

# INDIGENOUS ECONOMIC ENGAGEMENT

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Response to

Emissions Trading Scheme Discussion Paper

March 2008

Message Stick Carbon Group

## **Emissions Trading Scheme – The Indigenous Dimension**

### **Subject**

In response to the call for submissions on the Emissions Trading Scheme launched through your website, Message Stick Carbon Group wish to submit a brief response.

### **Background**

MSCG welcomes the release of the discussion paper and the reception it has received from the federal government.

Since the signing and ratification of the UNFCCC<sup>1</sup> by Australia in 1992 and its subsequent entry into force in 1994, the global community, Australians included, have looked forward to a response to the commitment made by 192 governments under the convention. Recognising that the climate system is a shared resource whose stability can be affected by industrial and other emissions of carbon dioxide and other greenhouse gases, action by all governments was urgently sought.

The convention set out three goals to be met<sup>2</sup>:

- gather and share information on greenhouse gas emissions, national policies and best practices
- launch national strategies for addressing greenhouse gas emissions and adapting to expected impacts, including the provision of financial and technological support to developing countries
- cooperate in preparing for adaptation to the impacts of climate change

With the launch of the ETS discussion paper, we feel that Australia has finally taken a decisive step towards meeting these goals. MSCG agrees substantially with the case made for mitigation of carbon emissions through a cap and trade emissions trading system.

The solution to the market failure of unpriced emissions is seen to be a price on carbon.

As Indigenous Australians, we would like to use the opportunity presented by this price on carbon to address the market failure of generational and systemic disconnect and distancing from the Australian economy of Indigenous Australians.

We see the opportunity as being one of bringing ,the marginalised, poor and dislocated communities of regional and remote Australia, an opportunity to join the economy as market equals and bring to it a scarce resource – carbon permits and offsets produced on Indigenous land by Indigenous communities.

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<sup>1</sup> [http://unfccc.int/essential\\_background/convention/status\\_of\\_ratification/items/2631.php](http://unfccc.int/essential_background/convention/status_of_ratification/items/2631.php)

<sup>2</sup> [http://unfccc.int/essential\\_background/convention/items/2627.php](http://unfccc.int/essential_background/convention/items/2627.php)

We have great confidence that your review will put a big effort into understanding the arguments that are made by various interested parties and groups. To the extent that Indigenous Australia is an “interest group”, we are at an immediate disadvantage as we are not organised and represented by a sophisticated Association or representative body. We can only do our best to put forward the case for the opportunity for an ETS to provide substantial improvements in the prospects of future generations of Indigenous Australians.

We believe that our submissions and claims do not fall into the category of special pleading and are in fact based upon a very real and serious public interest argument.

Our particular public interest argument is based upon the following circumstances:

- a. Indigenous poverty, welfare dependency, social deprivation and economic marginalisation. The most recent reference point here is the Productivity Commission’s report “Overcoming Indigenous Advantage – Key Indicators 2007”.
- b. The Federal Government focus on closing the 17 year life expectancy gap.
- c. The extraordinary expression of goodwill towards Indigenous Australia demonstrated nationwide by the general population during the recent Federal Government apology to the stolen generations.

We contend that poverty resulting from economic marginalisation of indigenous Australia (particularly remote and rural Indigenous Australian communities) is one of the fundamental root causes of the problems that exist today.

We also contend that the carbon constrained economy, and an ETS, is a once in a generation opportunity to make a substantial and enduring connection between impoverished communities and domestic and global carbon markets.

The recommendations in this submission have the potential to connect remote Indigenous communities with the carbon markets which will be created by the carbon constrained economy. The result of this could possibly be a break from welfare dependency for many of these communities across Australia over the long term.

## Comment

While agreeing with the broad thrust and most of the detail, we felt that some comment needed to be made on the following:

### A. “Coverage and Domestic offsets<sup>3</sup>

*Gases:* Six greenhouse gases as defined by the Kyoto protocol.

*Sectors:* Stationary energy, industrial processes, fugitives, transport and waste from scheme outset. Agriculture and forestry to be included as soon as practicable. Domestic offsets should be accepted without limits, but will have a small role, given broad coverage.”

For Indigenous Australia to participate in and benefit from the ETS, and in exchange produce benefits by way of reductions in emissions it is essential that forestry permits or offsets are included at the earliest. The regional and remote lands that constitute the asset base for Indigenous landowners are most suited to the sequestration of carbon through plantation forestry and environmental plantings.

**Any system that did not include permits and or offsets created through bio-sequestration would automatically cancel substantial Indigenous participation in the scheme.**

Clarity should be provided around the governments stand on avoided deforestation being discussed in the context of the developing countries for the post-Kyoto mechanism. This must also include forested lands owned by Indigenous Australians locked away at present from economic activity in the form of State Forests, National Parks etc.

In looking at coverage we support the call from the National Association of Forest Industries (NAFI) submission to look at the opportunities offered by the forestry sector<sup>4</sup>.

1. Establishing a policy framework and emissions trading system that suits Australia’s emissions objectives, supporting the necessary international reporting frameworks, and allowing credit trading internationally if required. These should be the primary objectives, independent to the expectations of the Kyoto Protocol.
2. Consideration must be given to the broader forest policy objectives in the development of policy and emissions trading to ensure consistency with these policies.
3. Adequate consideration of the full net benefits of forests and wood products in terms of carbon sequestration and storage in the development of policy and emissions trading. This can play a pivotal role in Australia’s endeavours to meet its future emissions reductions targets.

While projects involving renewable energy, waste to energy etc are going to form some part of the coming participation by Indigenous Australia, this will, by the very nature of the location of the lands, be very limited. The coverage provided by forestry and agriculture needs particular attention.

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<sup>3</sup> Page 7 – ETS Discussion paper March 2008

<sup>4</sup> NAFI on Garnaut review – Garnaut review 070907 -

<http://www.garnautreview.org.au/CA25734E0016A131/pages/submissions-general-submissions>

In order to maintain the integrity of the system it is essential that the additionality principle is clearly adhered to and Managed Investment Schemes and suchlike not receive the status that is being sought for them, preserving the quality of permits and offsets that forestry provides.

The whole area of compliance, auditing and accreditation in this area needs urgent attention. With the lag time between the launch of any bio-sequestration projects to create permits or offsets and the actual time taken to bring these to market, 2010 may see limited quantities coming to market, increasing volatility in pricing on the basis of investors not having had adequate time to produce and bring to market the compliant permits and offsets.

Land title and land rights in this area are of special interest as this without enabling legislation bringing clarity to this area, project commencements on some of the lands could be delayed indefinitely.

#### **B. “Permit issuance (or release)”<sup>5</sup>**

Permits released according to emissions reduction trajectory. All permits auctioned at regular intervals. (Note, some permits may be used in lieu of cash in providing transitional assistance to traded-exposed, emissions intensive firms at risk.)”

We find it interesting that having said “Other policy objectives – be they economic, environmental or social – should be pursued through alternative policy instruments that operate alongside the ETS”, an argument is put forward supporting precisely this kind of objective, on the basis of “environmental and economic efficiency”<sup>6</sup> on behalf of the TEEIs.

The area of permit issuance becomes particularly relevant to Indigenous Australians when viewed through this prism of global competition arguments set out by the TEEIs. After all, a price on carbon is only one among many costs to be borne by industry – a relief on superannuation would not be countenanced.

Having created a policy objective that does create a special category we would contend that given the findings of the Productivity Commission’s report “Overcoming Indigenous Advantage – Key Indicators 2007”<sup>7</sup> Indigenous Landowners are at least as deserving of consideration.

This consideration could be in the form of an allocation of AAUs that may be redeemable on completion of projects.

It may be in the form of tax relief for investment on remote and regional Indigenous land for the specific purpose of creating carbon permits on Indigenous lands.

It may be in the creation of a second lower class of credit that relies on avoided deforestation.

These and other such considerations would fall under the rubric of social policy - we see a powerful opportunity to embrace this (along with the recommendation for TEEIs).

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<sup>5</sup> Page 8 – ETS Discussion paper March 2008

<sup>6</sup> Page 6 – ETS Discussion paper March 2008

<sup>7</sup> <http://www.pc.gov.au/gsp/reports/indigenous/keyindicators2007>

### C. “International linkages<sup>8</sup>

Opportunities for international linkage of the Australian ETS should be sought in a judicious and calibrated manner.”

Keeping in mind that the EU ETS currently does not recognise bio-sequestration as a source of permits or offsets, we would suggest that any International linkage needs to be mindful of the natural advantages that come with Australia’s land availability. Bio-sequestration is the major opportunity that Indigenous Australia can participate in and this should not be traded away in wishing to create international linkages.

Whilst your report speaks of the benefit to be achieved by Papua New Guinea and Indonesia, from managing emissions in their forestry sector, the same imperative applies in the case of Australia’s own remote marginalised communities. This must be recognised and the opportunity provided by this mechanism converted towards the benefit of Indigenous Australia, along with providing Papua New Guinea, Indonesia and any other Pacific Island nation (see also our earlier submission to you).

### D. “Use of permit revenue<sup>9</sup>

Auctioning of all permits will be the source of a substantial amount of government revenue. Governments will need to assess competing priorities for this revenue, which may include:

- Payments to TEEIs (to correct for market failures);
- Structural adjustment to support declining communities;
- Support for public infrastructure;”

In looking at establishing a carbon permits industry on Indigenous lands in regional and remote Australia, the need for an approach that involves a wide range of government instrumentalities federal and state is obvious.

While supporting the call to make payments to the TEEIs, we would submit that a similar case can be made for Indigenous communities.

Communities relying on support for employment outcomes on the resources sector, may be disadvantaged due to the price of carbon affecting these companies, especially in the area of fossil fuel related mining and extraction. Early intervention by enabling an industry to establish on fair terms on Indigenous lands would permit these remote communities to create employment and income streams in situ.

To support renewable or waste to energy plants, the setting up of activated charcoal power generation through utilising Mallee plantations<sup>10</sup> that carry significant initial costs the need for public infrastructure will be vital. There needs to be clear signals from government in this regard as the creation of such infrastructure would enable some of the larger and more technically sophisticated abatement measures to be applied to remote land holdings.

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<sup>8</sup> Page 8 – ETS Discussion paper March 2008

<sup>9</sup> Page 8 – ETS Discussion paper March 2008

<sup>10</sup> Integrated Tree Processing of Mallee Eucalypts

## **Recommendations**

The main purpose of an ETS is to reduce emissions and build on Australia's national advantages. One advantage Australia (like PNG and Indonesia) has is that we have extensive forest and natural vegetation cover. It would be to Australia's advantage to be able to offset emissions from the stationary energy sector with offsets in the agriculture and forestry land use sectors. While issues of measurement are significant, there is a window of opportunity in the early stages of an ETS to allow offsets.

**To not have forestry offsets is to miss the opportunity for massive abatement, while also missing the opportunity for economic opportunities in remote and regional Australia for Indigenous Australians. This would be a sizable missed opportunity.**

The CSIRO, in their document Indigenous Forestry in Australia, estimate 15 % of total Australian land mass and 13% of Australia's forested land as Indigenous owned. According to data available from the Department of Agriculture, Fisheries and Forestry some 13% of Australia's forests are owned by Indigenous groups<sup>11</sup>.

This land has produced little, if any, commercial value for its owners in the past and reasons for these are numerous. This relatively marginal land is however in a position to catapult the owners into becoming equal participants in the coming carbon markets. Bio-sequestration, renewable energy – be it wind or solar or other, waste to energy conversion opportunities, bio-char etc are all going to need to be brought into play.

Based upon existing land ownership, Indigenous engagement in the carbon constrained economy will create over the long term, wealth, assets and most importantly significant ongoing, long term income streams and employment options for Indigenous landowners – independent of Government welfare mechanisms.

Government policy role should be to ensure the economic engagement interests of Indigenous Australia are formidably managed and represented during the creation of the Australian Emissions Trading Scheme. This would allow for the creation of a long term income stream to the landowning communities as well the opportunity of employment, in situ, in regional and remote areas of Australia.

On the other hand, a large part of the Indigenous land already has forest growing on it and thus is an effective carbon sink in its own right. Government policy with regards sequestration in the rainforest is to set up multimillion dollar funds to assist in reforestation and avoided deforestation in the immediate regional neighbourhood. The same should apply to the forests that are the lands of Indigenous peoples in Australia.

The developed world, and in this context the urban Australian economy, has benefited over the years from the ability to emit carbon at no economic cost. The sequestration of this carbon on Indigenous land now forms a large part of the locked in carbon.

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<sup>11</sup> Source: National Forest Inventory 2003. Australia's State of the Forests Report 2003

This may not create tradeable emissions credits but a mechanism to recognise and value these carbon sinks is essential in any equitable distribution of costs and benefits within an AETS. Whether the compensation is in the forms of an allocation of AAUs or in a “B” class of credit that has a smaller value as compared to the “A” grade credit remains for the designers of the system to engineer.

**Initial suggested steps:**

Development of Australian Emissions Trading Scheme

Place of Forestry permits and offsets to be assured, without linking to CDM type forestry restrictions.

Pursue domestic JI Track 1 methodologies for agricultural/forestry sequestration based on CSIRO science and/or methodologies approved under the Greenhouse Friendly Programme.

Recognition of existing forests (Avoided Deforestation) on Indigenous land

Commitment for allocation of a portion of Australian Assigned Amount Unit (AAUs) for JI projects originated on Indigenous lands (not just restricted to agricultural pursuits).

Create path of least resistance for use of Indigenous Lands for creation of carbon credits with specific reference to the numerous land titles that exist around Australia.

Create Incentives for Remote and Regional Indigenous areas:

Tax incentive/subsidy on investments on Indigenous land to create long term returns

Tax incentive/subsidy on carbon credits created by and on Indigenous lands.

Treatment of depreciation of assets etc on project funding.

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