

# Carbon trading - a threat to the rural sector?

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Growers are already feeling the impact from carbon trading, and in ways many may not have anticipated. While the Federal Parliament continues to debate the proposed Carbon Pollution Reduction Scheme (CPRS), managed investment schemes are starting to tie up prime agricultural land for forestry plantations, with the aim of gaining credits for carbon sinks.

While the impact is being felt most prominently in the sugarcane industry in North Queensland, once the CPRS is introduced the impacts are likely to extend to other areas of the rural sector.

The Far North Queensland Regional Plan (FNQRP) has recently declared that forestry activities (including for carbon sink projects) are compatible with the Good Quality Agricultural Land designations, which effectively protect productive rural lands from other forms of development.



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This declaration effectively puts land off-limits to farming for decades, due to the fact that plantations developed for carbon sequestration have life cycles of up to 100 years.

Australia does not have a regulated national market for carbon trading, and will not have a market until the CPRS legislation is passed. But in anticipation of carbon trading becoming an established industry, several states, including Queensland, have

enacted legislation recognising the ownership of carbon sequestration rights from forest sink projects, separating the ownership of the land and trees.

Currently, forest sink projects are eligible under a number of national and state greenhouse gas abatement initiatives, such as Greenhouse Challenge Plus, as actions that can reduce a company's emissions inventory.

In Queensland, the rights contained in carbon sequestration can occur as a 'profit a prendre' (in other words, the right to take profit by using someone else's land) under the Land Title Act 1994 or may even form Natural Resource Products under the Forestry Act 1959 for State land. In any event, the carbon sequestration rights are usually registered on title to ensure that the carbon commodity runs with the land. Similar legislation has been enacted in Vic-

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**Using agricultural land as carbon sinks has wide financial, social and legal ramifications for individuals as well as rural communities.**

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toria, New South Wales, South Australia and Western Australia.

This is supposed to ensure that future owners of the land are aware of the carbon sequestration rights and are bound to not remove the trees. This may also include the process of registering restrictive covenants on the title to the land to protect the forests, and the carbon sequestration rights contained in the trees.

The longevity of these projects is a major consideration from a land use planning perspective, because the peak rates for carbon sequestration usually occur when trees are between 10 to 20 years old, depending on the species and the location of the forest sink. But in some species, this age is between 100 and 200 years.

### **Prompting land purchases**

Managed investment schemes have long anticipated the introduction of carbon trading, and have purchased tracts of land in the hope they would be considered as carbon sinks. Due to the uncertainty, many of the schemes have purchased the land, but have either entered into agreements with the land owners to continue their agricultural or rural uses, or simply left the land vacant until such time as the carbon sinks gain recognition under the CPRS.

The federal government has encouraged these investment opportunities, citing a number of environmental benefits, including erosion control, habitat preservation, salinity mitigation, improved water quality and biodiversity enhancement, with such investors said to demonstrate their commitment to good corporate citizenship.

Much of the land being purchased by

managed investment schemes, particularly in North Queensland, is of a type designated Good Quality Agricultural Land and the relevant planning schemes. In areas such as Mackay, Proserpine and Tully, which are reliant on sugarcane as a major part of their economies, land could potentially be lost to cane production, which could have flow-on effects for the regional economies. In some instances, this has resulted in the closure of mills due to a lack of volume of cane.

### **Loss of productive land**

Similar problems face farmers and graziers, with large areas of agricultural land in the northern wheat belt of Western Australia flagged as being potentially suitable for forest sinks. In Victoria, productive agricultural land is also being lost to forestry plantations, such as blue gum.

These areas are also reliant on the productivity of the land to maintain the regional economy. Using agriculturally productive land for carbon sinks will therefore impact on these rural economies, with the potential to have consequential social impacts.

While the Good Quality Agricultural Land designation once afforded rural areas some protection for its agricultural uses, the introduction of the FNQRP has now cast this in doubt. The Far North Queensland Regional Plan 2009 to 2031 stipulates that – “it is in the best interests of economic, social and community well-being of the region that agricultural land is protected wherever possible and only utilised where there is an overriding need.”

But the plan also declares forestry as a form of agriculture, described as – “one with a long crop rotation cycle.”

This seemingly conflicts with State Planning Policy 1/92, which states that Good Quality Agricultural Land should generally be protected “from those developments that lead to its alienation or diminished productivity.”

The FNQRP makes it clear that the regulatory provisions under the Regional Plan override anything contained within the local government planning schemes, but the local governments have to consider where it is appropriate to locate these uses in their scheme area having regard to economic and social impacts.

The Queensland Government has introduced a Timber Plantation Strategy, which calls for improved land use planning frameworks for timber plantations. It provides that land use planning should adopt an approach that recognises timber plantations as a legitimate form of agricultural cropping for land use planning purposes under the draft Queensland Planning Provisions attached to the Sustainable Planning Act 2009 (Qld).

### **Definition of ‘cropping’?**

Unfortunately, the draft Queensland Planning Provisions contain a definition of ‘cropping’, which remains unclear in relation to ‘Forestry Plantations’, but presumably includes ‘Forestry Plantations’ as an appropriate land use. Submissions have been made to the Queensland Government that there should be a definition for ‘Cropping’ for normal agricultural activities and a separate definition for ‘Forestry Plantations’ which should be used exclusively for carbon sink projects.

While uncertainty remains regarding the approach that each state will take to regulate biosequestration projects through forest sinks, it is clear that the potential for competing land uses is of paramount concern to those involved in the rural sector.

Whether governments decide to regulate the carbon biosequestration industry through legislation or amending statutory plans and policies, such as Queensland’s FNQRP, it is likely that productive rural lands for all sectors of the rural industry will become a target for the emerging carbon trading market.

Until the legislative regime is formalised through the CPRS legislation, there are still many unknowns.

In the meantime, the grain and broader rural industry is in danger of losing territory to forestry plantations.

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