

CARBON FARMING PROJECTS

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Guidance Papers

Objectives

The principal objective of a Guidance Paper (*GP*) and Resource Pack (if applicable) is to clarify professional and industry processes, best practices and procedures and to discuss their use and implementation.

A *GP* is designed to be of assistance to *Members* and those who use *Members'* services. They serve as a guide and measure of acceptable professional practice and conduct of a *Member*.

The intention of a *GP* is to:

- a) provide information on the characteristics of different types of assets that are relevant to the advice;
- b) provide information on appropriate practices and their application;
- c) provide information that assists *Members* in exercising the judgements they are required to make in specific situations'; and
- d) convey elements of what is considered "competent professional practice" for Australian Property Institute (*API*) *Members*.

A *GP* is not intended to provide comprehensive training, instruction or prescriptive practices and procedures, or direct that a process, professional approach or method should or should not be used in any specific instruction or situation. Whilst a *GP* is not intended to provide comprehensive training, instruction or prescriptive practices and procedures, or direct that a process, professional approach or method should or should not be used in any specific instruction or situation, a *GP* may also include mandatory guidance relating to statutory requirements, rules or international standards which must be adhered to by *Members*.

Member Obligations

Members are responsible for choosing the most appropriate practice, approach, procedure or process in a matter based upon the task and instruction. If the *Member* is unclear, they should seek advice from others, which may include legal advice. *Members* have the responsibility of deciding when it is appropriate to depart from the guidance and practices contained in a *GP*.

The *API* does not warrant that anything contained in this, or any *GP* is the definitive or final statement on any issue. *Members* must perform their own work pursuant to their own professional expertise and experience and if required, seek expert advice from others.

Court or Tribunal Reliance

A court or tribunal may consider the contents of this *GP* to be relevant when deciding whether a *Member* acted to a standard required by law.

Currency of Publication

This *GP* is current at the time of publication, based on current case law and legislation.

Enquiries

If any *Member* considers any information or advice in this *GP* to not be accurate or up to date, or wish to raise any issue for consideration arising from the contents of this *GP*, please refer this to

API contact: standards@api.org.au

1.0 Introduction

1.1 Scope of this GP

This *GP* provides information and guidance for *Members* in relation to carbon farming projects and may be of benefit to *Members* providing professional services, including valuations of carbon farming projects or real property which supports, or is proposed to support, a carbon farming project.

It also addresses the valuation of *ACCUs* (the financial shares) that are generated by a registered carbon farming project.

Members providing professional services or advice in relation to carbon farming projects or the valuation of real property supporting an existing or proposed carbon farming project must do so to the standard of professionalism and skill required and consistent with membership of the *API* and in compliance with the law.

This *GP* is not intended to outline methods of valuation but may comment on matters that should be addressed in reports. Methods of valuation are covered in other professional standards papers and authoritative texts.

Members are reminded to consider the requirements, including definitions, contained within legislation relating to carbon farming projects / Australian Carbon Credit Units (*ACCUs*) / carbon abatement schemes in addition to both international and local standards where applicable to the professional services undertaken.

This *GP* should be read in conjunction with any other relevant *GPs*, professional standards documents, and any other relevant professional guidelines published or adopted by the *API*.

1.2 International Valuation Standards

International Valuation Standards (*IVS*) published by the International Valuation Standards Council (*IVSC*) are adopted by the *API*.

It is the *Valuers* responsibility to comply with the *IVS* applicable at the date of valuation, keep informed of any changes and, apply them appropriately and consistently when providing valuations.

This *GP* is also intended to be consistent with the concepts and definitions contained in the *IVS*.

2.0 Definitions

The definitions contained below and used in this *GP* are applicable to this *GP* and have been included to assist with the interpretation and understanding of certain stated terms used within this *GP*.

Whilst a defined term may also have a common meaning or interpretation, its use in this *GP* is so limited.

Where a defined term is included in this *GP* it is shown in italics.

Abatement	Net <i>abatement</i> is the total tonnes tCO ₂ -e sequestered by a carbon project minus the project's emissions (reported also in tCO ₂ -e)
Australian Carbon Credit Unit (ACCU)	<p>A financial unit, similar to a share, issued by the Clean Energy Regulator and representing one tonne of carbon dioxide equivalent (tCO₂-e) avoided or sequestered as a result of a carbon farming project.</p> <p>ACCUs are recorded in the Australian National Registry of Emissions Units and are financial instruments.</p>
Carbon Estimation Area (CEA)	<p>An area of land within a <i>project area</i>, where eligible project activities are carried out, and for which a project participant expects to receive <i>ACCUs</i>.</p> <p>A <i>CEA</i> is an area of land:</p> <ul style="list-style-type: none"> a) in which the project management changes have been implemented; and b) where carbon will be stored, and c) in relation to which carbon stock and emissions are to be calculated for the purposes of the determination. <p>A <i>CEA</i> may change over time (e.g.: paused or removed if drought halts growth, removed if no regeneration, or new areas added if additional land regenerates). It may be a single area of land, or it can be split by <i>exclusion areas</i>.</p>
Carbon Project	A project under the ACCU scheme framework granted by the Clean Energy Regulator to the <i>project proponent</i> under the <i>CFI Act</i> .

Carbon Project Agreement	<p>A third-party contract agreement between the <i>carbon service provider</i> and the landholder to facilitate the development and management of a <i>carbon project</i> on a <i>project area</i>.</p> <p>The two most common agreements are: (1) a 'Project Development Agreement' where a carbon project developer is the <i>project proponent</i> of the project; and (2) a 'Services Agreement' where the landholder is the <i>project proponent</i>.</p>
Carbon Service Provider	<p>A third-party ACCU scheme expert typically hired by the landholder to provide a range of services in relation to a <i>carbon project</i>.</p>
Exclusion Areas	<p>Areas within a (carbon farming) <i>project area</i> that are identified during baseline assessments to not be eligible under the <i>methodology</i> (e.g.: roads, houses, other infrastructure or areas with no potential to sequester such as rocky outcrops, dams, certain soil types and cleared forests).</p>
Land Management Strategy	<p>A plan submitted to the Clean Energy Regulator describing how the landowner and <i>project proponent</i> plan to manage the <i>project area</i> in accordance with the <i>methodology</i>.</p>
Member(s)	<p>A <i>Member(s)</i> of the API.</p>
Methodology	<p>Projects under the Carbon Credits (Carbon Farming Initiative) Act 2011 (<i>CFI Act</i>) must be undertaken in accordance with an approved <i>methodology</i> determination. The approved <i>methodology</i> determination sets out the eligibility rules for a project and other requirements that apply to the project such as monitoring and reporting obligations. There are currently three broad categories of carbon farming or approved methods:</p> <ul style="list-style-type: none"> • Agricultural methods - Storing carbon in soils; avoiding carbon emissions by minimising methane emissions from piggeries and livestock; avoiding nitrogen emissions from fertiliser use in irrigated cotton. • Vegetation methods - Storing carbon in vegetation through reforestation, revegetation; protecting native forest and vegetation that is at imminent risk of clearing. • Savanna burning methods - Fire management practices that reduce greenhouse gas emissions and enable more carbon to be sequestered in dead organic matter.

Offset Report	An eligible <i>offset report</i> is made to the Clean Energy Regulator for a defined reporting period (typically a 12-month period, but it can vary) as part of the process to claim carbon credits (ACCUs). <i>Offset reports</i> include evidence of management activities, stratification, and carbon <i>abatement</i> calculations
Project Area	<p>A defined and mapped area, divided, or ‘stratified’ into a combination of <i>CEAs</i> and <i>exclusion areas</i>.</p> <p>It is possible to make an application to remove a particular piece of land from a carbon project (thereby freeing it up for more profitable business opportunity). A variation to a <i>project area</i> is contingent on voluntary <i>relinquishment</i> of <i>ACCUs</i> equal in number to those associated with the specific land removed from the <i>project area</i>.</p>
Project Proponent	An individual or organisation who is legally responsible to the Clean Energy Regulator for carrying out the <i>carbon project</i> and holds legal right to run an Australian Carbon Credit Unit Scheme Project.
Relinquishment	In the event of a significant reversal incident, a <i>project proponent</i> may be required to relinquish a certain number of issued <i>ACCUs</i> . <i>Relinquishment</i> requirements are generally rare and include where <i>ACCUs</i> were issued based on false/ misleading information; a project has been revoked; a significant reversal occurs due to mismanagement or where no reasonable mitigation steps were taken. The <i>CFI Act</i> does not require <i>relinquishment</i> if the reversal was caused by a natural disturbance (defined under the <i>CFI Act</i> as flood, bushfire, drought, pest attack and disease), or the actions of a third party (where those actions were not within the reasonable control of the <i>project proponent</i>) provided the <i>project proponent</i> took reasonable steps to mitigate the reversal.
Valuer	A <i>Member</i> of the <i>API</i> who holds CPV.

3.0 Carbon Farming

3.1 What is Carbon Farming?

For the purposes of this *GP*, carbon farming involves managing vegetation, fire, soil, or livestock to increase storage of carbon in landscapes, or to avoid the release of damaging greenhouse gases, particularly methane and nitrous oxide. In Australia, carbon farming is an established and growing industry which is making a significant contribution to Australia's climate change response. Carbon farming refers to practices that increase carbon storage in the landscape or avoid the release of greenhouse gases such as methane and nitrous oxide, through active management of vegetation, fire, soil and/or livestock.

3.1.1 The Clean Energy Regulator

The Clean Energy Regulator is a federal government statutory body responsible for administering Australia's emissions reduction framework for renewable energy and *ACCUs*.

A *carbon project* must be registered with the Clean Energy Regulator and comply with approved *methodologies* as legislated by the *CFI Act*. An accredited project generates a number of carbon credits (*ACCUs*), determined by the Clean Energy Regulator's measurement tools and methods.

3.1.2 Carbon Credits

ACCUs are financial instruments and can be sold to generate income, either to the federal government through a carbon *abatement* contract, or to the secondary market.

Members should also be aware that in addition to *ACCUs* there are also a number of international carbon farming methodologies and carbon credits (such as Verified Carbon Units (*VCUs*) via the Verified Carbon Standard (*VCS*) Program ¹) issued for carbon farming projects globally. This *GP* will concentrate on *ACCUs* issued by the Clean Energy Regulator.

3.1.3 Carbon Projects and Methods

Carbon projects involve land management practice change and under the Emissions Reduction Fund there are currently three broad categories of carbon farming or land sector approved methods.

Agricultural methods > Storing Carbon in soils (soil carbon); avoiding carbon emissions by minimising methane emissions from piggeries and livestock; avoiding nitrogen emissions from fertiliser use in irrigated cotton.

Vegetation methods > Storing Carbon in vegetation through reforestation, revegetation; protecting native forest and vegetation that is at imminent risk of clearing.

Savanna Burning Methods > Fire Management practices that reduce greenhouse gas emissions and enable more carbon to be sequestered in dead organic matter.

¹ Verra VCS Program

Approved methodologies are reviewed and updated and new methods of carbon storage or avoidance are developed and implemented. All current, accepted methodologies are outlined on the Clean Energy Regulator website.

3.1.4 Benefits of Carbon Projects

Co-benefits are direct positive outcomes associated with carbon farming, additional to the emissions avoided or carbon stored. They include the social, cultural, economic (including jobs) and environmental benefits that would not have otherwise occurred in the absence of the carbon farming project.

For example, modifying existing land management practices for carbon outcomes can positively benefit the natural environment and improve agricultural productivity. Carbon farming activities can, among other outcomes, increase the level of Soil Organic Carbon (SOC), support land revegetation and avert clearing. Positive outcomes can include reducing agricultural demand for fertilisers, improving water quality, and promoting biodiversity and wildlife habitat protection for native species. These additional positive benefits – or improvements, should be considered when assessing the impact of a carbon farming project.

3.2 Legislation

Members should be aware of applicable legislation relating to:

1. Carbon Credits (Carbon Farming Initiative) Act 2011 (*CFI Act*)
2. Applicable State and Territory laws that may apply to register the interest on title or the applicable State/Commonwealth schemes operating in conjunction with the *CFI Act*.

3.3 What is an Eligible Carbon Farming Project?

An eligible *carbon project* must be registered with the Clean Energy Regulator under a carbon *abatement* contract.

An eligible project involves a land management practice change which aims to reduce or sequester greenhouse gas emissions in the landscape that is consistent with an approved ACCU method. All eligible projects are listed on the Clean Energy Regulator's [project register](#).²

3.4 ACCUs and the Carbon Market

The Carbon Farming Initiative is a voluntary carbon offsets scheme established and managed under the ACCU Scheme (formerly known as the Emissions Reduction Fund) which is administered by the Clean Energy Regulator. The *CFI Act* establishes the ACCU Scheme and enables *project proponents* to generate carbon credits by changing land use or management practices to store carbon or reduce greenhouse gas emissions.

The term carbon credit is used to describe the tradeable component of carbon markets. A carbon credit is a defined unit generated from a regulated project that either stores or avoids the release of one tonne of carbon dioxide equivalent (tCO₂-e) into the atmosphere. In Australia, the primary carbon credit unit is the ACCU.

An ACCU is a regulated tradeable financial instrument under the Corporations Act 2001.

² <https://www.cleanenergyregulator.gov.au/ERF/project-and-contracts-registers/project-register>

A carbon market is the market in which carbon credits (*ACCUs*) are exchanged or traded within a defined framework. They are created by governments for policy compliance or by governments and business for voluntary reductions of emissions. A carbon market places a price on carbon thus incentivising limits on emissions and driving decarbonisation. They permit the creation, purchase and/or trading of emissions units or equivalents (carbon credits).

The *ACCU* Scheme permits *project proponents* (organisations and individuals) to implement new practices and technologies that reduce their carbon emissions to generate *ACCUs*.

To earn *ACCUs* a *project proponent* is required to meet requirements under the registered project guidelines and rules, including the *Land Management Strategy*, which are known as *methodology* determinations.

The *methodology* determination for a *carbon project* sets out how that project must be undertaken, how emissions reductions are calculated as well as the monitoring and reporting requirements for the generation of *ACCUs*.

One *ACCU* (carbon credit unit) is generated for every tonne of carbon dioxide equivalent (tCO₂-e) calculated to have been avoided or removed from the atmosphere.

3.5 Income Earning Potential to the Project Proponent or Holder of a Carbon Credit

A *project proponent* or the holder of a carbon credit can generate income through the trading (or selling) of *ACCUs* held to those seeking to purchase carbon credits for their own use/requirements.

When *ACCUs* are issued, they are placed into the *project proponent's* Australian National Registry of Emissions Units (*ANREU*) account. *ACCUs* in Australia can be traded between *ANREU* accounts but not outside these accounts.

ACCUs may be purchased by the Australian Government through an auction awarding a carbon abatement contract. If the *project proponent* has a carbon abatement contract the commercial arrangement may be for Optional Delivery or Fixed Delivery. For Optional Delivery contracts, *ACCUs* may be sold to the Commonwealth at an agreed price within a set time, but there is no obligation and the *ACCUs* may be sold in the open market. Fixed Delivery Contracts require that a defined number of *ACCUs* be transferred/delivered to the Clean Energy Regulator to meet the obligations under the contract.

Where there is not a carbon abatement contract with the Commonwealth that the *project proponent* is required to comply with, *ACCUs* are able to be held or traded by the holder similar to other comparable financial instruments. There are multiple sources of demand for *ACCUs* including Safeguard Mechanism compliance in offsetting excess emissions, State and Territory government carbon neutrality programs, to organisations wishing to voluntarily purchase for either offsetting their emissions, meeting carbon neutral certification requirements or making a voluntary contribution to climate action.

3.6 Income to the Landowner due to a Carbon Farming Project

A landholder may be the *project proponent* and run the *carbon project* themselves, but it is more common for the landholder to enter into a *carbon project agreement* with a *carbon service provider* to undertake the entire *carbon project* or aspects thereof in accordance with the *carbon project agreement*. In both these cases, the landholder retains ownership of the *ACCUs* generated by the project.

A landowner may choose to grant the 'legal right' to a third-party to undertake the *carbon project* activities on the *project area* and to be issued *ACCUs* generated by the project. In these scenarios the third-party *carbon service provider* becomes the *project proponent* and enter into a *carbon project agreement* with the landowner which sets out responsibilities and obligations including the share of *ACCUs* or share of proceeds from the sale of *ACCUs*. These agreements effectively set out the agreed contractual terms between the landowner and the *project proponent* for the operation of the *carbon project*. The agreement may be in the form of a lease or similar and outline the income or payment to the landowner, the term, any requirements and obligations on either party including access, management, maintenance requirements or restrictive covenants.

4.0 Instructions

4.1 In Writing

Instructions should be received in writing and/or be confirmed in writing by the *Member*.

The instructions should clearly outline the scope of professional services requested.

There must be no ambiguity in the instructions. Where the *Member* perceives ambiguity, the instructions must be referred to the instructing party/client(s) to resolve the ambiguity.

Any variations to instructions during the course of work should also be in writing and/or be confirmed in writing by the *Member*.

Valuers must obtain or confirm in writing instructions that cover items listed in IVS 101 – Scope of Works.

4.2 Accepting Instructions

Advice, including valuation advice in relation to *carbon projects* and/or land impacted by an existing or proposed *carbon project* is a specialised area of property/valuation advice requiring in-depth experience and knowledge.

Prior to accepting any instructions, the *Member* must possess the necessary skill, knowledge, expertise and information to undertake the professional services.

Where a *Member* does not possess the necessary skill, knowledge or experience they should decline the instruction and recommend the client to retain the services of a suitably qualified and experienced professional.

Members are reminded that an *ACCU* is a regulated financial instrument and those providing financial advice relating to financial products require an Australian Financial Services Licence (*AFSL*). Members who do not hold an *AFSL* must make it clear that any report or other advice is not intended to provide financial advice and include a recommendation that the client seek independent advice from a *AFSL* holder in relation to the potential price of *ACCUs* and whether to hold, sell or purchase *ACCUs*.

The instructions should provide the *Member* with sufficient information and detail to enable the *Member* to provide competent professional advice to their client.

The API cautions *Valuers* requested to value the real property subject to an existing or proposed *carbon project* that they ensure a minimum level of supporting documentary evidence is provided by the instructing party prior to accepting the instructions and before completing the professional services. Annexure 1 provides a list of information that is required to be provided by the *Valuer's* client with instructions, or information that the *Valuer* should source prior to completing the valuation report.

If the *Member* has not been provided with, or sourced, sufficient information or details, the instructions;

- should be declined; or
- must be returned to the client/instructing party seeking further information or clarity.

4.3 Use of Experts

As the value of a *carbon project* is typically linked to the rights, obligations, restrictions and responsibilities contained within a complicated, lengthy legal agreement (the *carbon project agreement*) a *Valuer* may need to consider seeking external advice and counsel on how to interpret the agreement by an appropriately qualified and experienced lawyer to interpret and understand any *carbon project agreements*.

Where opinion or advice from others is sought, the details and source of the information used and relied upon by the *Valuer*, in forming their opinion, should be disclosed.

5.0 Role of the Valuer

The *Valuer's* report, should reflect a demonstrated understanding of the subject property, the *carbon project* and the impact that the project has on the property, as well as the market that the property is transacted in.

Where the instructions are a request for the valuation of real property supporting a *carbon project* the *Valuer's* role is provide their opinion of the value for the property including any premium or discount in value due to the existence of any transferable contractual agreement between the landowner and the *project proponent*.

6.0 Valuation Approaches and Methods

6.1 Valuation Approaches

As per the *IVS*, the principal valuation approaches are;

- “(a) market approach,
- (b) income approach, and
- (c) cost approach.”

Within these approaches, there are various methodologies that can be applied.

Valuers should be familiar with the whole of the *IVS*.

It is incumbent on the *Valuer* to identify what the key market drivers (value determinants) are for the subject asset class. *Valuers* should consider the detail and accuracy of information available and ensure that whichever approach is selected, it is supported through the analysis of the most appropriate evidence.

The selection of the valuation approach should consider the basis under which the market evidence relied upon has transacted.

The analysis process will also provide the *Valuer* with an opportunity to identify the most appropriate methodology to apply to the valuation. The primary valuation approach chosen by the *Valuer* should also consider the purpose for which the valuation is undertaken.

6.2 Valuation Methodology

The valuation of real property supporting an existing or proposed *carbon project* is complex. The circumstances of each property are unique to the *carbon project* plan and the *carbon project agreement*. There are often insufficient sales available for direct comparison purposes or the available sales are subject to unknown or bespoke terms and conditions relating to the respective *carbon project* plan and the agreement between the landowner and a third-party.

As noted previously, there are various methodologies that can be applied under the three (3) principal valuation approaches. Notwithstanding the difficulty and complexity in the valuation of real property supporting an existing or proposed *carbon project* it is the *Valuer's* responsibility to choose and apply the appropriate method(s) for the valuation.

7.0 Valuation Considerations

7.1 Key Considerations

A key consideration for *Valuers* when providing an opinion of value is the determination of the highest & best use for the property that is subject to an existing or proposed *carbon project*. Highest & best use is the use that maximises the property's potential, produces the highest value and must be physically possible, legally permissible, and financially feasible.

Two concepts that must be considered in relation to the valuation of a *carbon project* are;

- (i) the land that supports the *carbon project*, and
- (ii) the *carbon project*.

Consideration of the land that supports a *carbon project* must consider the *land management strategy* for the *carbon project*, any restrictions agreed under the *carbon project agreement*, any *eligibility* activities of the project, any requirements, responsibilities or obligations on the owner of the land to comply with the *carbon project* (including any carbon maintenance obligations under permanence obligations applicable to the *carbon project*), and any practical utility of the land for purposes other than the *carbon project*.

Consideration must be made as to any potential or predictable future changes to the beforementioned factors, including after the carbon project crediting period expires. A *carbon project* registered under the *CFI Act* has a crediting period which may differ from its permanence obligations.

For a carbon sequestration project, the permanence obligations mean the carbon stored by a project must be maintained for the chosen permanence period of either 25 or 100 years. A crediting period for a project determines the number of years for which *ACCUs* can be issued for the project.

The *project proponent* of a sequestration project is required (under the *CFI Act*) to ensure that the carbon which is taken out of the atmosphere (as a result of the project) is stored for a period of time and not released back into the atmosphere. The release of carbon back into the atmosphere is referred to as a 'reversal'. A 'reversal' may be the result of fire or other disturbance in the project area causing a decline in the amount of carbon stored.

Every sequestration project will have a nominated period of time during which there cannot be a 'significant reversal' in relation to the *carbon project*. As noted previously a *carbon project's* permanence period obligations can be either 25 or 100 years and the *project proponent* can nominate which period they want to have applied to the project.

If a property which is subject to a *carbon project* is being sold, the ongoing permanence obligation (and any carbon maintenance obligations) may impact the marketability of the property. This may be because the project has surpassed its crediting period, meaning there is no longer an *ACCU* income stream for the *project proponent* or the landowner via a *carbon project agreement* between the *project proponent* and the landowner for a share of *ACCUs* or share of proceeds from the sale of *ACCUs*.

The *Valuer* needs to consider if a property, or part thereof, which is subject to a *carbon project* retains a productive and viable use to the landowner. If there is no use for the property or portion of the property which is subject to a *carbon project*, that is, it is not able to be used for a productive and viable purpose, then there is likely to be a reduction in the value of the property, due to the *carbon project*.

Consideration of the *carbon project* must consider the forecast future generation of *ACCUs* and their commercial value in the market over the forward forecast period. Consideration should be given to the manner in which the project is developed and managed, and the acceptance and/or perception of the project within the community in which it is situated, and the perception of the *methodology* under which the *carbon project* is governed. The presence of any co-benefits should be considered in terms of commercial value, or complementary value to the supporting real property asset. Consideration should be given to the carbon project developer and any applicable risk in future forecasts they have provided. Consideration should be given to any applicable sales/offtake agreements, the strength of such agreements, and the strength of the purchasing entity with regard to their ability to fulfill any commercial agreement(s).

7.2 Native Title Matters

Native title is a very unique property right and interest which also has significant historical, social, economic, cultural and political issues connected to it. Native title is also a real form of property right which exists and has a significant legal framework around it.

Members are reminded that native title matters are an important consideration in relation to a *carbon project*, particularly in the initial concept and planning stages of a project.

The *API* has a Guidance Paper titled Native Title Matters (APGP 402) which is available on the *API* website which provides further information in relation to the native title system and the Native Title Act 1992 (Cth). This paper provides information about where native title may exist and considerations for *Members* when providing property advice to clients.

Where it is established that there are native title interests over the land that an existing or proposed *carbon project* is planned it is a requirement under the Native Title Act that consent for the project is provided by the native title holders. *Members* must consider the impact of any Native Title Land Use Agreement (ILUA) on the financial impact and viability of the existing or proposed *carbon project*.

The *CFI Act* requires necessary consents be obtained from Eligible Interest Holders for a *carbon project*. Eligible Interest Holders are, in essence, a person or entity who hold some form of legal interest in the land on which a *carbon project* is proposed. This could include a bank who holds a registered mortgage over the land or a registered native title holder if an existing or proposed *carbon project* is on native title land. The *CFI Act* requires Eligible Interest Holders to consent to an Eligible Offset project being undertaken on land that they hold an Eligible Interest in.

7.3 Impacts of a Carbon Farming Project

Considerations of the impact of the *carbon project* on the real property (positive and negative) are to be considered in the assessment. This may include but not be limited to enhancement/diminishment to the overall farm plan, soil fertility, pasture yield, seasonal restrictions, fire management, carrying capacity/stocking rates, erosion management, ground/soil water retention and overall agricultural productivity (improved or reduced).

- Permanence – consideration be given as to the impact from a change of use of all or part of the property including the permanent (if any) or shorter term nature of the *carbon project* and its effect on the subject property.
- Restrictions on operations – understanding the effect the *carbon project* may have on the operation of the existing farming/agricultural use and whether the restrictions to the use, operation or changes of management to the specific *project area* and to the broader areas of the farm (if any). This may include seasonal restrictions, fire management, any imposed changes under the farm plan and/or *carbon project agreement*.
- Additional Management of land under the *carbon project agreement* – consideration be given to the requirements for additional management of the *carbon project*. This may include additional fencing/maintenance, seasonal changes or restrictions, farming management practices specifically required for the success of the *carbon project* and any impact (positive or negative) that these changes may have on overall farm management.
- Capital investment for the project – consideration for the additional capital expenditure involved with the project planning, sequenced or staged implementation, ongoing management and development, future cost impost and final project completion. Future costs may be the result of ongoing costs to comply with the carbon maintenance obligations over the permanence period for the *carbon project* (i.e., has the landowner put money aside to meet these maintenance obligations?)
- Stage of project and timing – consideration by the Valuer as to the current stage of the project as at the date of inspection/valuation, any positive or negative impact on the value at that date and more broadly how this may compare to when the development of the *carbon project* has reached full completion.
- Property Sale Restrictions - consideration for any property sale restrictions imposed on the landholder under the *carbon project agreement* and the cost to the landholder of terminating the *carbon project* and *carbon project agreement* if the purchaser insists on this situation prior to purchasing the property.

- ACCU Trading Restrictions - consideration of any *ACCU* marketing or *ACCU* sale restrictions placed on the landholder under the carbon project agreement and how these impact the ability for the landholder to sell their *ACCUs* at a price of their choosing to a party of their choosing at a timing of their choosing.

7.4 Market Evidence

Market evidence includes sales of property supporting an existing *carbon project*. Sales of property that do not support an existing *carbon project* may also assist in the assessment of the impact of a carbon project on the value of property.

One of the complexities of investigating and analysing market transactions is that the existence of a *carbon project* and any *carbon project agreement* between the landowner and the *carbon service provider* is not required to be recorded on the certificate of title in all states and territories or the sale record.

The existence and details of all *carbon projects* in Australia is listed on the Clean Energy Regulator's [project register](#).

Valuers should always investigate and reflect market conditions and sentiment, as at the valuation date, in forming their opinion of value.

Where there is a shortage of transactional evidence for comparison purposes, as at the date of valuation, it is imperative that *Valuers* compile as much evidence as is reasonably necessary to ensure that the valuation is properly supported.

When requested to assess the value of a *carbon project* independent of the real property supporting it, *Valuers* are reminded that the current pricing (spot price) for *ACCUs* is available on the internet. It is incumbent on *Valuers* to ensure that they are using the spot price at the date of valuation and retain evidence of this to support any value assessments made.

Members are reminded that an *ACCU* is a regulated financial instrument and those providing financial advice relating to financial products require an Australian Financial Services Licence (*AFSL*). Members who do not hold an *AFSL* must make it clear that any report or other advice is not intended to provide financial advice and include a recommendation that the client seek independent advice from a *AFSL* holder in relation to the potential price of *ACCUs* and whether to hold, sell or purchase *ACCUs*.

8.0 Valuation Reports

8.1 General Requirements

Valuation reports of real property supporting an existing or proposed *carbon project* should have regard to the valuation report requirements contained within the *IVS*.

Reports should satisfy any requirements contained within the instructions agreed between the *Valuer* and the instructing party, as well as contain the following minimum information:

- Reference to the instructions received;
- Purpose;
- Client and any other parties who can use or rely on the valuation;
- An appropriately worded third party disclaimer;
- Valuation date, inspection date and date of issue of the report;
- Details of the property, including the *carbon project*, that is the subject of the valuation;
- Summary of the carbon project obligations and applicable areas of *abatement*;
- The valuation approach selected, and method or methods applied;
- Supporting evidence for comparison purposes (e.g.: sales evidence);
- Details of any assumptions made;
- The conclusion(s) of value and explanation for any conclusion(s) reached; and
- Details of any limitations, conditions, or qualifications on the valuation.

Where information is provided, sourced, or made available to the *Member*, this should be provided to the client together with a statement of the source of the information and its use or reliance disclosed and qualified as appropriate.

8.2 Specific Reporting Requirements

In addition to the general reporting requirements noted above, valuation reports of real property supporting an existing or proposed *carbon project* should also adequately address any specific reporting requirements in the agreed instructions between the *Valuer* and their client.

9.0 Effective Date

This *GP* is applicable from 1 July 2024. Earlier adoption is permitted and encouraged.

Annexure 1 – Information to be provided to Valuer when instructed to value a carbon farming project

Vegetation Carbon Project Methodology

<https://www.cleanenergyregulator.gov.au/ERF/Choosing-a-project-type/Opportunities-for-the-land-sector/Vegetation-methods>

- Farm plan (operational & financial)
- The *Land Management Strategy*
- *Carbon project agreement* or contract between landowner and *carbon service provider*
- CAC (or any other sale contracts to any other party). This includes if the registered seller is a different party to the property owner as the project is associated with a particular parcel of land regardless of who the listed seller is on the CAC / sale contract. Also, details if there has been any variation to the CAC agreed by the CER due to delivery shortfall or other reason.
- *Initial Offset Report*
- *Current Offset Report*
- Current Progress Report (or similar)
- Latest Audit Report (if available)
- Fullcam projections if not detailed in the *Offset Report*
- Current map of the *project area* (and indication if altered from the initial offsets report)
- Property management plan, if not detailed in the *Offset Report*
- Future ACCU generation forecast for the balance of the crediting period
- Future costs forecast for maintaining the project's sequestration for the balance of the permanence period
- If an established project, ANREU account balance
- Any Other Reports to ERF
- Methodology around allowable stocking rates within the CEA areas (some providers / aggregators do have this whilst others have generic statements around stocking rates)

Soil Carbon

<https://www.cleanenergyregulator.gov.au/ERF/Choosing-a-project-type/Opportunities-for-the-land-sector/Agricultural-methods>

- Soil carbon depends if any ACCU's have been sold from the project as yet.
- Initially with soil carbon project, if no ACCU's have been generated / traded, then;
 - Services agreement
 - Confirmation that project has been registered
 - Confirmation that benchmark data has been verified

- If ACCU's have been generated from a soil carbon project, assumption is that required information would be similar to the veg projects above.

Savannah Burning

<https://www.cleanenergyregulator.gov.au/ERF/Choosing-a-project-type/Opportunities-for-the-land-sector/Savanna-burning-methods>

- Biomass satellite mapping images, time series data, pre and post burn