

Types of activities:
Any land management project, such as agriculture, forestry and land-use activities.

Underlying framework:
Climate, Community & Biodiversity Standard.

Certification process:
Verified by desk and field audits by qualified independent third parties.

Accreditation authority:
Managed by Verra but developed through a multi-stakeholder process by the Climate, Community & Biodiversity Alliance.

Registry:
Issued on the Verra Registry.

Sustainable Development Verified Impact Standard Program (launched 2019)

Certifying the social or environmental benefits (e.g. gender equity, economic development, affordable clean energy, wildlife restoration) of sustainable development projects. The product can be a Verified Claim (not tradeable), a Label on a unit issued by another registry, or a tradeable Asset self-defined using an approved asset methodology.

Types of activities:
Any project that aims to deliver sustainable development benefits.

Underlying framework:
Sustainable Development Verified Impact Standard (SD VISta).

Certification process:
Validation and verification by qualified, independent third-party auditors or Independent Expert Evaluators.

Accreditation authority:
Managed by Verra together with the Sustainable Development Advisory Group.

Registry:
Issued on the Verra Registry.

Gold Standard for the Global Goals (launched 2017)

Certifying a project's maximum positive impact in climate and sustainable development. The product is a Gold Standard (GS) Project Listed, GS Design Certified, or Certified GS Project.

Types of activities:
Physical action/implementation on the ground for a wide range of activities including community services, renewable energy, or land use change and forests.

Underlying framework:
Gold Standard for Global Goals Requirements and Impact Quantification Methodologies.

Certification process:
Third-party independent assessment conducted by an accredited validation and verification body.

Accreditation authority:
Verra in partnership with SustainCERT, the official certification body for Gold Standard for the Global Goals (GS4GG).

Registry:
Issued on the Gold Standard Impact Registry.

Biodiversity Certificates (PlanVivo in partnership with Wallacea Trust) (standard launched for consultation in January 2023)

Plan Vivo Biodiversity Certificates equate to a 1% uplift or avoided loss in Biodiversity per hectare, as measured by the median percentage change in a biodiversity metrics 'basket' that reflects the conservation objectives for the ecoregion and habitat(s).

Types of activities:
Protection, restoration or improved management of land or aquatic areas.

Can only be stacked with carbon credits if additionality (over and above what is required for carbon) can be demonstrated.

Underlying framework:
Plan Vivo Biodiversity Standard (PV Nature).

Certification process:
Assessment of conformance to PV Nature, and confirmation of benefits achieved.

Accreditation authority:
The Plan Vivo Foundation (PVF)

Registry:
Issued on the third-party Markit Registry.

Step 3.2 Guidance Identifying suitable CoB Programs and Claim Options: Australia

Accounting for Nature® Verified Claim (launched in 2020)

Accounting for Nature (AfN) facilitates tracking of change in nature asset condition over time. Becoming "Certified" (Tier 1) or "Self-verified" (Tier 2) by AfN enables use of Trustmarks and associated public and private claims to be made regarding an asset's Environmental Account. Claims can be Level 1, 2 or 3 according to the associated level of accuracy in tracking asset condition.

Types of activities:
Any project activity associated with a natural asset.

Underlying framework:
Accounting for Nature® (AfN) Certification Standard and AfN methods. An Environmental Account tracks an Econd® aggregate score of asset condition calculated by comparing a set of indicators to reference thresholds .

Verification process:
Third-party verification by an independent auditor at least once every five years.

Accreditation authority:
Accounting for Nature®

Registry:
The Accounting for Nature® Environmental Account Registry

NaturePlus™ Credits (GreenCollar) (launched July 2022)

A NaturePlus credit equates to 1 hectare of habitat or species improvement or maintenance. Credits are calculated via preparation of a publicly available environmental account according to one of GreenCollar's methods accredited with Accounting for Nature Framework. It is likely that more accredited methods will be released over time.

Types of activities:
Project activities in a high conservation value landscapes.

Underlying framework:
Accounting for Nature methods, specifically:
- Native Vegetation Condition Monitoring
- Koala Population and Habitat Condition

Certification process:
Third party audit required. Certified by Accounting for Nature. Credits are issued by GreenCollar.

Accreditation authority
Accounting for Nature and GreenCollar.

Registry
Not yet specified.

Biological Diversity Units (Wilderlands & Cassinia Environmental) (launched in 2022)

A Wilderlands Biodiversity Unit equates to one unique (georeferenced) square metre of land with high strategic conservation significance being placed under legal, on-title conservation agreement (covenant) plus regeneration and 20 years of management.

Types of activities:
1. Protection of Freehold Land for Conservation, potentially including approved revegetation and/or restoration activities. 2. Voluntary Retirement of Approved Compliance Credits.

Underlying framework:
Wilderlands White Paper principles. An ecological assessment and statement declaring the project site's high strategic conservation significance must be provided.

Certification process:
The on-title conservation agreements require legally-binding land management plans. Third party (Vegetation Link) verification of project certification.

Accreditation authority
Wilderlands

Registry
Issued on the Vegetation Link registry (to be publicly viewable in future).

Step 3.3 Guidance Identifying suitable CoB Programs and Claim Options: Australia *continued*

Core Benefits Verification Framework (Aboriginal Carbon Foundation) (launched 2019)

A methodology for Indigenous peer-to-peer and expert evaluation and verification of environmental, social and cultural values associated with community and economic development programs. Developed by the Aboriginal Carbon Foundation (AbCF) in line with international evaluation best practice, and with carbon farming in mind. This framework supports Indigenous skills development and self-determination in evaluation of project outcomes. The product is a Verification Certificate valid for 2 years.

Types of activities:
Projects requesting core-benefits verification must be registered with the Emissions Reduction Fund (ERF).

Framework purpose:
Verification of multiple co-benefits (social, cultural, and environmental). CoB are identified at the local level, rather than prescribed by externally-defined indicators.

Verification process:
Self-led monitoring and verification by third-party, peer verification teams of Indigenous experts.

Verification authority:
The Aboriginal Carbon Foundation (AbCF) and the Core Benefits Verification Advisory Body. Currently this framework is used for projects partnered directly with the AbCF, who offer expert training programs on its use.

Society for Ecological Restoration Australia (SERA) Standards (launched 2016)

The Society for Ecological Restoration Australia (SERA) Standards have defined a five-star recovery process that represents a self-organising trajectory of ecosystem recovery from a damaged and degraded land condition to a full recovery, based on an appropriate local native reference ecosystem.

The Standard provides a blueprint of principles and standards that will aid efforts to encourage, measure and audit ecologically appropriate environmental repair in all land and water ecosystems of Australia.

Types of activities
Ecosystem restoration projects

Framework purpose:
- Design of restoration targets and activities
- Process guidance on project implementation
- Monitoring and tracking of ecosystem health

Verification process & authority:
N/A. There is no hard claim associated with use of the Standards, however SERA run an annual awards program that projects may be nominated for.

Cultural Fire Credit (Firesticks Alliance and Aboriginal Carbon Foundation) (launched June 2022)

Cultural Fire Credits support Indigenous communities to implement cultural fire on country their way; to be able to fully demonstrate traditional cultural fire knowledge and its multiple benefits.

Types of activities:
Cultural fire burning activities

Underlying framework:
AbCF's Core Benefits Verification Framework and Cultural Fire Credit Philosophy and Guidelines

Verification process:
Self-led monitoring and third-party, peer verification by different Indigenous groups according the Core-benefits Verification Framework.

Verification authority:
Firesticks Alliance and the Aboriginal Carbon Foundation.

Registry:
Firesticks Alliance; Credits sold via the Catalyst Market Trading platform operated by the Aboriginal Carbon Foundation.

Step 3.2 Guidance Identifying suitable CoB Programs and Claim Options: Other CoB Programs

Other CoB certification programs with potential relevance to Victoria have been announced as under development, both in Australia and internationally as follows:

- **SD VISta Nature:** A biodiversity unit method is currently in development by the SD VISta Nature Framework Advisory Group established in November 2022 and will be listed on the Verra Registry.
- **CreditNature Nature Impact Tokens (UK-based):** A fintec digital token product offering 'stake' in a verified ecosystem recovery project, either stand-alone or attached to a carbon credit. Tokens are underpinned by a project's 'Ecosystem Management Rating' according to their custom NARIA (Natural Asset Recovery Investment Analytics) framework.
- **ValueNature Biodiversity Credits (South Africa-based):** Each credit pays for conservation of a unit of high biodiversity significance land, with the registry supported by blockchain. Locational restrictions on project locations under this credit program are currently unclear.
- **Eco-Markets Australia:** Currently administers Reef Credits for water quality (relevant only to Queensland) but have other CoB credit types in development, with registry infrastructure support from IHS Markit.

The Australian Nature Repair Market

The Australian Government has proposed creation of the world's first national regulatory framework for biodiversity credit markets, the Nature Repair Market.

Public consultation on the initial draft bill closed in February 2023 and it has subsequently been introduced into Parliament. The Bill seeks to introduce the creation of biodiversity certificates created through projects that *inter alia* improve or restore vegetation.

The Bill follows the framework of the CFI Act, which regulated carbon projects in Australia. Additionality (rather than offset) will be a key requirement for projects generating biodiversity value. The Bill does not specify what accounting standard must be used by projects seeking certification.

The further development of this biodiversity market will need to consider alignment with Australia's carbon market, and the potential structure of certification or labelling opportunities, if carbon projects are to be eligible activities for biodiversity certification.

Step 3.2 Guidance Identifying suitable CoB Programs and Claim Options: Guidance

Credit programs are underpinned by various nature accounting standards that guide the quantification and verification of CoBs. Development of methods and standards for unitising and valuing CoB outcomes (indicators, metrics, indices) is an evolving space.

In December 2022, the Biodiversity Credit Alliance was launched to help regulate this space with the goal of providing "clarity and guidance for the formulation of a credible and scalable biodiversity credit market".[1]

Coupling of international CoB claim programs to carbon projects is possible according to their underlying standards.

Australian CoB claim programs (listed in **blue**) do not all provide clear guidance on potential coupling with carbon projects, with the exception of AfN that specifically mentions alignment.

As a preliminary indication, hard claim options are proposed in Table 3 for typical CoBs possible from each type of carbon project relevant to Victoria.

It should be noted that the Core Benefits Verification Framework (CBVF) is not a quantification program; but rather a verification program.

*Table 3: Summary of ERF land-based project types relevant for Victoria, plus main types of co-benefits and GHG Programs and their claim options. Australian GHG programs listed in **blue.***

	Carbon project types	**Environmental planting or Blue carbon**		**Soil carbon**		**Plantation forestry**
Claim Type	**Main co-benefit types**	Cultural or social benefit	Biodiversity & Ecosystem Protection	Cultural or social benefit	Agricultural productivity	Cultural or social benefit
Verified	**AbCF CBVF**	X	X	X	X	x
Certified hard claim options	**AfN**		X		X	
	CCBA	X	X	X	X	X
	SD VISta	X	X	X	X	X
	SD VISta Nature		X			
	GS4GG	X	X	X	X	X
	PV Nature		X			
	NaturePlus™		X			
	Wilderlands		X			

[1] https://www.biodiversitycreditalliance.org/

Stage 4. Investor Engagement and Funding

Identify investor and government funding opportunities, assess alignment and commence engagement process

Step 4.2 Guidance

Developing an Investment Proposal: Exploring Co-Investment and Project Delivery Models

Project Delivery Models

Carbon projects under the ERF can operate under a number of different project delivery models and arrangements between the critical parties. It is important to consider which of the options will best align with circumstances on the ground.

In addition, the requirements of the investor must be considered. The primary concern in this regard is providing the investor with sufficient comfort regarding risks, such as security of land tenure or rights to the project site(s).

The factors that will influence the choice of delivery model, include the following:

- *Providing investors with certainty regarding project implementation* – that is ensuring that the lead agency has the right to undertake project activities and can secure the achievement of the targeted CoB outcomes.
- *Ownership of the land* – that is whether the lead agency owns the land or a third party.
- *Facilitating compliance with the carbon framework (ERF) requirements regarding project ownership* – that is considering how to best facilitate compliance with the legal right requirement.

The distinguishing feature between the models that are available is the identity of the project proponent; the party that holds legal right to claim the carbon credits and undertake project activities. The options that could be chosen from include the following:

- Water sector entity as proponent where it owns the land
- Third party landholder as proponent with water sector entity receiving credits under an offtake agreement
- Third party landholder and water sector entity as co-proponents.

Investment Models and Considerations

Facilitating investment into CoB activities, whilst preserving carbon credits for use by water sector organisations, is the primary objective of the process presented in this Guide.

However, given the emerging state of the nature credit market and drivers for investment, this is very much an emerging proposition. Currently, investor interest will be focused primarily on the carbon credits as the sought-after return.

Further, in order to generate the level of abatement needed by the water sector collectively, it is inevitable that private land be included in the carbon project portfolio. Private landholders will likely require some benefit to secure their participation.

These circumstances imply that some creative approaches and flexibility will be required to secure investment and bring private landholders on board.

Some options to consider include:

- Relying on investors to fund activities such as cultural burning (potentially through Firesticks credits) that are additional to carbon project activities. While this would not facilitate funding for the carbon project itself, it would provide some of the benefits which CMAs are looking to support for their catchments.
- Making provision for stewardship or another type of payment to incentivise private landholders to participate in a carbon + CoB project. This approach draws on the model of the Queensland Land Restoration Fund (LRF) which could serve as inspiration. The LRF essentially funds the CoB component of a carbon project at the amount it costs to monitor and verify the CoBs.
- Leveraging the price premium at which carbon + COB credits can trade in the market in order to meet both investor and water sector entity needs. Under this model, a water sector entity might partner with an investor to implement the project and pursue the creation of labelled carbon credits, with the investor receiving a portion of those credits, whilst the water sector entity retains a portion and sells another portion with a view to acquiring cheaper, but yet still high integrity carbon credits to meet its offsets needs. This model would require deeper assessment, including for its ability to facilitate compliance with the requirements of the Statement of Obligations regarding eligible offsets and offsets use.

Step 4.2 Guidance Developing an Investment Proposal: Investor Return

Table 4 provides some indicative guidance for shaping up the invetsment return in an invetsment proposal for some of the CoB programs most likely considered to be of value.

Table 4: Investment return types by CoB program

Program	Investment return
Accounting for Nature (AfN) Environmental Assets	• Hard claim, product is a badge from AfN according to the nature of verification/certification and confidence in asset condition. • No associated revenue, however other revenue-generating programs are harnessing this framework (Queensland Landscape Restoration Fund, GreenCollar) so opportunities may grow. • Mechanism to staple a label to carbon credit under development.
GreenCollar	• Unitised claim, the product is a NaturePlusTM credit that can be sold or retired on a registry; • Revenue provided by sale (or saved cost for self-retirement) of unit, providing a monetized investment return. • No mechanism established yet to staple to a carbon credit; will likely be developed in future.
Nature Repair Market	• Hard claim, the product is a non-fungible project-specific certificate. • Revenue generated by sale and/or cost saving self-retirement of the certificate, providing a monetized investment return. • No mechanism proposed to staple to a carbon credit; will likely be developed in future.
Cultural Fire Credits	• No revenue from credit trades, credits not tradeable • No mechanism to staple label to carbon credit • Investor return lies solely in the reputational advantages of socio-cultural and environmental CoB outcomes themselves (e.g. investor seeking to make a claim of support under a RAP).
Core Benefits Verification Framework (CBVF) – Aboriginal Carbon Foundation	• No revenue from trade as certificate not tradeable • No mechanism to staple a label to carbon credit. • Investor return lies in the CoB outcomes themselves as above.
Cultural Assets Condition Assessment Framework (CCAF) - AfN	• No revenue from trade as certification does not result in a tradeable certificate • Mechanism to staple a label to carbon credit under development. Carbon credits expected to trade at a price premium but no decoupling mechanism to trade separately in the certified CoB outcome and carbon. • Future Registry could create basis for a separately tradeable certificate. • Investor return lies in the CoB outcomes themselves as above and certification through a Registry listing.
Climate, Community and Biodiversity Standard (CCBS) and/or Sustainable Development Verified Impact Standard (SD Vista)	• As above, no revenue from trade separate from the carbon credit as label is stapled to the carbon credit. • Project could be registered in Verra Registry separately, without being stapled to a carbon credit, facilitating a separate claim to the CoB outcome • But no tradeable certificate currently arises. • Investor return lies in the CoB outcomes themselves as above and certification through a Registry listing.

Step 4.3 Guidance Identifying Government Funding Opportunities: By category

Categorising Government Funding Opportunities

A number of government funding opportunities are potentially available to support implementation of a carbon + CoB project.

At present these are primarily initiated at the State level. In order to identify opportunities may be categorised into funding opportunities that seek to support carbon project implementation, those that seek to support environmental protection or restoration more generally, and finally, to a lesser extent, funding focused on supporting outcomes for First Nations Peoples (i.e., socio-cultural outcomes).

An overview of current opportunities is provided on this page, noting that some of the programs have recently come to an end or will be fully allocated and come to an end soon. Nevertheless, mention is made of some of these key initiatives, on the basis that these opportunities may be re-invigorated at a future date, or similar new opportunities may arise.

It will be critical to identify opportunities that exist at the time of project development.

Carbon Project Development Funding

Funding under this category has the objective of supporting carbon project activities on the basis that these deliver environmental benefits.

One of the key opportunities is the Bushbank program, which seeks to support revegetation of both private and public land. Further detail on this opportunity and the now ceased Carbon + Biodiversity Pilot program, is provided below.

Other programs, such as the Victorian Carbon Farming Program, seek to support private landholders to establish plantings that are integrated with an agricultural enterprise.

Potential may exist for water sector corporations to partner with private landholders eligible for participation under a shared model whereby landholders receive the benefit of the shelterbelt plantings or agroforestry for their operations and water sector entities the (majority of) carbon credits generated by the project. Incentives for landholders to participate in such a shared model would need to be clearly identified and some benefit/revenue-sharing mechanism is likely to be required to create a sufficient incentive. Eligibility where a water sector entity is involved would also require further exploration.

Similar funding opportunities are also available to support the plantation forestry sector in Gippsland. The Gippsland Farm Forestry Plan, for example, seeks to incentivise landowners to develop plantations on farms. Further exploration with the implanting agency, Vic Forests, on funding for water sector – private landholder collaborative projects could be explored further where plantation forestry projects are pursued by water sector entities.

Finally, the Victorian government is exploring mechanisms to support the establishment of an additional 74,000 ha of new plantation forestry and plantings across Victoria. This may open up further avenues worth exploring in the future.

Table 5: List of current Government Funding programs relevant to carbon project development

Bushbank
Carbon Farming Program
Gippsland Plantations Program
Gippsland Farm Forestry Plan
Carbon + Biodiversity Pilot (ceased)

Step 4.3 Guidance Identifying Government Funding Opportunities: By category *continued*

Environmental Protection/Restoration

Under this category there are two programs, one of which will cease at the end of June 2023; the federal government's Environment Restoration Fund.

The other opportunity under this category is the Urban Rivers and Catchment Program. This is focused on re-naturalisation of waterways including exurban areas. The scope may be limited given the geographic restriction, however the scope of this program is still under design and its scope should be reviewed once detailed rules are published.

Table 6: List of Government Funding programs relevant to environmental protection

Environment Restoration Fund (ceasing)
Urban Rivers and Catchments Program

Socio-cultural and First Nations Peoples

The Bushbank program includes Traditional Owner grants (see overleaf). Outside of this initiative, there are also grant opportunities for re-invigorating Traditional Owner led land and fire management practices.

Table 7: List of Government Funding programs relevant to supporting Traditional Owner activities

Bushbank
Cultural Fire Grants

Step 4.3 Guidance

Identifying Government Funding Opportunities: The Bushbank Program and Carbon + Biodiversity Pilot

Bushbank Program

The Bushbank program currently holds the strongest potential as a funding mechanism for carbon + CoB projects in Victoria. It is worth exploring, noting however, that the program design does have limits in regard to suitability and availability.

The key design features of this program are as follows:

- The premise of the program is to incentivise the restoration of natural environments under private land ownership by providing landholders with stewardship payments for implementing restoration activities and/or potential access to (revenue from) carbon credits.
- Cassinia Environmental (Cassinia) is the government's implementation partner, together with the Trust for Nature and some additional twenty partners. Funding will be sourced in part from government but also from Cassinia's partners. One of the primary vehicles for investor involvement in this funding scheme is through the generation of carbon credits as a return to the investors. This would restrain the suitability of this program for use by water sector entities, even in a scenario where a project is implemented on private land.
- Funding for activities on public land is available but only where land is in parks and reserves, limiting the availability of this funding stream for water corporations and CMAs managing public land.
- The program includes a component for Traditional Owner grants for 11 projects to the value of $3.7M focused on supporting activities on Country. This aspect in particular is worth exploring in further detail.

Carbon + Biodiversity Pilot

The Carbon + Biodiversity Pilot program developed and administered by the Department of Climate Change, Energy, Environment and Water (DCCEEW) has now ceased, and the outcomes are being used to inform the design of the Nature Repair Market framework. However, it is worth noting this program for its design features.

The program design features are as follows:

- Private landholders are incentivised to undertake revegetation activities that create environmental CoB by undertaking an environmental plantings ERF project and following Carbon + Biodiversity Pilot planting protocols in addition to ERF requirements.
- Landholders receive support in the registration process as well as an upfront payment to engage independent advisors.
- Landholders receive a biodiversity payment covering a portion of establishment costs, pending generation of carbon credits from the project.
- Landholders are issued with ACCUs and have the opportunity to sell their ACCUs to generate income by advertising their project on the National Stewardship Trading Platform or through auctions administered by the Clean Energy Regulator.

These design features could be drawn upon by water sector entities, particularly as they explore carbon + CoB project implementation on privately-owned land.

3.0 Winton Wetlands Pilot Study: Trialling and Revising the Guide

3.1 Background to the Pilot Study

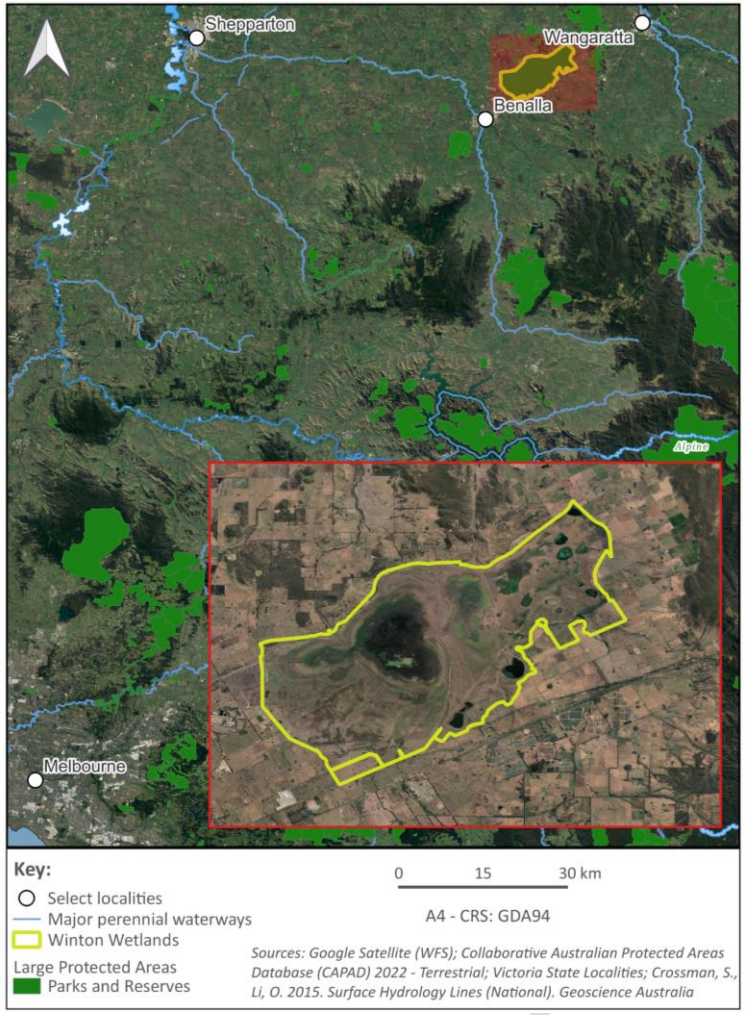


Figure 10: Winton Wetlands location

North East Water and Goulburn Valley Water are pursuing the development of an Environmental Plantings carbon sequestration project under the Emission Reduction Fund (ERF) at Winton Wetlands, North-East Victoria (the 'Site'). The Site has undergone a carbon feasibility assessment and is known to hold significant environmental and cultural values.

Although much work has been, and continues to be, conducted at the site to enhance its natural values, the ability of a carbon project to also deliver co-benefits (CoBs) has not been formally assessed. Further, assessment of the frameworks that might facilitate tangible claims or even credits for CoB outcomes from a carbon project or related activities at the site, have not yet been conducted.

This Site, therefore, presented itself as an opportunity to pilot application of the Carbon + CoB Co-Investment Guide. The pilot assessment also offers an exploration of the on-site environmental and socio-cultural CoB opportunities via the carbon project, and review of the frameworks or programs under which CoB activities and outcomes can be formalised and claims/credits created.

The outcomes of the CoB assessment at Winton Wetlands are set out in a separate Due Diligence Report. Captured here are the revisions to the process and detailed guidance on each step in the process as captured in this Guide.

3.2 Key Lessons Learnt

A number of important lessons emerged from the application of the Carbon + CoB Process Guide to the Winton Wetlands pilot site.

1. Stakeholder Engagement

Involvement of key stakeholders is critical to successful project development. As such, the importance of early and comprehensive stakeholder identification as a first step cannot be overstated.

CMAs are critical support partner in both stakeholder identification and the engagement that follows. Important also is to consider which stakeholders to engage early; in the case of Winton Wetlands Traditional Owners expressed a clear for early consultation and engagement.

2. Target site selection

The process of settling on a target site must integrate a variety of considerations ranging from carbon and CoB potential through to existing and future vision for the use of a site, as well as eligibility under the carbon regulatory framework. Consultation with key stakeholders and careful analysis of conditions on the ground play an important role in settling on the most suitable site.

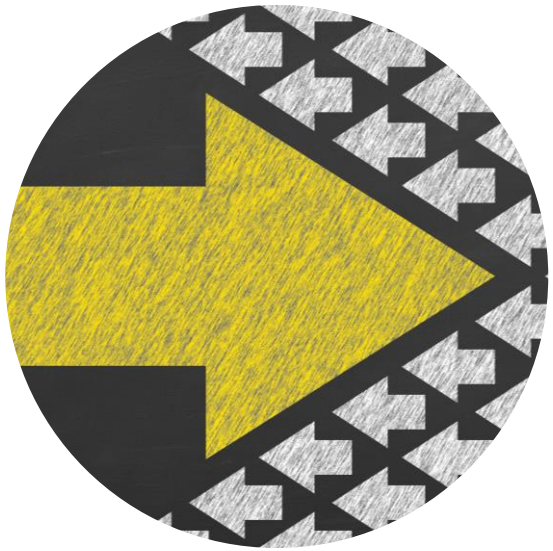
3. Identification of CoB options

It may not always be possible to select a site that maximises both carbon and CoB opportunities. This was the case for the target site of Boggy Creek Swamp. However, this pilot study confirmed that CoB options may be a practical path to de-risking a carbon project.

4. Project Risk Identification and Management

The lessons that crystallised through our assessment on stakeholder engagement, identification of the target site and identification of CoB options also highlight a series of risks that must be managed in the carbon project development process.

3.3 Revisions to the Guide

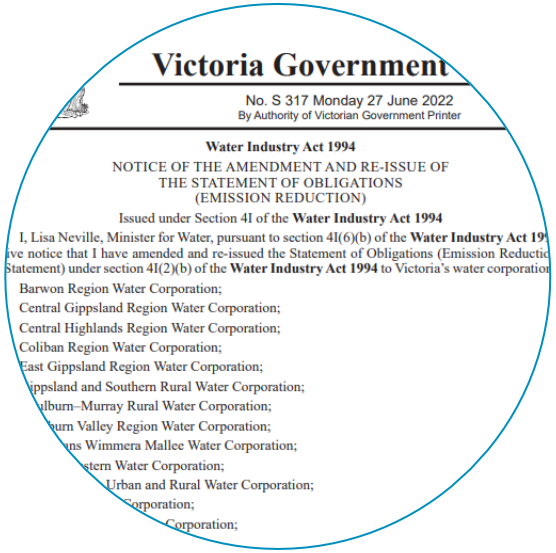


Application of the assessment process set out in this Guide to the Winton Wetlands resulted in the following revisions:

- **Step 1.1 (Leverage Existing Data to Build a Land Portfolio)**: Addition of carbon and CoB regional mapping tools found to be useful in the pilot:
  - NatureKit Victoria platform;
  - National Stewardship Trading Platform (currently undergoing updates alongside the Nature Repair Market legislative process);
  - CSIRO Biodiversity Assets Registry;
  - CSIRO Basin Futures platform; and
  - CSIRO LOOC-B (currently in development).
- **Step 1.3 (Early Stakeholder Engagement):** This was revised to expand upon the stakeholder analysis undertaken at the early stages of project development. Stakeholder mapping was originally part of step 4.1 (Investor Engagement). The pilot study clearly demonstrated the value of identifying a comprehensive list of relevant stakeholders, and segmenting and mapping them to identify upfront which stakeholder to engage at what point in the project development process, much earlier in the process.
- **Step 1.3 Supplementary Guidance:** The supplementary guidance material in Part B of the Guide was revised to include an overview of the stakeholder mapping process that can be helpful, particularly for sites with an extensive list of connected stakeholders.
- **Step 3.1 (Carbon Project Eligibility and Feasibility Assessment):** This was shifted to stage 2 from stage 3 and is now the final step in stage 2. While there is an element of overlap between assessing CoBs and carbon feasibility, the detailed assessment of CoB opportunities essentially only takes place if a carbon project is found to be feasible.
- **Step 3.2 (Detailed CoB Evaluation):** Additional detail was added to the original step 3.2 (now step 3.1) to clarify that CoB evaluation involves two inter-related but also distinct lines of enquiry: Environmental CoB evaluation on the one hand and Socio-cultural CoB on the other. Additional considerations were added around the importance of stakeholder consultation for socio-cultural CoB opportunities.
- **Step 4.1 (Investor and Stakeholder engagement):** This was revised to focus more specifically on Investor engagement rather than the broader focus on stakeholder engagement. This step originally proposed stakeholder mapping at this point but the pilot study clearly demonstrated the value and importance of undertaken stakeholder mapping much earlier in the process. This does not mean that engagement with stakeholders other than investors is not required at this stage. There will be engagement and consultation with stakeholders throughout the project development process, but the focus for this step is specifically on investor identification and engagement.
- **Step 4.2 (Developing an Investment Proposal):** Additional guidance has been added to the Supplementary Guide to demonstrate the possible returns for investors from CoB Programs.

4.0 Appendices

Appendix A: Net Zero Obligations and Statement of Obligations



Victoria Government

No. S 317 Monday 27 June 2022
By Authority of Victorian Government Printer

Water Industry Act 1994

NOTICE OF THE AMENDMENT AND RE-ISSUE OF
THE STATEMENT OF OBLIGATIONS
(EMISSION REDUCTION)

Issued under Section 4I of the **Water Industry Act 1994**

I, Lisa Neville, Minister for Water, pursuant to section 4I(6)(b) of the **Water Industry Act 19**
ve notice that I have amended and re-issued the Statement of Obligations (Emission Reductio
Statement) under section 4I(2)(b) of the **Water Industry Act 1994** to Victoria's water corporatio

Barwon Region Water Corporation;
Central Gippsland Region Water Corporation;
Central Highlands Region Water Corporation;
Coliban Region Water Corporation;
East Gippsland Region Water Corporation;
ippsland and Southern Rural Water Corporation;
ilburn–Murray Rural Water Corporation;
urn Valley Region Water Corporation;
ns Wimmera Mallee Water Corporation;
stern Water Corporation;
Urban and Rural Water Corporation;
Corporation;
Corporation;

The Minister for Water issued the Statement of Obligation (Emission Reduction) under section 41 of the *Water Industry Act 1994* on 23 May 2022.

Summary

- Under this Statement, water corporations must source 100 percent of their electricity from renewable sources by 2025.
- Water corporations must also reduce their collective greenhouse gas emissions by 42.4 percent by 1 July 2025, 93.7 percent by 1 July 2030, and 100 percent (net-zero) by 1 July 2035.
- The statement sets out individual water corporation emissions reduction targets and remains in effect until revoked.

Emission Reduction Priorities:

- Prioritise avoiding or reducing emissions from corporations' operations
- Pursue actions and targets at the lowest possible cost, to minimise impact on water customer bills

Self Generated Offset Units:

All corporations can reduce their scope 1 emissions by retiring self-generated eligible carbon offset units.

A self-generated offset unit can be traded to and retired by another Corporation or catchment management authority without losing its status under this Statement as "self-generated".

The offset must be generated in Victoria and must be listed as an eligible unit under the Climate Active Standard.

Corporations and catchment management authorities are encouraged to work together where possible to ensure self-generated offset projects deliver multiple benefits.

Non-self-generated carbon offset units:

Only eligible corporations can reduce their scope 1 emissions by retiring non-self-generated Climate Active eligible carbon credits to meet their 2025 targets. These credits must be produced in Victoria.*

After 2025, all corporations can reduce their scope 1 emissions through non-self-generated Climate Active eligible carbon credits, however carbon projects must be Victoria based*.

*Not applicable to Melbourne Water Corporation as > 100,000 tCO2-e)

Appendix A *continued*: Decision-Making Framework for Carbon Offset Use by 3. Water Corporations

Decision-Making Framework for Carbon Offset Use by Water Corporations

Carbon Offsets: Report for the Victorian water industry (2020) Proud Mary Consulting

Victorian water sector views have been drawn together to develop a decision-making framework for sourcing carbon offsets to meet the requirements of the *Statement of Obligations (Emission Reduction) (SoO-e).* The Decision-Making Framework contains 6 statements of principle:

1. *Offsets use should be consistent with a comprehensive emission reduction strategy*
    - The long-term strategy is to achieve net-zero emission and should account for the expectation that ACCU prices are projected to rise over time.
2. *Choice of offsets should be informed by customer values and preferences*
    - Guided by the ESC PREMO framework, water corporations should take steps to understand customer preferences (location, co-benefits, price etc.) and prioritise aligned credits.
3. *Offsets must fully comply with the principles in the Climate Active Carbon Neutral Standard (CACNS)*
    - Credits must meet each of the seven integrity principles under the CACNS to determine eligibility. This includes individual project level due diligence of credits which are formally accredited.
4. *Offsets projects should do no harm*
    - Scrutiny is required at the project level to screen out projects that have a credible risk of causing harm to people or the environment. Potential co-benefits and alignment with customer preferences should be considered.
5. *Offset use should be flexible to accommodate policy and regulatory change*
    - Selection should include a diverse range of good quality, high integrity credits to accommodate the possibility that regulatory requirements become more stringent in the future. Credits should be considered for their ability to be retired under the Safeguard Mechanism.
6. *Offset use should be transparent in all respects*
    - Credits should be subject to full and detailed public disclosure. Water corporations should provide detailed information about the full range of credits/projects within their portfolio.

Appendix B: Stakeholder Consultations

Stakeholder interviews were conducted to gain expert insights into investment into carbon projects from different perspectives. The following organisations participated in consultations:

Aboriginal Carbon Foundation: A non-for-profit (NFP) and key expert on socio-cultural benefits of carbon projects.

Cassinia Environmental: Land management consultancy tasked with the delivery of the Victorian government's Bushbank program.

Greening Australia: A national environmental enterprise committed to restoring Australia's diverse landscapes and protecting biodiversity at scale, including through biodiverse carbon plantings.

The Nature Conservancy: Global NFP conservation organisation

Pollination Group: Specialist climate change investment and advisory firm.

Questions were centered around:

1. Investor types, interests, expectations, engagement strategy, role of the interviewed stakeholder in investor/project relationship.
2. Co-benefit frameworks and funding mechanisms both current and emerging.

Key Take-aways:

- The most significant barrier to investment in co-benefits is the nascent state of the market and lack of a commonly supported measurement and verification system. The drivers for investment are also still in a state of development.
- Until a formalised market emerges, the narrative and direct connection between the project and the needs of the investor are key.
- The type of investor and nature of investment will be widely variable and circumstance specific.
- The water sector can and should leverage their significant land assets as a security factor for investors.

Appendix C: Disclaimer

Disclaimer and Limitations

Although this Report has been prepared on the basis of the best information available, this information is subject to limitations and uncertainties. Our report and/or other advice does not constitute legal or financial advice; nor does it constitute an investment recommendation. Ndevr Environmental shall not in any way be held liable and/or accepts no responsibility for any of the matters dealt with in this Report.

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Thank you for the opportunity to provide these important services.

We acknowledge the Traditional Owners of the land on which we work and live and are committed to advancing reconciliation through our Innovate Reconciliation Action Plan. We look optimistically towards a sustainable and inclusive future.

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RECONCILIATION ACTION PLAN INNOVATE

SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

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