



# Carbon and Co-benefits Co-Investment Guide

## *Part A: Co-Investment Process*

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through the State-wide Climate  
Change Coordinator*



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# 1.0 Background, Purpose and Guide Structure



## 1.1

# Background and Purpose and Structure of this Guide



### Background

Significant strategic work has been undertaken by Victorian water sector organisations to identify pathways and opportunities for land-sector carbon project development under the Emissions Reduction Fund (ERF). This work has been undertaken both individually and collaboratively by water corporations, Catchment Management Authorities (CMAs) and associated peak bodies, as well as the now Department of Energy, Environment and Climate Action (DEECA).

The work has been driven by the legislated ambitious emissions reduction and scope 1 and 2 net zero targets faced by water corporations, as well as net zero or carbon neutrality targets set by CMAs. Due to unavoidable emissions within their GHG inventories, water sector organisations will need to offset unavoidable emissions, thus resulting in a need to purchase or otherwise generate carbon credits. The latter is particularly important as CMAs also have a strong desire to support carbon projects that align with the strategic environmental and climate change adaptation and mitigation goals within their catchments.

In this context, it has been concluded that co-investment in carbon projects will be a critical contributor to developing projects that satisfy the twin objectives of meeting offset needs and delivering environmental and socio-cultural benefits. With this Guide, Victorian Catchment Management Authorities seek to support the Victorian water sector to leverage such co-investment opportunities, recognising that this is a nascent but fast-developing space.

### Purpose of this Guide

This Guide is intended to provide a practical step-by-step process for Victorian water sector organisations, and team members in key functions, 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 Guide may also prove highly beneficial for catchment management authorities as they seek to identify and/or investigate the feasibility of sites within their regions which can deliver high carbon and co-benefit outcomes for the environment and their communities, and to develop project proposals tailored to water corporations' needs.

The objective is to provide an actionable process that can be replicated by individual water sector organisations to facilitate the implementation of projects and secure investment in CoBs.



## 1.2

## Structure of this Guide



This Guide is presented as a two-part document (see Figure 1 alongside).

This Document constitutes **Part A: Co-Investment Process** and presents the core of the Guide. It provides (in Sections 3 and 4) the carbon project and co-investment development process (see Figure 2 below). This process consists of seven stages, and a series of inter-related steps under each stage. Section 3 provides an overview of the process, and Section 4 provides detailed guidance on each step in the process.

Part A of the Guide also sets out the context within which the co-investment and carbon project development process takes place. It provides background information on the state of nature-based markets, the various programs and forms of claims to CoBs currently available in the market, and the drivers for investment into CoB. Understanding this context is critical to implementing the process presented in the Guide.

The second Document, **Part B: Supplementary Guidance Material**, provides additional guidance material to support Victorian water sector organisations through the process of carbon project development and seeking investment. The supplementary guidance in Part B Section 2.1 is structured to align with the steps as presented in Part A.

### Carbon and Co-benefits Co-Investment Guide

#### Part A: Co-Investment Process

- 1.0 Background, Purpose and Structure of Guide
- 2.0 Context for Investment into Co-benefits and Terminology
- 3.0 Carbon Project Co-Investment: Process Overview
- 4.0 Step-by-Step Guide

#### Part B: Supplementary Guidance Material

- 1.0 Purpose of this Supplementary Guidance Material
- 2.0 Supplementary Guidance Material
- 3.0 Winton Wetlands Pilot Study: Trialling and Revising the Guide

Figure 1: Structure of the Co-Investment Guide



Figure 2: Step by step approach to carbon project development and co-Investment process for the Victorian water sector

## 1.3 Use of the Guide and Target Audience



### How to Use this Guide

The Guide lays out a generic carbon project and finance development pathway guiding consideration of factors that influence both the abatement potential of projects and seek to maximise chances of attracting investors or ability to access government funding.

Users are encouraged to follow the process described in this Guide to design their carbon projects, noting that although the Guide displays a number of discrete steps, the process is not linear.

The Guide presents a series of options in relation to several critical aspects, such as funding opportunities, existing voluntary nature credit schemes and measurement and verification (M&R) frameworks.

For each project – the choice of crediting framework, M&R framework, project type and carbon framework - will have to be tailored to the opportunities and risks presented for the project, as well as the potential partners and investors that can be identified.

This means that the project development process will ultimately have to be flexible. Firm decisions on aspects such as crediting frameworks, community involvement design etc., may not be capable of being made at discrete steps in the process as described in the Guide, but rather may need to be identified on the basis of a ‘best options’ approach to be firmed up at later stages in the design, depending on investor and/or other stakeholder preferences and interests.

### The Target Audience for this Guide

The Guide is designed for use by both CMAs and water corporations. It is focused on Victoria, in part due to the stringent requirements faced by water corporations to source carbon credits from within the State. For further detail on the scope 1 and 2 net zero obligations of water corporations and the framework within which this offsetting is required to take place is provided in Part B Appendix A. The emphasis is therefore placed on co-investment frameworks relevant to Victoria.

The Guide is also primarily focused on carbon project development under the ERF, as the key policy for generating carbon credits in Australia, although other carbon credit schemes are explored.



Figure 2: Step by step approach to carbon project development and co-Investment process for the Victorian water sector

## 1.4 Development of the Guide and Contributions



This Guide was developed relying on a combination of desktop research, input from GB CMA on critical aspects such as previous work undertaken by the water sector, Ndevr Environmental’s experience as technical experts in the carbon project origination process and as accredited experts under Accounting for Nature, as well as input from a wider stakeholder group representing CMAs.

Finally, the Guide has been informed by inputs obtained through stakeholder consultations with various organisations working on carbon project development and investment into nature-based markets. Organisations were selected such that a range of views across the market could be captured.

While the views expressed in those consultations informed the content of the Guide, the views and recommendations expressed in this Guide do not necessarily represent those of the individual organisations consulted, and the stakeholders did not have direct involvement in the drafting of the Guide.

More detail on the organisations that participated in the consultations, and the outcomes of the consultations are provided in Part B Appendix B.



## 2.0

# The Context for Investment into Co-benefits and Terminology



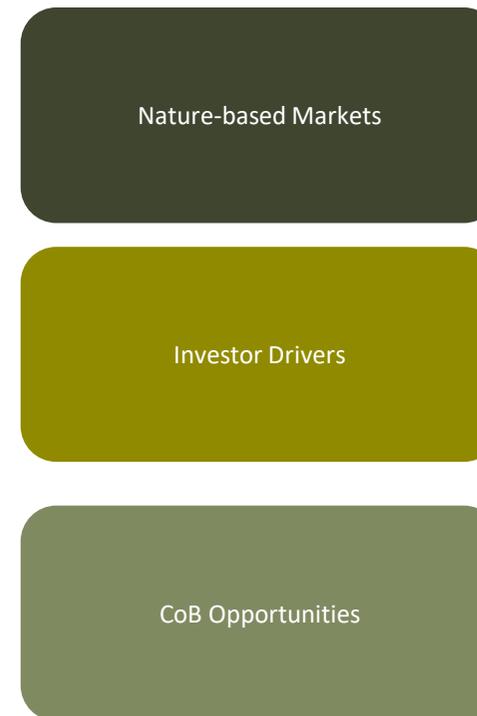
## 2.1

# Overview of the Context for Carbon + CoB Project Development

The context within which this Guide operates is shaped by three inter-related factors, as presented alongside; the status of nature-based markets, the factors that drive investors to seek involvement in CoB projects, and finally the CoB opportunities present in Victoria.

These factors are presented in more detail in this section, alongside a discussion of the terminology used in this Guide to refer to CoB frameworks and the variety of claims currently available.

This context section is vital reading to inform the carbon + CoB development and investment process set out in the sections that follow.



*Figure 3: Context for implementing the Co-Investment process in this Guide*



## 2.2

# Status of Nature-based Markets

### Nature-based Markets



The trend towards embedding CoBs with carbon projects is being driven by best practice guidance, such as the [Oxford Principles for Net Zero Aligned Carbon Offsetting](#) and emerging expectations on business for addressing biodiversity loss and other nature-related threats (see for example the [Taskforce on Nature-related Financial Disclosures](#)).

Currently, in Australia carbon credits associated with such benefits trade at a price premium compared to other credits. However, the framework for attribution of co-benefits, and the valuation of those co-benefits is not mature and/or well defined. CoBs have largely been valued on an informal, unquantified basis.

This is set to change through the emergence of verification frameworks and tools, such as [Accounting for Nature](#), and with the added impetus of the recent Chubb [Review of Australian Carbon Credit Units](#), which concluded that co-benefits ought to be verified before claims are made in relation to such benefits. Finally, as a response to [The 2021 State of the Environment Report](#), which concluded that a significant investment in conservation and restoration is required to reverse the current decline in Australia's natural environment, the Australian government is supporting the creation of a nature credit market under the [Nature Repair Market Bill](#).

However, the expectations on business to address decline in our natural systems and the methods for measuring and verifying co-benefits are very much in a formative stage. In addition, there is no readily available mechanism in Australia to de-couple CoBs from a carbon project and credit separately for nature-based or socio-cultural benefits.

The ability to credibly de-couple these benefits and create a separate nature or biodiversity unit, representing measurable positive outcomes, would provide the certainty required by investors to finance those activities.

While some voluntary mechanisms for generating nature credits in Australia are emerging, the interaction between projects that generate such credits and a carbon project and its carbon credits, will have to be carefully explored on a case-by-case basis. This would be to avoid double counting and to ensure the correct allocation or distribution of claims (for carbon and nature or socio-cultural benefits, respectively).



## 2.2

Status of the Nature-based Markets *continued*

## Nature-based Markets



Globally, nature credits (as distinct from biodiversity offsets – see definitions alongside), are an emerging market proposition. Much work is currently being undertaken internationally (see for example work by the [WEF](#) and the [Post-2020 Global Biodiversity Framework](#)) and domestically in developing a biodiversity or nature-based credits market. Australia is in a unique position globally in this regard as the government has indicated its support towards developing a national framework to govern nature-based credits under the [Nature Repair Market](#).

However, while there are some international and domestic voluntary credit schemes, there is not yet a coherent and/or standardised framework or set of principles to guide and channel investment into nature-based benefits. Similarly, as expectations on business in relation to nature impacts are not yet crystalised, there is no clear demand for nature-based credits in the market. Overall, in the current market state, the proposition of investment into nature-based or socio-cultural benefits will face barriers.

Socio-cultural credits and the associated demand for units and/or positive outcomes in this space is even less well defined. Here too, frameworks for verifying cultural benefits alongside nature-based benefits are emerging, particularly in the Australian context (see for example, the Aboriginal Carbon Foundation's [Core Benefits Framework](#)). Drivers for investment, such as reconciliation, exist but are not sufficiently formalised to drive a ground-swell of demand that can readily be leveraged.

**Context for this Guide**

The nascent state of nature-based markets in Australia and globally forms the context within which this Guide has been prepared and in which, it will have to be applied initially.

Expectations are that this market space will develop rapidly. Actively engaging on and seeking collaboration on investment into these benefits will place the Victorian water sector and CMAs in an early-mover position.

Therefore, at this stage it is important to highlight, that the Guide will require updating and revision as the nature-based market develops and processes for investment and partnerships mature alongside.

**Biodiversity Offset:**

Payment made by organisations to compensate for adverse impacts on nature

**Biodiversity or Nature Credit:**

An economic instrument to finance nature repair



## 2.3

### Summary: Status Quo of CoB Claims and Nature Credits

#### Nature-based Markets



This Guide has been drafted with the current state of the market in mind. This means that the process and mechanisms for attracting investment is shaped on the basis that:

- Nature-based carbon credits trade at a price premium compared to other carbon credits. This is currently largely buyer-led and on the basis of unquantified and informal information. That is, the market currently assumes certain ERF project types to be associated with CoBs and buyers places a price premium on these types of credits.
- Verification and quantification of CoBs is possible and increasingly being sought out in the market. Various frameworks or standards and monitoring can be used to achieve this.
- The additional process of certification of CoBs is possible through frameworks, such as Accounting for Nature (AfN). Such mechanisms provide the basis for creating a certified nature credit that can be unitised and is fungible. But see the comment below on integrity requirements.
- However, there is no ready framework yet to enable the stapling of a certified CoB claim to individual carbon credit units in Australia, although one is under development through AfN. International frameworks could be used for this purpose but there is seemingly low appetite for this in the market at present.
- The possibility for generating separate unitised nature credits (i.e., credits for CoBs) on the same land which also generates carbon credits and for the same activities is uncertain. CoB standards associated with international carbon frameworks could enable this kind of stacking, but this is not tested in Australia and no clear guidance exists on integrity aspects such as double-counting and additionality.



## 2.4 Terminology: CoB Programs and Claims

Nature-based Markets

### Focus of this Guide

This co-investment guide focuses on CoBs generated from the same piece of land, and by activities already typically occurring for the purposes of carbon project implementation. It does not consider other add-on activities that could generate CoBs and which could be funded in isolation. An exception to this is posed by cultural activities that may attract credits. These activities may exist in addition to a carbon project.

### Terminology and Types of CoB Claims in this Guide

To use this Guide effectively, it is critical to be clear on terminology, noting that terminology is highly unsettled at this stage of the nature market’s development process.

For this Guide, the two concepts that are critical are discussed below.

#### 1) CoB Program

This is used as an umbrella term in this Guide to refer to the international and domestic frameworks that lend support for CoB claims to be made with legitimacy (i.e. on the basis of some kind of quantification, verification and/or certification).

The programs are diverse in nature and can be distinguished by the characteristics such as the following:

- *The types of CoBs:* Programs may only cater for certain environmental outcomes. This applies particularly to accounting programs that rely on the development of particular methods for measuring outcomes. Some schemes account for a single category of co-benefit (e.g. a biodiversity credit) while others capture an aggregated CoB (e.g. Sustainable Development Goals).

- *The approach to quantifying CoBs:* Some programs (e.g., Accounting for Nature) apply quantification approaches or methods that measure environmental assets, whilst others do not quantify but derive qualitative CoB outcomes (e.g. The Core Benefits Verification Framework).
- *Verification and/or Certification, labelling and CoB credits:* Programs differ in terms of approach to certification, with some not offering certification at this point but requiring verification by a third party only. Similarly, not all programs offer labelling as an option and only a few exist that generate a unitised credit. Some standards (e.g., Society for Ecological Restoration Australia (SERA)) are not formal programs at all but rather offer a means to inbuild a level of CoBs into the project design (via a star rating) and develop in-house methods to verify and track the proposed CoBs over time.

It is the approach of the CoB Program in regard to quantification, verification and/or certification which will dictate the type of claim that can be made that can meet the investor’s needs.



Figure 4: Defining characteristics of CoB Programs

## 2.4 Terminology: Typology of CoB Claims

Nature-based Markets

### Terminology and Types of CoB Claims in this Guide

To use this Guide effectively, it is critical to be clear on terminology, noting that terminology is highly unsettled at this stage of the nature market’s development process. For this Guide, the second concept is discussed following.

### 2) Typology of CoB Claims Arising from CoB Programs

Based on the state of development of CoB claims and nature credits, there are currently two possibilities for shaping up the return to an investment into the CoB component of a carbon project.

These are as set out below and this Guide uses the terminology in bold to reflect those options throughout:

1. Investment in return for a **soft claim**: claims of this nature can be categorised into two tiers –
  - a) *Soft story claim*: An unquantified, unverified claim to the CoB story.
  - b) *Internally verified soft claim*: Quantified and internally verified a claim to CoBs arising from a carbon project. Quantification and verification may happen to support the co-benefit story and is undertaken according to a method adopted by a second party (internally).

2. Investment in return for a **hard claim**: There are also two categories of these claims –
  - a) *Third party verified hard claim*: Quantified and third party verified but uncertified claim to CoBs arising from a carbon project.
  - a) *Certified hard claim*: Claim to the quantified, verified and third-party certified CoBs arising from a carbon project.

Investment in return for a **unitised claim** may become possible in the future, noting that a unitised claim for separate CoBs (i.e., not resulting directly from carbon project activities), such as cultural fire credits and reef credits is already a possibility.

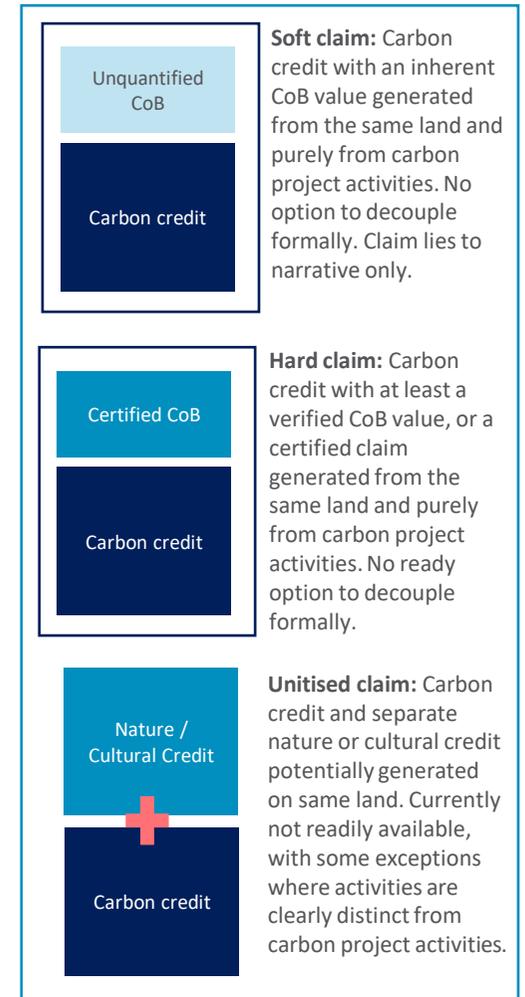


Figure 5: Typology of CoB claims in this Guide

## 2.5 Understanding Investor Drivers

### Investor Drivers

#### The Context for Investment into Nature

A critical step in attracting co-investment into a carbon + CoB project is to formulate the project as an attractive proposition for potential investors.

However, in the absence of an established and stable nature-based credits market and with expectations on business regarding the nature repair market (in general) still in a formative stage, investment into CoBs generated by or alongside a carbon project is an inherently risky proposition.

In order to attract investment, therefore, it will be vital to present an opportunity to investors that:

- speak to or satisfy investor drivers
- address key risk factors
- present a return on investment.

#### Investor Drivers

There are two categories of drivers for investment into nature repair and/or socio-cultural outcomes as follows:

- Compliance
- Social license to operate / alignment with sustainability strategy.

Compliance-based drivers are still in a formative stage. However, global momentum towards nature repair and a global nature positive state by 2030, is building rapidly.

This momentum is driven by key international and domestic developments presented in the graphic on this page.

At present, organisations may also consider investment in CoBs as part of their sustainability strategy and to demonstrate commitment to outcomes such as reconciliation. However, without strong compliance-based drivers for investment into nature-based activities, demand will likely remain fickle.

This is also due to the fact that currently, return on investment outside the nature benefit and attached soft claim, is largely lacking.

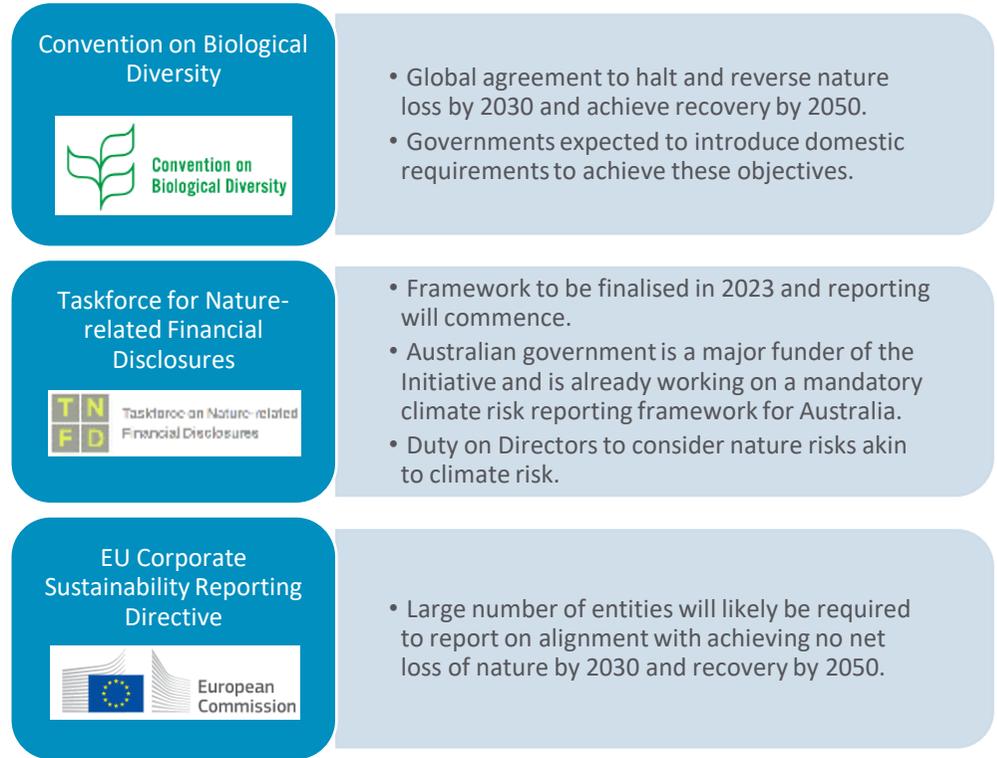


Figure 6: Initiatives driving Investment interest in CoBs



## 2.6

## Understanding Investor Risk

## Investor Drivers

**Addressing Investment Risk**

Investors are likely to approach an investment into the CoB component of a carbon project as inherently high risk due to the level of uncertainty attached to the investment. Addressing the underlying drivers for that risk perception will be critical to bringing investors on board. These drivers, and possible responses are explored below.

**1) Security over the land**

It is likely to be critical to investors to understand the underlying landownership and mechanisms in place to secure delivery of outcomes. From an investor perspective, the scenario where a project is implemented on water corporation-owned land may be preferable to implementation than for third party-owned land. This is due to the fact that multi-party involvement raises project risk.

In addition, mechanisms to secure the long term outcomes of the CoB activities may need to be explored and presented (e.g., through the registration of covenants and other mechanisms) to investors.

**2) Securing Integrity of CoB activities and Outcomes**

Investors will also require some certainty on integrity of the CoB activities and associated claims or units. This is a critical concern in the absence of a standardised framework on integrity requirements for nature-based credits and projects.

Some of the specific aspects that investors can be expected to require information on, depending on the level of sophistication of the investor, include the following:

- **Additionality:** The extent to which the CoB activities are additional to the carbon project. Additionality may be less of a concern where the investor claim is made on the basis of the intangible narrative or story attached to the CoBs and carbon credits than in a scenario where a nature credit will be generated and is intended to be de-coupled from the carbon credit.

This requirement also means that some nature-based outcomes cannot be claimed when they are generated as part of a carbon project. This applies particularly to compliance-based

biodiversity offsets. Such offsets cannot be generated by the same activity that generates carbon credits under the ERF due to the regulatory additionality requirement under the *Carbon Credits (Carbon Farming Initiative) Act 2011*.

- **Double-counting:** This aspect is related to the nature of the claims that can be made by the 'owner' of the CoB component of the project versus those made by the owner of the carbon credits. In order to ensure integrity, a double-counting scenario must be avoided. In other words, a mechanism should be pursued to ensure that under a decoupled scenario, the owner of carbon credits does not also make claims to the CoBs associated with the project.
- **Permanence:** This relates to security over the land and is concerned with mechanisms to ensure the longevity of the environmental and/or socio-cultural outcomes/co-benefits.
- **Monitoring, reporting and verification (MRV):** The mechanisms for monitoring CoB outcomes, reporting on them and verifying outcomes. Depending on the nature of the return or claim being sought by the investor, this aspect may be more or less important. Where a nature credit is being generated, MRV systems will be critical. However, given trends in development towards compliance frameworks, the focus on greenwashing and importance placed on integrity, investors may similarly require a strong MRV framework for more intangible outcomes.
- **Nature of claims:** A clear articulation of the claim that the investor may make with regard to the CoBs, as well as the claims the investor has in relation to other parties involved in the project.



## 2.7 Return on Investment

### Investor Drivers

#### Demonstrating Return on Investment

Outside of a compliance-based requirement to invest in nature repair or another overriding strategic reason (such as strong sustainability commitment of an organisation), investment decisions are driven by return on investment.

Demonstrating this return is challenging in the current state of the market; nature credits are not (yet) a readily marketable commodity. The pool of investors is therefore expected to be small, given that the intention is to attract investment in the CoB component of the carbon + CoB project is without any carbon credit return for investors.

For those investors that are early movers in this space, stakeholder consultation undertaken to inform this Guide identified that, in their experience, both project scale and the certainty of outcomes to be generated, are influential in securing investment partners.

Therefore, two critical aspects that project developers would need to address in demonstrating return, were identified as the *nature* of and *scale* of the project to be invested in.

#### Scale

Scale refers to the extent or size of the land area involved in the project, as well as the magnitude of outcomes that will be delivered.

The important message here for the water sector organisations, is to bear scale requirements in mind and seek out larger target sites. Ideally, Stage 1 should aim to maximise the scale of potential project sites within the portfolio.

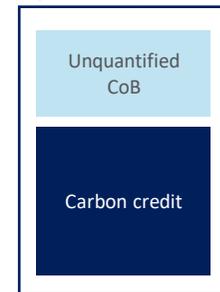
The precise quantum of the scale required will need to be tested with investors according to the likely magnitude of available funds, and the confidence in the partnership and project outcome certainty. It could be noted that typically a smaller pilot/trial project is attractive to investors initially.

One option to increase project scale is to aggregate target sites within one or more carbon project(s). A key feasibility consideration is then to group sites likely to be eligible for measurement and verification of CoB under a single consistent framework.

#### Nature of claims and units

Articulating the returns an investor may expect, also implies the need to provide detail on the nature of the claim on offer for the investor. Investors need to understand and be engaged on which type of CoB claims are able to be generated by the project that will serve their needs.

##### Option 1 a)



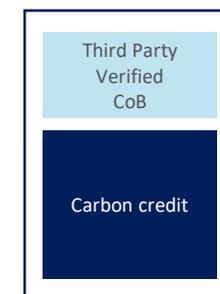
**Soft story claim:** Carbon credit with an inherent CoB value generated from the same land and purely from carbon project activities. No option to decouple formally. Claim is tied to a narrative (not quantified).

##### Option 1 b)



**Internally verified soft claim:** Carbon credit with a verified but uncertified CoB value generated from the same land and purely from carbon project activities. No option to decouple. Claim is tied to an internally verified CoB value.

##### Option 2 a)



**Third party verified hard claim:** Carbon credit with a verified CoB value generated from the same land and purely from carbon project activities. Verification takes place under a formal standard. No option to decouple. Claim is tied to verified CoB value (third-party).

##### Option 2 b)



**Certified hard claim:** Carbon credit with a certified CoB value generated from the same land and purely from carbon project activities. No ready option to decouple formally at present but may develop in the near future. Claim is tied to a certified CoB value by an externally administered standard.

Figure 7: Typology of CoB claims

## 2.8 Co-benefit Opportunities in Victoria

### CoB Opportunities



#### Co-benefits (CoBs) of carbon projects in Victoria

Land-based carbon projects involve land management or forest cover restoration activities that increase above and below-ground carbon sequestration, and/or reduce land-based carbon emissions. Such activities have long been promoted for their benefits to biodiversity, land restoration, community and agricultural productivity yet have been historically undervalued. The carbon market has brought new value to carbon-related outcomes, and increasingly also to associated non-carbon benefits commonly referred to as 'co-benefits' (CoB).

Project design is increasingly targeting CoBs to safeguard the integrity and efficiency of investments in the landscape. Another term for CoBs is 'core benefits'<sup>1</sup> that should be viewed as expected outcomes, rather than potential upsides, of carbon project activities.

CoBs can be broadly categorised as:

- Environmental benefits (e.g., ecosystem health, enhancements in biodiversity and landscape connectivity, presence and/or protection of flora and fauna)
- Socio-cultural benefits (e.g., diversification of income and employment opportunities, community amenity and fostering and re-invigorating Traditional Owner On-Country practices as well as health benefits) and

- Improvement in economic productivity of land (e.g., reduction in sedimentation, improved on-farm soil quality, improved management and welfare of livestock).

Various frameworks are emerging to identify, describe and monitor CoBs as components of natural and social capital as are described within this guide.



<sup>1</sup> The term 'core benefits' is used in particular by the [Aboriginal Carbon Foundation](#) and the [World Business Council for Sustainable Development \(wbcsd.org\)](#).

## 2.8 CoB opportunities in Victoria *continued*

### CoB Opportunities

For the purposes of accounting, it can be helpful to conceptualise how CoBs might strengthen existing nature and social ‘assets’ (defined as natural biophysical resource or set of shared social values).

Figure 8 shows key assets in Victoria that could be targeted by investment to enhance cultural, environmental and socio-economic values, in parallel with carbon outcomes.

These can be summarized as:

- Protected parks and reserves, including the Barmah, Dandenongs, Grampians, Wilsons Promontory and Mornington Peninsula
- Indigenous protected areas at Framlingham Forest and Lake Condah
- Rivers and freshwater ecosystems, with some forming part of the southern Murray-Darling Basin
- Coastal wetland ecosystems, including the Great Ocean Road region
- Flora - including 136 vulnerable and 128 endangered and critically endangered species
- Fauna - including 28 vulnerable and 47 endangered and critically endangered species.

In addition, Victoria has a high-value agricultural sector that can be partnered with to boost socio-economic and on-farm ecological value through the implementation of carbon projects.

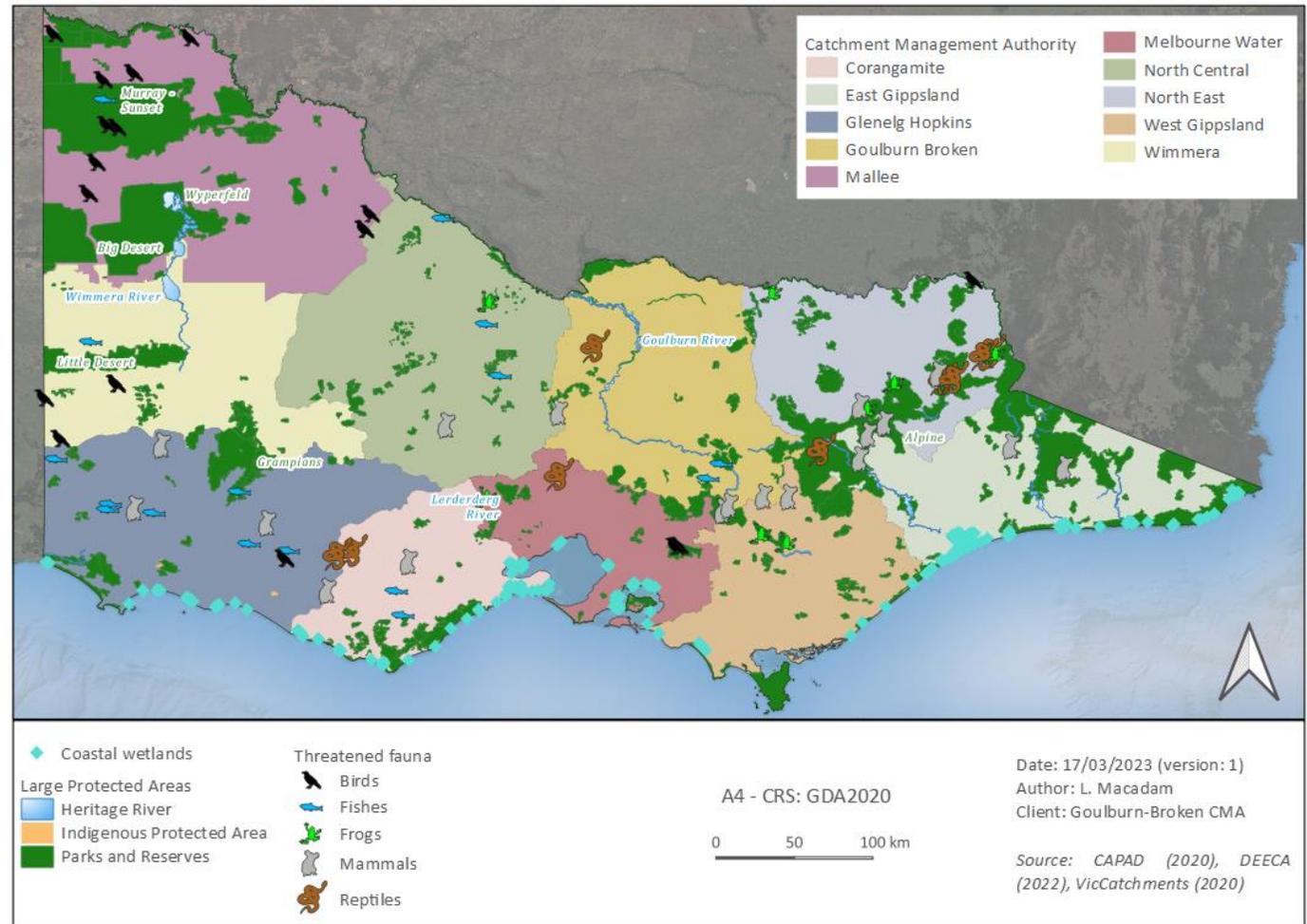


Figure 8: Selected natural assets across Victoria

# 3.0

## Carbon Project Co-Investment: Process Overview



## 3.1

## Overview of Carbon Project Development Parameters

*Developing a carbon offset generation strategy and implementing carbon projects under such a strategy, requires consideration of a series of inter-related parameters. These ultimately influence project viability as well as the potential to attract co-investment.*

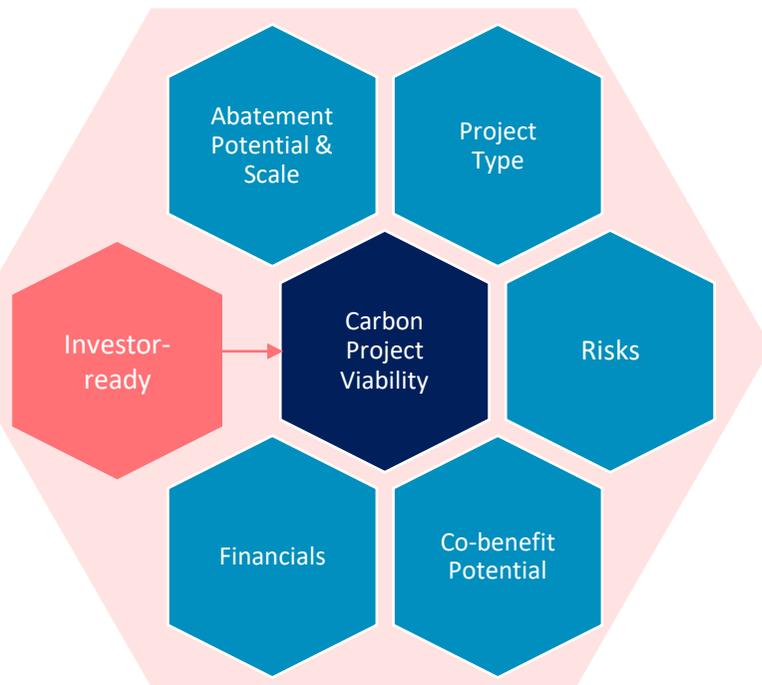


Figure 9: Carbon Project Parameters

*This section provides an overview of these parameters. Starting off the project development process with this overarching framework in mind, will help to ensure that all relevant factors are considered and sufficiently unpacked through the process.*

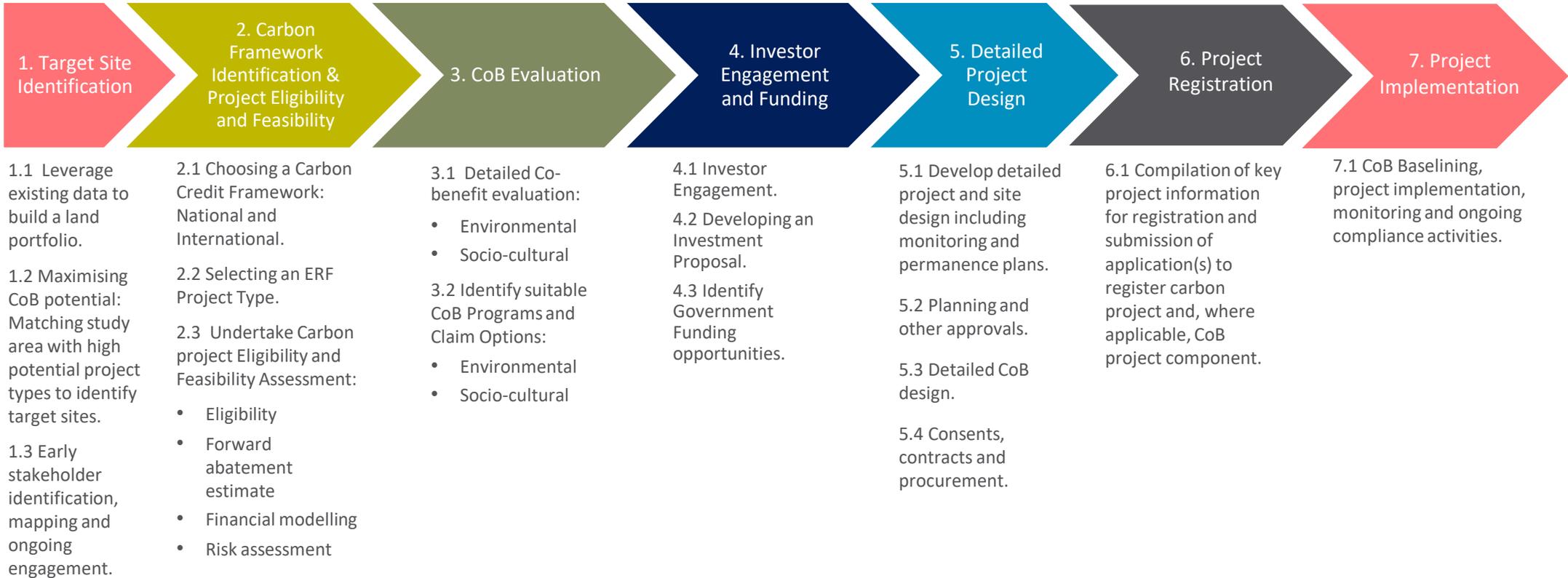
#### Carbon Project Viability Parameters

- **Project Type:** The carbon potential of land, combined with land conditions and land use determines the suitability of land for different types of carbon projects (i.e., tree planting, soil carbon, blue carbon etc). The chosen carbon framework sets out eligibility criteria pertaining to those parameters, and these have to be met in order to establish an eligible project.
- **Abatement Potential:** Suitability of land for implementation of a carbon project varies across regions and at the target-site level. This is due to the fact that the carbon potential (i.e., the ability of land to sequester carbon through vegetation growth or store soil carbon) of land is naturally variable across the landscape.
- **Scale:** In addition to the variability in the suitability of land, the carbon credits needed towards Net Zero objectives or obligations will influence the scale of the site(s) needed. An added factor when seeking co-investment is that in order to constitute an attractive investment proposition, investors will likely seek projects that can demonstrate scale so as to maximise investment returns.
- **Co-benefits:** The desire to generate co-benefits (environmental, social, cultural) also influences target site suitability. Particularly where co-investment is sought on the basis of those benefits, it is critical to incorporate into the project development process early identification and evaluation of the potential of a site to generate benefits in addition to carbon sequestration.
- **Risks:** Each project location will be subject to a number of risks: environmental, social, climate etc. (of various risk rankings) that may impact the permanency of carbon sequestration and co-benefit actualisation. This in turn influences target site suitability. In addition to this, there are other risk factors such as landownership etc., that from an investor perspective, will also be critical to consider.
- **Financials:** The interplay of scale, abatement potential of a site, project type, co-benefit potential and project costs against the organisation's carbon credit generation needs and current and future carbon price trend is a critical factor in determining the viability of a carbon project. From an investor perspective, understanding costs relative to co-benefit returns will be critical decision-making factors.

### 3.2

## Carbon Project Development and Co-Investment Process

The diagram below depicts the carbon project development and co-investment process flow that may be applied in seeking to incorporate CoB delivery and leverage investment and/or government funding opportunities. High level considerations applicable at each stage are considered overleaf, with the step-by-step guidance presented Section 4.



### 3.3

## Carbon and Co-benefit Development Process Overview

*A strategic approach to carbon project development is critical, particularly where scale is required, such as for the Victorian water sector. Likewise, a stage-wise process is key to target CoB investment. The process alongside details the gate-way process that enables a rapid, progressively deeper understanding of project viability and CoB opportunities as a project opportunity moves from concept idea through to registration and implementation.*

**Stage 1 - Target Site Identification** The first critical stage in the carbon project development process is to identify suitable sites, and preferably a portfolio of such suitable sites, in order to establish the scale required to attract investors and, particularly in the context of water corporations, meet offset target needs. This can be done in conjunction with identifying on a landscape level CoBs in order to optimise both carbon and CoB opportunities.

**Stage 2 - Carbon Framework Identification and and Project Eligibility and Feasibility** This step is about identifying the frameworks through which carbon credits can be generated, their applicability in Australia, and the ability to also generate CoB credits and/or certification of CoBs under these frameworks. It concludes with a Detailed Eligibility and Feasibility assessment of the carbon project opportunity.

**Stage 3 – CoB Evaluation** Once it is clear that the site has carbon potential, more detailed evaluation of the project’s CoB potential at the site level can proceed. This includes considering both environmental and socio-cultural CoBs.

**Stage 4 – Investor Engagement & Funding** The stage involves commencing and/or continuing strategic engagement to activate investment opportunities. It also involves screening for government funding opportunities.

#### Stage 1 - Target Site Identification

- 1.1 Leverage existing data to build a land portfolio.
- 1.2 Maximising CoB potential: Matching study area with high potential project types to identify target sites.
- 1.3 Early stakeholder identification, mapping and ongoing engagement.

*Note. Where an initial land portfolio has been identified already, some of the steps in this first stage may not be required.*

#### Stage 2- Carbon Framework Identification and Carbon Project Eligibility and Feasibility

- 2.1 Choosing a Carbon Credit Framework: National and International.
- 2.2 Selecting an ERF Project Type.
- 2.3 Undertake Carbon project Eligibility and Feasibility Assessment:
  - Eligibility
  - Forward abatement estimate
  - Financial modelling
  - Risk assessment

#### Stage 3 – Co-benefit Evaluation

- 3.1 Detailed Co-benefit evaluation:
  - Environmental
  - Socio-cultural
- 3.2 Identify suitable CoB Programs and Claim Options:
  - Environmental
  - Socio-cultural

#### Stage 4 – Investor Engagement and Funding

- 4.1 Investor Engagement.
- 4.2 Developing an Investment Proposal.
- 4.3 Identify Government Funding opportunities.

## 3.3

## Carbon and Co-benefit Development Process Overview (continued)

**Stage 5 – Detailed Project Design** This stage involves the implementation of all necessary planning activities to ensure the project can be successfully registered under the ERF and/or the relevant co-benefit standard as well as implemented under state planning legislation. This stage may include: negotiation of contractual arrangements in regard to legal right, commencing engagement with Eligible Interest Holders (EIH) for consent, development of a detailed project design and monitoring plan, commencement of the application of a development approval and/or relevant permits (where required) and the development of a permanence plan.

**Stage 6 – Project Registration** This stage involves compiling all the necessary information required to register a project under the ERF and the relevant CoB scheme. Note, for carbon projects in particular, the Eligibility and Feasibility process is directed to ensure all key requirements for registration have been met and the required information is relatively straightforward to compile.

**Stage 7 – Project Implementation** This stage involves the implementation of the required project activities and relevant monitoring activities as per the relevant carbon method. However, prior to this, baseline monitoring of the CoBs to be monitored and verified as an outcome of the project must be conducted before carbon project activities are implemented. This task, depending on when funding is received, may also be conducted earlier in the process.

#### Stage 5 – Detailed Project Design

- 5.1 Develop detailed project and site design including monitoring and permanence plans.
- 5.2 Planning and other approvals.
- 5.3 Detailed CoB design.
- 5.4 Consents, contracts and procurement.

#### Stage 6 – Project Registration

##### Carbon Framework:

- 6.1 Compilation of key project information for registration and submission of application(s) to register carbon project and, where applicable, CoB project component.

#### Stage 7 – Project Implementation

- 7.1 CoB Baseline, project implementation, monitoring and ongoing compliance activities.



4.0

# Step-by-Step Guide



# 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

# Leverage Existing Data to Build a Land Portfolio

## Target Site Identification



### Context

The first critical step in the carbon project development process is to identify suitable sites and preferably a portfolio of such suitable sites, in order to establish the scale required to attract investors and, particularly in the context of water corporations, meet abatement needs.

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 from a variety of perspectives. These priorities include climate change adaptation and improving natural resource conditions.

Additional work has also been specifically conducted to identify areas for prioritisation of carbon project development through revegetation, natural regeneration and agricultural systems changes.

### Step 1.1

*Building a land portfolio of potential sites for carbon and CoB project development is the first critical step.*

*Existing data should be leveraged to identify a portfolio of sites that have high potential for delivering significant abatement and CoB.*

*Where an initial land portfolio has been identified already, this first step may not be required.*

### Implementation Guidance

Various tools can support this step, with some detail on output interpretation provided in Part B: Supplementary Material. For carbon potential, useful tools include the following:

- **The Maximum Above Ground Biomass GIS data layer:** This provides a useful indicator of the potential carbon yield.
- **CSIRO’s LOOC-C platform:** Together with the national soil grid provides an indicator of soil carbon potential.
- **National Stewardship Trading Platform:** This indicates carbon project eligibility for a target site. Future updates to include other types of land-based assets.

For environmental asset and CoB potential, useful tools include:

- **CSIRO National Biodiversity Assets Registry:** Initial screening for presence of significant biodiversity assets.
- **CSIRO Basin Futures platform:** Delineation and initial assessment of catchment land use and inflows contributing to freshwater assets.
- **NatureKit Victoria platform:** Bioregions, ecological vegetation classes, species observations and state-wide Biodiversity 2037 Strategy layers, including benefit-cost of replanting activities.
- **CSIRO LOOC-B (under development).** Anticipates benefit of carbon project activities on habitat condition over time.

Previous work by water sector entities can also be leveraged, including guidance and maps developed by several CMAs on carbon project priorities for their respective catchments. Water sector entities have also undertaken strategic work and pilot studies on approaches to carbon project development. This work should be harnessed wherever possible. More detail is provided in Part B: Supplementary Guidance Material.

The previous work conducted, together with an assessment of the biomass or soil carbon potential, provide a pragmatic starting point for establishing a land portfolio.

### Outcome

A land portfolio of potential sites for further study in the next step is established.

→ **Step 1.1 Supplementary Material:** Tools, maps and relevant previous studies to support identification of a land portfolio and target site.

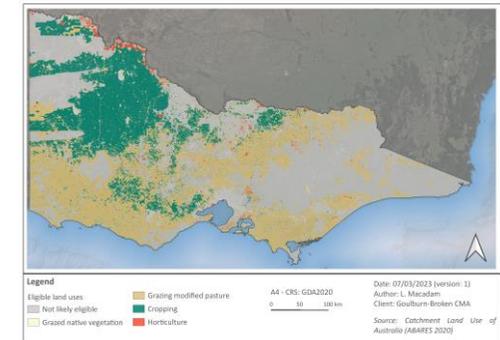
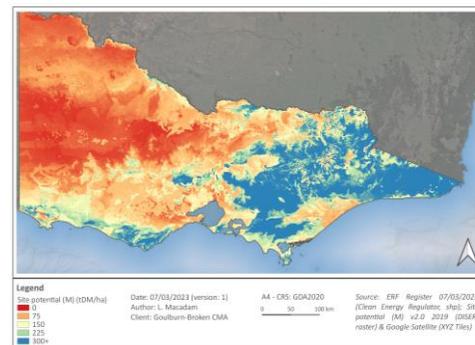


Figure 10: Sample maps of Max Biomass and soil potential. Detailed maps are provided in Part B: Supplementary Guidance Material

## Step 1.2

# Maximising CoB Potential by Matching Study Area with High-Potential Project Types to Identify Target Sites

### Target Site Identification



### Context

A critical factor in selecting target sites from the larger land portfolio identified in step 1.1 is to achieve alignment between carbon + CoB potential. Ideally, identified sites will display both high carbon potential and high environmental and socio-cultural value.

At later stages in the project development process, the CoB values of individual sites will require detailed evaluation. A preliminary step towards maximising the potential for achieving the twin objectives of carbon + CoB outcomes is to select project types and land that can support those project types, that hold the highest intrinsic CoB potential.

### Step 1.2

*This step provides guidance on the early identification of project types and land that hold high intrinsic CoB potential as well as high carbon potential to refine down the study area to the target site level.*

*Ideally, a number of target sites are identified at this point. Each site will then be subject to its own further study and analysis process on an individual basis.*



**Step 1.2 Supplementary Material:**  
Guidance on conducting the opportunity assessment to select a study area from the landscape portfolio.

### Implementation Guidance

This step brings together CoB screening with consideration of likely suitable project types and carbon potential to identify target sites for further study. This process could unfold as set out below.

#### 1) Select a study area from the landscape portfolio

Step 1.1 may identify several landscape pockets or areas for consideration. It is necessary to zoom into a more focused study area and ultimately the target site level. Factors that should be considered in settling on a study area include contiguous nature of sites, ownership and scale. See Part B: Supplementary Guidance Material for detail.

#### 2) Conduct Opportunity Assessment and review inherent CoB potential of carbon project types against study area

Once a study area is selected, conduct an Opportunity Assessment on this area to confirm carbon potential and eligibility for different project types of the sites within that area. For Guidance on Opportunity Assessment see Part B: Supplementary Guidance Material.

Build in consideration of CoBs at study area level. The co-benefit matrix overleaf can assist to identify CoBs associated with land-based carbon project types.

#### 3) Screen CoB potential of target sites

Various tools can support this screening. Examples include the following:

- **CSIRO's LOOC-B model:** (in development) Spatial tool for monitoring and planning biodiversity CoB through habitat condition using indicators of habitat connectivity, biodiversity persistence and habitat provision for nationally listed threatened species.
- **Protected Matters Search Tool:** Identifies threatened and priority flora and fauna, listed critical habitat and areas of environmental significance over a specified region.

#### 4) Consider alignment with strategic values for catchments

In combination with initial screening for CoBs, the work conducted by CMAs on regional catchment strategies and priorities should be considered. Engagement with the relevant CMA, where the CMA is not the lead organisation, is a critical recommendation. See step 1.3 on this.

#### 5) Consider Cultural Significance and Management

The cultural significance and management of sites and their relationship with Traditional Owners and First Nations people within the initial land portfolio should also be considered early on in the process.

This can be conducted on a landscape level by identifying Native Title boundaries as determined by the Native Title Act 1993 and/or Recognition Settlement Agreement (RSAs) areas as defined under Victoria's Traditional Owner Settlement Act 2010.

Native Title and Indigenous Land Use agreements can be assessed using the [Native Title Vision](#) spatial search tool. Joint management areas under RSAs can be located on [Data VIC](#). Other tools, such as Caring for Country Plans and engagement with CMAs can also shed light on Traditional owner management aspirations and cultural significance.

#### Outcome

Target sites that match carbon project types of inherent CoB potential identified from the land portfolio that was established in step 1.1 and sites screened for CoB potential at a high level.

## Step 1.2

# Maximising CoB Potential by Matching Study Area with High-Potential Project Types continued

Target Site Identification



### Co-benefit Matrix

Activities required under different types of carbon projects offer various co-benefits, as summarised in this matrix.

It should be noted that the matrix highlights intrinsic alignment only. Assessment and design at the site level will determine the extent to which additional CoB can be achieved.

Carbon project		Co-benefit category & type of value that is enhanced												
Method	Activity	Biodiversity & ecosystems				Socio-cultural						Agricultural productivity		
		Presence of threatened species	Water quality	Soil/ bank stability	Ecosystem resilience to climate risks	Restore cultural landscapes	Employment opportunities	Clarify land tenure/ use rights	Tourism/ amenity value	Health	Diversified income streams*	Farm productivity	Water use efficiency	Soil health
Blue carbon & Environmental planting	Revegetation	✓	✓	✓	✓	✓	✓		✓	✓				
	Conservation	✓	✓	✓	✓	✓		✓	✓					
Soil carbon	Reduce tillage			✓									✓	✓
	Land use conversion		✓	✓	✓					✓	✓			✓
	Increased production efficiency											✓	✓	✓
Plantation forestry	Commercial timber plantation		✓	✓			✓	✓		✓	✓			

Figure 11: Carbon abatement activities and co-benefits matrix.

Source: Adapted from the CSIRO co-benefits matrix: *Co-benefits and greenhouse gas abatement – Digiscape Future Science Platform (csiro.au)*

\*Separate to the carbon value



## Step 1.3

# Early Stakeholders Identification, Mapping and Ongoing Engagement

### Target Site Identification



### Context

Stakeholder engagement is a critical component of the project development process.

It is crucial to both the carbon and CoB identification and evaluation process, project design and delivery models, as well as in identifying investors and ultimately securing investment.

The individual stakeholders consulted and the topics for consultation will differ depending on how far the project is progressed in its development.

### Step 1.3

*This step provides guidance on the early identification of stakeholders and considerations to inform engagement with stakeholders throughout the project development process.*

*This step is recommended as an early project development consideration but it does not have to follow sequentially from Step 1.2, and could be undertaken as part of this step. Engagement should be an ongoing priority throughout project development.*

### Implementation Guidance

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.

Local Councils, alongside CMAs, can also provide critical insights into community sentiments and high-level opportunities for involving local communities in projects to support social benefits to local communities.

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

For sites with a significant number of stakeholders, a mapping process that categorises stakeholders into groupings that reflect their power to influence the carbon project and its outcomes against their level of interest in the project and its outcomes can be helpful.

### Critical Stakeholders

The following categories of stakeholders should be identified and engaged through the project development process:

- Stakeholders with interests in or knowledge of the target site(s), including CMAs and Local Councils
- Conservation organisations
- Service Providers and existing Implementation Partners
- Nature credit scheme administrators.

Further guidance on the importance of stakeholder engagement and an overview of engagement topics by stakeholder group is provided in Part B: Supplementary Guidance Material.

### Outcome

Potential stakeholders who have an interest in the project and/or can provide valuable insights to inform project development are identified early and engaged, as appropriate.

Where needed, stakeholders are segmented to identify those that should be engaged immediately and regularly going forward, as well as stakeholders that may only be consulted in later stages of the project development process.



**Step 1.3 Supplementary Material:**  
*Guidance on stakeholder identification, mapping and engagement.*

## 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

# Choosing a Carbon Credit Framework: Domestic and International Options

Carbon Framework | Carbon Feasibility



### Context

The first stage in the carbon project development process is focused on identifying opportunities; first at a landscape or land portfolio scale, and then at the more targeted study area and target site level. It is about identifying the suitability of land to undertake different types of activities that are eligible for generating carbon credits (international or national). It is also about matching this with land of high CoB potential.

In this second stage, a suitable carbon credit framework and alongside it, a project type as identified in various methods that are published under these frameworks, must be identified.

### Step 2.1

*This step provides guidance on choosing the framework through which carbon credits will be generated.*

### Implementation Guidance

There are various international carbon frameworks under which carbon credits can be created and issued. Key frameworks of particular scope and relevance are the:

- Gold Standard (GS) and
- Verified Carbon Standard (VCS or Verra).

Further details on these schemes and the CoB standards and certification associated with these schemes is provided in Part B: Supplementary Guidance Material.

It is important to note here that as Australia’s national legislation stands, there is limited scope for developing a carbon project under either 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.

There is uncertainty around accounting for international carbon market projects within the Australian Carbon Inventory to avoid such double counting.

Until clear accounting rules are developed for international carbon market involvement with host country(ies), the predominant choice available is to generate ACCUs under Australia’s ERF.

### Outcome

It is recommended that water sector entities keep abreast of Paris Agreement Article 6 developments in order to determine if and when the right time would be to consider International carbon credit project development within their offsets strategy.

Until such time, the predominant choice will be to develop carbon projects under Australia’s domestic framework; the ERF.

➔ **Step 2.1 Supplementary Material:**  
*Overview of domestic and international Carbon Credit Frameworks and limitations on the use of international frameworks.*



## Step 2.2

## Choosing an ERF Project Type

Carbon Framework | Carbon Feasibility



### Context

After selecting a carbon credit framework, the next step is to select the appropriate project type. Given that the ERF is the most viable choice at present, guidance is provided for selecting an ERF project type.

*This guidance should be adapted to cater for international frameworks once this option becomes more readily available.*

### Step 2.2

*This step provides guidance on the key requirements to discern the most suitable ERF project type for the target sites(s) under consideration.*

*This step ties together the work undertaken in Stage 1 and sets the scene for the next two stages.*

### Implementation Guidance

There are four main ERF project types that could be applied to the Victorian landscape:

- Environmental and Mallee Plantings
- Blue Carbon
- Plantation Forestry
- Soil Carbon.

Selection of a likely suitable ERF project type will be based largely on the work already undertaken in Stage 1.

### Selection Criteria

The choice as to project type is dictated by a series of factors, namely: land condition, land use and future land use options and prescribed under the *Carbon Credits (Carbon Farming Initiative) Act 2011* under a series of Methods.

Each method provides for the implementation of a specific project type and can be categorised according to:

- Project Mechanism – the key mechanism through which abatement can be

established under the method

- Eligible activities – the key activities for which the project mechanism can be carried out under the method
- Baseline land use – the required condition and status of the land for which the target site is under prior to the project commencing
- Project land use – the required condition/use of the land following the implementation of the project activities (if different from the baseline).

An overview of the requirements that must be met for each of the project types is provided for each ERF project type in Part B: Supplementary Guidance Material.

Also listed are the key CoBs likely to be generated with the implementation of each project type.

### Outcome

The identification of the potential project types that present viable options for co-generating CoBs.

As each project type is associated with a number of critical eligibility criteria under the specific Method, the next stage (Stage 3), assesses the ability to meet those eligibility criteria.

**Step 2.2 Supplementary Material:** *Summary of ERF Methods relevant to Victoria.*



## Step 2.3

# Carbon Project Eligibility and Feasibility Assessment

Carbon Framework |  
Carbon Feasibility



### Context

Stage 1 serves to identify the opportunities for generating CoB alongside a carbon project opportunity first at a landscape level, and then within the context of the project type suitable to the target site(s) identified through Opportunity Assessment.

Stage 2 identifies the relevant carbon and co-benefit frameworks for the project to proceed under.

The final step of Stage 2 is to assess the eligibility and feasibility of the carbon project(s) before proceeding to a more detailed assessment of CoBs, in Stage 3.

Stage 3 converts identification of CoBs into an evaluation, at a sufficiently detailed level to then engage with potential investors in Stage 4.

### Step 2.3

*Conduct an Eligibility and Feasibility Assessment to confirm an identified eligible carbon project opportunity so that it may proceed to the registration stage (Stage 5) and be assessed for CoB opportunities (Stage 3).*

### Implementation Guidance

Under this assessment target sites are assessed for the ability to comply with the critical eligibility criteria of the ERF framework and the particular project type as governed by the Method that has been identified as likely suitable in Stages 1 and 2.

This stage typically involves an on-site assessment which is commonly conducted by an expert with either a restoration or ecological background with specialist knowledge in either wetlands, forest and/or agricultural systems, depending on the project type.

- Detailed Eligibility
- Forward Abatement Estimate
- Financial Modelling
- Risk Assessment.

The site assessment will ground truth the initial assessment in Stage 1 and assist with a preliminary design of a project and one that is compliant with the relevant eligibility requirements of the method.

The site assessment should also inform a property-based abatement analysis as required under the particular method.

It may also provide insight into project costings to assess the economic feasibility of the project and build a financial model.

Finally, this assessment also considers environmental, climate and social/cultural risks and opportunities present for the target site(s). The opportunity component of the assessment in particular is crucial and complementary to the CoB evaluation.

Details on the components of the Detailed Eligibility and Feasibility Assessment are set out on the following page.

### Outcome

An evaluation of a target site as to the eligibility and feasibility of the carbon project.

## Step 2.3

# Carbon Project Detailed Eligibility and Feasibility Assessment *continued*

Carbon Framework | Carbon Feasibility



### Detailed Eligibility

A Detailed Eligibility Assessment covers the key eligibility criteria under the CFI Act, CFI Rule and ERF Method.

#### Eligibility under the CFI Act and Rule

A project must be eligible under the CFI Act and Rule, this includes an assessment of the following key criteria:

- Legal Right
- Eligible Interest Holder Consent
- Additionality: newness, regulatory, government program
- Regulatory Approvals
- Alignment with NRM (CMAs)
- Permanence obligations
- Specific requirements per project type under the CFI rule, e.g. illegal clearing and/or draining of forest/wetland.

#### Eligibility under the ERF Method

The project must be undertaken as per the selected Method. Targeted sites will be assessed against the relevant Method requirements, mainly in terms of baseline land and activities, implementation of project activities and required Carbon Estimation Area stratification.

### Forward Abatement Estimation

A Detailed Feasibility Assessment involves a site assessment in conjunction with GIS analysis to produce a Forward Abatement Estimation (FAE) for the carbon project.

A Detailed Feasibility assessment will give a more accurate estimation of carbon abatement potential indicated in Stage 1.

Abatement calculations are method specific. Blue Carbon projects require the use of the BlueCAM model, Environmental plantings and Forestry Plantation the use of FullCAM, while Soil Carbon projects are based on a measurement approach. Forecasted for Soil Carbon projects is typically conducted using data from CSIRO\* and supported by soil sampling.

In general, a project consists of inputs such as a Carbon Estimation Area (CEA) in units of hectares (ha) and the carbon abatement yield (tCO<sub>2</sub> per ha). The site visit will inform the CEA extent and also provide site specific location information to derive the carbon abatement yield.

The results provide a more accurate and site-specific Forward Abatement Estimate of the carbon to be abated over the project lifetime.

### Financial Modelling

The FAE, combined with other known or estimated costings are combined to create a project financial model.

The economic analysis provides an estimated ACCU production cost (\$/ACCU) and is based on a number of parameters, some being method specific.

The following is a list of potential inputs.

- Land size (ha)
- Land cost (if acquired)
- Carbon estimation area size (ha)
- Carbon abatement yield (ACCU/ha)
- Estimated project establishment costs
- Ongoing maintenance and management costs
- Monitoring, reporting and audit costs
- Amount of ACCUs
- Amount of ACCUs over time.

Most of the above inputs are refined in the Detailed Feasibility Assessment site visit.

*\*Roxburgh, S.H., England, J, Evans, D., Nolan, M., Opie, K., Paul, K., Reeson, A., Cook, G. & Thomas, D. (2020) Potential future supply of carbon offsets in the land sector in Australia. CSIRO, Australia.*

### Risk Assessment

An initial risk assessment scans for the following for issues:

#### Climate Risks

- Flood
- Bushfire
- Drought
- Heat stress
- Cyclones
- Erosion (wind and water)

#### Environmental Risks

- Areas of Environmental Sensitivity
- Salinity
- Weeds/pests
- Seed availability

#### Social and Community Risks

- Community sentiment toward carbon
- Indigenous engagement considerations
- Alignment with NRM plan.

#### Sources of information:

- State-based datasets (fire, flood, heat, drought etc.)
- On-site observations (weeds, pests, ferals, salinity issues etc.)
- Direct Consultation with LGA/NRM/Local Indigenous groups.

## 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 3.1

## Detailed CoB Evaluation

### CoB Evaluation



### Context

From a CoB viewpoint, Stage 1 serves to identify the opportunities for generating CoBs alongside a carbon project opportunity at the landscape and the study area level.

Selection of a carbon framework and project type in Stage 2 points to the CoB types likely to be present on site.

Stage 3 aims to deepen the assessment of CoBs identified in stage 1 at a sufficiently detailed level to then select a shortlist of CoB programs, estimate monitoring and administration costs and engage with potential investors in Stage 4.

### Step 3.1

*Conduct a CoB evaluation assessment to confirm and identify CoB opportunity(ies) both of an environmental and socio-cultural nature to enable preselection of suitable Programs and for discussion in the investment and funding stage (Stage 4).*

### Implementation Guidance

CoB Evaluation proceeds initially as a part of, and then alongside the Carbon project Detailed Eligibility and Feasibility Assessment.

#### 1) Initial desktop identification

In the first instance, CoB evaluation requires assessment of the CoB opportunities presented at the target site level.

This can be achieved through an initial analysis of the environmental and cultural risk and opportunities by considering aspects such as (but not limited to):

- Areas of environmental significance
- Threatened priority flora and fauna
- Threatened habitat
- Landscape connectivity opportunities
- Areas of environmental sensitivity
- Current status of land degradation and opportunity for restoration
- Areas of Indigenous management
- Areas of Cultural significance.

The method and source for which the above CoBs are initially identified varies from CoB type. However, similar to the carbon eligibility and feasibility assessment, the CoB identification is usually undertaken at a remote level, primarily through GIS-based

work and may also entail review of existing documentation on a site, such as Cultural Heritage Assessment, Environmental Monitoring reports, strategic plans etc.

#### 2) Ground-truth on Site

The detailed assessment which involves a site visit, is ideally undertaken by a technical expert, such as an ecologist.

It is recommended at this stage that a targeted site visit report be drafted for the technical expert(s) to complete as part of the site assessment.

Points of interest and key findings will be largely dependant on the site and the nature of the CoB to be confirmed on site.

Particularly for socio-cultural CoB opportunities, targeted consultation and engagement with critical stakeholders (as identified in step 1.3, will be important. Some of the stakeholders to consider consulting at this stage include:

- Site managers
- Traditional Owners
- Other stakeholders with strong connections to the site
- Local Council

### Drawing on CMAs for critical support

Engagement with the relevant CMA at this point and specifically focused on site evaluation is encouraged. CMAs are able to offer insights into CoB value of particular sites as well provide support in identifying suitable experts (ecologists) with local knowledge to support ground-truthing work.

### Outcome

A list of potential CoB types and site-specific 'assets' associated with each eligible carbon project type at that site.

The assessment at this stage should also be directed to provide an indicative idea of how to measure the asset and the likely cost of the measurement/monitoring involved. Any data gaps or recommendations for required next steps should also be identified.

## Step 3.2

# Identifying suitable CoB Programs and Claim Options

### CoB Evaluation



### Context

Once the CoBs associated with a target site and suitable project type for that site are understood on the basis of the evaluation in step 3.2, CoB Programs that match the site can be identified.

At this stage, CoB Programs should be screened with a view to establishing a list of options for the investors to consider as part of the engagement in Stage 4.

Selection of co-benefit claim type and scheme must then guide the choice of relevant accounting and monitoring framework.

### Step 3.2

*Establish a shortlist of CoB Programs that match site potential for selection by investors in Stage 4.*

**Step 3.2 Supplementary Material:**  
Detailed information on CoB programs; international and Australia and identification of suitable programs.

### Implementation Guidance

A number of CoB Programs are available currently to support the creation of CoB claims. These programs can be categorised into international and domestic Programs and each has its own set of requirements for participation in terms of CoB that can be assessed, and each is associated with different Claim Options. Detailed information on these Programs is provided in Part B: Supplementary Guidance Material.

The table alongside presents a matrix that relates the key CoB categories with the various different ERF land-based project types against the Australian and international existing and emerging CoB programs.

At this point in the process, the objective is to establish a shortlist of CoB Programs and associated claims that suit the conditions at the target site.

### Context of this step in relation to investor engagement and project design

The focus in this step is on establishing a shortlist of CoB Programs and associated claims that can then be presented to a potential investor in the subsequent stage (Stage 4).

This step also unlocks ability to prepare cost estimates based on the compliance activities required to comply with the chosen Program. This may require some engagement with CoB Program administrators.

Once an investor has decided on the level of assurance they want, this can be matched up with the CoB program and the detailed design of the monitoring program can occur in Stage 5.

### Outcome

A short-list of:

- CoB programs that could be used for the identified CoB for the target site; and
- Potential CoB-related credits/claims that the list of CoB ‘assets’ is likely eligible for, if assessed against the selected CoB framework specified above.

Table 3 in Part B: Supplementary Guidance Material showing Sample ERF project type, CoBs and claims matrix.

Claim Type	Carbon project types	Environmental planting or Blue carbon		Soil carbon		Plantation forestry
	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			

## Stage 4. Investor Engagement and Funding

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



## Step 4.1

## Investor Engagement

Investor | Funding



### Context

During Stage 3, the findings of remote work are ground-truthed. Where the outcomes of the assessments in Stage 3 provide a positive indication of a viable carbon project, the project would ordinarily proceed to Detailed Project Design (Stage 5 in this co-investment process). Stage 5 involves a detailed design of the project that is reflective of the site-specific financial model. This enables a final investment decision and preparation for project registration.

In order to concurrently explore co-investment into the CoB component of the carbon project(s) and/or apply for government funding, an intermediate stage (Stage 4) focused on activating those opportunities is vital.

Stage 4 is focused on the process of engagement with investors.

### Step 4.1

*This step is concerned with identifying and then engaging with investors on the CoB opportunities evaluated in stage 3. This step may include consultation with other stakeholders but is particularly focused on supporting the identification of investors and consulting with them on the opportunity.*

### Implementation Guidance

Stakeholders falling within the following categories should be consulted on the following broad topics:

- Conservation organisations – investor relationships, involvement in project, funding mechanisms
- Service Providers and existing Implementation Partners – investor relationships
- Nature credit scheme administrators – applicability of framework, process and rules and costs for verification or certification as well as credit generation (if applicable).

Further detail is provided in Part B: Supplementary Guidance Material (see Guidance on Step 1.3) on the types of entities falling within each category and the topics for engagement. It will be important to leverage those stakeholder relationships to help identify and establish contact with investors.

### Outcome

Clarity on the identity of potential investors as well as potential delivery models for project funding and implementation.



## Step 4.2

## Developing an Investment Proposal

Investor | Funding



### Context

A critical step in attracting co-investment into a carbon + CoB project is to formulate the project as an attractive proposition for potential investors.

However, in the absence of an established and stable nature credits market and with expectations on business regarding nature repair still in a formative stage (see Section 2 above), investment into CoBs generated by a carbon project is an inherently risky proposition.

In order to attract investment, therefore, it will be vital to present an opportunity to investors that:

- speak to investor drivers
- address investment risks (scale and certainty)
- present a return on investment

This step will follow from the stakeholder engagement process in step 4.1.

➔ **Step 4.2 Supplementary Material:** *Guidance on developing an investment proposal, including types of returns and investment model.*

### Step 4.2

*This step is concerned with developing an investment proposal for consideration by potential investors. This proposal should present key project details and address investor drivers and risks. The objective is to facilitate engagement on the opportunity.*

*Developments in the market, particularly regarding compliance drivers for investment into CoBs should be tracked carefully by the water sector.*

#### Implementation Guidance

Detailed guidance on the primary drivers for investment and the risks that may deter investors is provided in Section 2 (Context) above.

The Investment proposal should speak to those factors. The table alongside presents an overview for the potential layout and aspects to be addressed in a proposal of this nature.

Given the novelty of this kind of investment proposition, lead agencies should expect to engage with investors on the proposal being put forward and maintain flexibility on the terms of a potential investment, including on Project delivery models and the types of returns investors may expect.

Some guidance on this is provided in Part B: Supplementary Guidance Material (see Step 4.2 Guidance).

### Outcome

Investment proposal is prepared and ready to be presented to investors.

Table 1: Investment Proposal content

Proposal Aspect	Description
Project Overview	Provides an overview of the project as a whole, including the carbon project and CoB components, including the activities to be implemented, and the benefits expected to be generated.
Project Parties and Stakeholders	Provides detail on the identity of the lead party (project owner), implementation partners, and other stakeholders involved in the project. Different stakeholders may be highlighted depending on the CoB aspect of relevance (e.g., highlighting Traditional Owner groups where investment is sought for support of cultural benefits).
Target Site(s)	Provides detail on the target site(s) including location, size, current ownership, and relevant land use and land condition
Carbon Project Details	Provides detail on the carbon project component including the project type (Method), the eligible area of the target site for project development, ACCU generation and cost of production (\$/ACCU).
CoB Types	Indicates the kinds of CoB that the project seeks to generate.
Proposed CoB Programs	Indicates the frameworks for CoB valuation, quantification, verification and credit generation (where available).
Investment scale	Indicative range of investment sought. This could be an indicative range based on a costing of activities plus any monitoring and certification costs.
CoB Investment return type	Indicates the type of return the investor may expect. This could be a right to claim the intangible CoB narrative or a tangible nature credit.

## Step 4.3 Identifying Government Funding Opportunities

Investor | Funding



### Context

Both the Federal government and State governments are increasingly recognising the need for, and opportunity to support the delivery of CoB through carbon projects. This support finds expression through funding opportunities aimed directly at carbon projects, but also broader funding opportunities for activities that enhance environmental values.

Opportunity may exist to secure funding from one of the various sources as a mechanism to finance (components of) a carbon project and/or additional activities that enhance the environmental and social outcomes delivered by carbon projects.

### Step 4.3

*Under this step government funding opportunities at both the state and federal level are explored.*

*This step is not required to follow sequentially from the previous steps and may be undertaken in parallel with exploring other investment avenues.*

### Implementation Guidance

Guidance on the government funding opportunities that may be available at the time of writing, is provided in Part B: Supplementary Guidance Material, noting that funding programs change over time.

As such, government funding opportunities should be identified at the time of project development. CMAs should be considered an important repository of information on funding opportunities, and engagement with CMAs on the topic is highly recommended.

Set out below are critical factors to be considered when assessing funding opportunities. These are as follows:

- Eligible recipients: funding opportunities may be restricted to certain interest groups and crucially may exclude government agencies
- Eligible land: There may be restrictions on the geographic scope of the funding opportunity or land type (e.g., only rural land or land under agricultural use may be eligible)
- Eligible activities: Funding must align or be available to support the types of activities that will be undertaken through the carbon + CoB project(s).

- Implementation requirements: Funding may be associated with specific requirements that need to be met in order to access the funding opportunity. A critical consideration under this factor is whether the funding program requires registration of a conservation covenant over a property receiving conservation funding.

Where an opportunity for funding is identified, it is likely that by this stage in the carbon + CoB project development process the information required to complete an application will be available.

A summary of opportunities is provided alongside, noting that most current opportunities sit at the state level. One key opportunity not listed here is potential funding through the nature repair market, which is under development. If set up similar to the ERF with government-backed purchase of certificates, this could present a funding opportunity,

### Outcome

Potential government funding opportunities are identified and, where indicated, further detail is sought on the viability of the funding opportunity for the proposed project(s). Where eligible, proceed to apply for funding.



#### Carbon Project Development

- Bushbank
- Farm Forestry Funding
- Victorian Carbon Farming Funding
- Carbon + Biodiversity Pilot (ceased)



#### Environmental Protection

- Environment Restoration Fund (Fed)
- Urban Rivers and Catchment Program



#### Cultural Activities

- Bushbank Grants
- Cultural Fire Grants

Figure 12: Current funding opportunity examples by category (2023)

➔ **Step 4.3 Supplementary Material:**  
Detail on government funding opportunities and process to identify relevant opportunities.

# Stage 5. Detailed Project Design

Prepare the site design, CoB design, and plan project implementation



## 5.1

# Developing a Detailed Carbon Project and Site Design

### Detailed Project Design



### Context

The assessments in Stage 3 Detailed Eligibility and Feasibility seek to confirm carbon project eligibility, feasibility, and CoB value. Target sites that are found eligible are able to proceed to Stage 5.

Stage 5 is the final planning stage in the carbon project development process prior to project registration. In this stage a detailed site design is prepared in support of the Final Investment Decision to proceed with the project. Preparatory steps are then also taken to enable project registration and ultimately, implementation.

### Step 5.1

*The first step in this stage is to prepare the detailed project design as well as key planning documents: monitoring plan, stakeholder engagement plan and the permanence plan.*

*In this process, costings will be finalised, noting that approval processes and any CoB verification and certification costs (where applicable) will need to be considered. Refer to Steps 5.2 and 5.3.*

### Implementation Guidance

There are several critical elements to this final design stage. These are as follows:

#### 1) *Setting Site Objectives*

This is a critical aspect for supporting CoB and carbon outcomes. Objectives may be broken down into various categories (ecological, social, cultural, carbon). This will facilitate project implementation in a manner that supports those desired outcomes.

#### 2) *Finalising Carbon Estimation Areas (CEAs)*

The areas of a site where land conditions are suitable and eligible to support the carbon project must be delineated with a high degree of precision. This is achieved through ground-truthing of site conditions in Stage 3 and any additional and subsequent site assessments required.

Any recommendations and/or changes as a course of the development approval should also be considered in the design. This design is then used to revise abatement forecasts.



#### 3) *Planning Site Preparation, Project Activities and Ongoing Management*

Planning on the basis of the information obtained from ground-truthing during Stage 3 should consider:

- Site preparation activities: any activities required to support successful project implementation (e.g., weed management, establishment of fire breaks etc.).
- Project implementation activities: The precise kinds of activities that will be implemented as part of the project, and the manner in which these activities will be implemented. For example, for Environmental Planting projects, this entails preparing a species list, and a plan for seeding or planting processes.
- Stakeholder engagement and involvement: Planning for the involvement of the community, managing expectations, planning for Traditional Owner involvement in project establishment and implementation.
- Ongoing management: identification of risks requiring ongoing management and other management activities throughout project establishment and implementation.

In addition, Monitoring and Permanence Plans should be prepared. A thorough monitoring plan enables delivery against the site objectives. It should set clear indicators for measuring achievement of objectives and activities and frequency of those activities to monitor progress. Permanence Plans are a legislated requirement under the ERF for nature-based sequestration projects and stipulate how risks to permanence obligations are intended to be addressed.

### Outcome

Guiding site objectives are developed, CEAs are finalised, and a detailed plan for site preparation, project establishment and implementation activities is prepared.

Monitoring Plan and Permanence Plan are prepared. The latter is required with submission of the application for registration.

## 5.2 Planning and Other Approvals

### Detailed Project Design



#### Context

Carbon project activities may be subject to planning and other approvals. Where this applies, approvals must be obtained prior to commencing the project activities.

#### Step 5.2

*Assess applicability of planning approvals and/or other approvals and commence approval process at earliest possible stage.*

#### Implementation Guidance

Reviewing applicability during the Stage 3 Detailed Eligibility and Feasibility stage is critical to avoid project implementation delays. Planning approvals may influence site design and as such should be considered in parallel with step 5.1 (detailed site and project design).

The most common approvals required for nature-based carbon projects, and in particular revegetation projects are development planning approvals and vegetation clearing permits. The latter may be required to enable site establishment and/or prepare firebreaks. Development approvals for restoration works may require (but not limited to): a site plan, a restoration plan, a bushfire management plan and other environmental plans as required.

Planning approvals for revegetation projects should be considered the norm across Victoria.

Given that the premise of the carbon + CoB projects to be developed under this Guide is that the project activities themselves will give rise to the CoB, the CoB component is not expected to lead to the need for additional approvals. However, it is conceivable that maximising environmental outcomes requires additional site preparation or management activities or that some additional components, such as cultural burning, are undertaken in addition to the project activities. Where this occurs, the need for additional approvals should be reviewed.

#### Outcome

Required documentation and administration in order to submit a development approval is implemented in this stage.



## 5.3

# Detailed Co-Benefit Design

### Detailed Project Design



### Context

Stage 3 confirms (at the target site level) the potential for the identified CoBs on site and short-lists the CoB programs that could be used to monitor and quantify the CoBs

The shortlists are presented to investor(s) in Stage 4. Once an investor has decided to invest in the project and also on the level of assurance they want and hence, which CoB program to opt for, a detailed design of the CoB monitoring program can occur.

### Step 5.3

*This step involves the design of a detailed CoB monitoring plan aimed at monitoring, tracking and evaluating the CoBs to an assurance level that will satisfy investor needs.*

*This step will also involve costing the CoB monitoring, verification and certification costs (where applicable) and feeding that back to the overall project costing in Step 5.1.*

### Implementation Guidance

In practice this step closely depends on the choice of program, associated standard, and potentially the selection of a specific methodology within that standard. The guidance provided for herein is general and based on the most conservative and robust process in terms of CoB Programs.

#### 1) **Select priority assets in relation to CoB objectives**

Specify and prioritise what assets the project CoBs will be defined in relation to. Note an asset is defined as a natural biophysical resource or set of shared social values.

#### 2) **Baseline design**

Similar to carbon project design, the landscape or priority asset must be stratified, with accompanying selection of indicators and reference benchmarks against which to track change due to project activities.

This requires considerations to the heterogeneity of the asset or landscape, typical dynamics of the CoB and what scale of monitoring assessment is required to demonstrate credible change (project, property, aggregate or regional).

A review of available data should then guide design of a baseline assessment of CoB value or condition, including specification of any required baseline monitoring.

#### 3) **Register project with selected CoB Accrediting Authority**

Most programs require registration shortly before or after baselining. This typically involves a registration fee.

#### 4) **Proposing targets or estimating benefit**

An estimation of anticipated benefit, or a proposed target, is typically set ex-ante (prior) in relation to a reference system that establishes an upper boundary on the expected outcome.

In addition to a target magnitude of change, this step should consider the targeted level of confidence that the project has indeed generated the observed change in CoB.

#### 5) **Monitoring design and costing**

A monitoring plan should be prepared and costed with the ability to track the CoB against the targeted level of benefit. This step can consider opportunities to build engage community groups and build local skill and buy-in to conduct monitoring activities.

The number and frequency of samples (and therefore cost) of monitoring is influenced by the targeted level of confidence (or assurance) to be associated with the CoB claim. A greater level of assurance requires more monitoring effort and hence cost.

#### 6) **Identify and cost reporting and administration requirements**

In addition to estimating monitoring costs, assess the resourcing needs for reporting and administration associated with the targeted claim (typically at least every 5 years), such as:

- Compliance reporting (annual)
- Preparation of CoB evaluation report and documentation
- Commissioning a third-party verification report
- Submitting period compliance documentation to the authority.

### Outcome

CoB Baseline Assessment and Sampling Plan, Monitoring Plan, estimate of CoB anticipated benefit/change, and costings.

## 5.4 Consents, Contracts and Procurement

### Detailed Project Design



#### Context

The Detailed Project Design Stage is also the ideal point in time to commence processes that are likely to have significant lead-in times.

This applies to commercial negotiations between project implementation partners both to settle the relationship between parties, but also in order to satisfy the legal right requirement under the ERF.

Similarly, Eligible Interest Holder Consents (EIHC) under the ERF may require negotiation and engagement.

Finally, depending on the project type, mechanisms may need to be put in place to secure equipment and materials for project activities.

#### Step 5.4

*This step involves progressing negotiations towards securing legal right and EIHCs (as applicable), settling commercial relationships and take early action to enable timely procurement.*

#### Implementation Guidance

Further guidance on these three aspects is provided below.

##### **Commercial Negotiations and Legal Right**

Once an investor has been selected in Stage 4, commercial negotiations will likely continue on from the initial presentation of the investment options.

Critical aspects to address in a commercial contract, in addition to standard aspects such as warranties, liability and insurance, include the following:

- Obligations resting on respective parties in relation to project implementation
- Investor returns, including any right to share in carbon credits (if applicable at all) and the nature of and distribution of CoB claims amongst the parties
- Consequences of project delivery failure or underperformance.

Particularly in the current state of the market, where investment rests on a claim to the narrative (verified, certified or not) rather than a nature credit commodity, it will

be critical to demonstrate to investors that the right to that story rests with the investor rather than the water sector organisation that will derive the benefit of the carbon credits. This may mean including strict requirements around any statements about the CoB component being made by the water sector organisation.

In addition, where land is not under ownership of the party that will be the project proponent under the ERF, contractual arrangements will be required to transfer the legal right to undertake project activities and claim all carbon credits to the proponent. This may be catered for in the same or under separate agreement from the investor agreement.

##### **Eligible Interest Holder Consent**

Formal consent will be required from all parties deemed to have an eligible interest in the land under the ERF. These parties include the landholder (where the landholder is not the proponent), banks, and Native Title Holders.

Note, EIHC is not required until the end of the first reporting period. However, it is best

practice, particularly in regard to engagement with Traditional Owners, Native Title determinants, to obtain consent prior to registration. Following on from the Chubb Review this best practice timing is expected to become a formalised requirement in the future.

##### **Procurement**

At this stage steps may be taken that will enable speedy procurement of materials once the project is formally registered. This is particularly important for revegetation projects; determining seed availability to align with planting schedules is critical for project timelines. It must be noted, however, that formal procurement of seeds may not occur until the project is formally registered to preserve compliance with newness additionality requirements under the ERF.

##### **Outcome**

EIHCs are obtained or in progress, commercial negotiations are progressing and material availability is confirmed.



## Stage 6. Project Registration

Prepare and submit carbon project application to register the project, and where applicable also submit documentation to register the CoB project component under the CoB Program



## 6.1

## Registration

## Registration

**Context**

This stage involves compiling all the necessary information required to register a project under the ERF and the relevant CoB scheme.

**Step 6.1**

*This step will require compiling all relevant information and submitting the application to register the carbon project. Depending on the CoB framework chosen, register the CoB component of the project.*

**Implementation Guidance****Carbon Project Registration**

For carbon projects in particular, the Eligibility and Feasibility process is directed to ensure all key requirements for registration have been met. The required information is, therefore, relatively straightforward to compile.

For carbon projects to be registered under the ERF, the application is submitted through the Clean Energy Regulator portal. Prior to this, the Proponent will need to ensure that they have submitted required information to fulfil the fit and proper persons test and obtain a Client ID.

A legislated period of 90 days is available to the Clean Energy Regulator to process registration of an ERF project. This must be factored into project timelines.

**CoB Program Registration**

Depending on the type of claim sought by an investor, and the corresponding CoB program chosen to establish that claim, registration of the CoB component of the project may be required. This must be confirmed at the individual program level and actioned accordingly.



## Stage 7. Project Implementation

Implement, monitor, report on and audit carbon project and undertake monitoring, verification and certification activities under chosen CoB Program.



## 7.1

## Baseline Monitoring, Carbon Project Implementation and Ongoing Compliance Activities

### Implementation



### Context

Following registration, carbon project implementation may commence.

In this stage, the project enters into the carbon project crediting period, which will entail a cycle of implementation, monitoring, reporting and auditing, and carbon credit issuance until the end of the crediting period.

Steps associated with the CoB component of the project will have to be integrated into this process. Initially, this may entail baseline monitoring, usually followed by regular monitoring and reporting throughout the life of the project.

### Step 7.1

*Commence project implementation and meet ERF and CoB Program requirements on monitoring, reporting and auditing as applicable throughout the life of the project.*

### Implementation Guidance

#### **CoB Baseline Monitoring**

Consideration must be given to the requirements of the chosen CoB Program in relation to baseline monitoring to ensure that the requirements can be met.

It is critical to review these requirements before commencing on-site activities, as baseline monitoring may need to precede the start of carbon project activities.

Where an investor seeks a soft claim, care should be taken to develop a qualitative storyline, potentially supported by a scientific monitoring framework, such as SERA.

#### **Project Implementation and Ongoing Compliance**

Once commenced, a carbon project enters into a cycle of implementation, monitoring, reporting and auditing, and carbon credit issuance. The ERF prescribes minimum and maximum periods for ongoing reporting and carbon credit issuance applications to be submitted, as well as monitoring and audit requirements. The obligation rests on the proponent to ensure compliance with these requirements.

Where a formal CoB program is relied upon to generate a hard claim, there are likely to be similar periodic monitoring, verification and re-certification requirements. Care may need to be taken to match those reporting cycles to carbon credit issuance cycles.

Finally, consideration should be given to monitoring during the permanence period of the project, which will exceed the crediting period of the carbon project under the ERF. Any permanence requirements to be met in relation to the CoB Program must be confirmed with reference to the chosen Program.



## Disclaimer

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### 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.





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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