National Party MP George Christensen has invited other Nationals to join the recently formed pro-coal " Monash Forum ". But is coal in the best interests of their rural constituents, particularly farmers?

---

***Read more: The pro-coal 'Monash Forum' may do little but blacken the name of a revered Australian***

---

Farmers stand to lose from any weakening of the government's climate change policies. That is why farmers and their political representatives should be concerned about a current review of the government's greenhouse gas reduction policy.

What is at stake here is the strange-sounding idea of carbon farming. To explain this idea takes several steps, so bear with me.

The policy under review is a legacy of the Abbott era. As prime minister, Tony Abbott abolished the carbon tax and replaced it with an Emissions Reduction Fund (ERF). The ERF was to be used to pay businesses to reduce their carbon emissions, or to capture and sequester (store) carbon dioxide already in the atmosphere.

---

***Read more: Carbon tax axed: how it affects you, Australia and our emissions***

---

As it turns out, most of the funding has gone to rural enterprises that have developed various farming projects that qualify for funding – hence the term, carbon farming.

For example , these projects include:

- regenerating native forest on previously cleared land
- changed farming practices to allow for crop stubble retention
- capturing and destroying the methane from effluent waste at piggeries.

## How does carbon farming work?

To make it all work, the government first created the system of Australian Carbon Credit Units ( ACCU s). This system commodifies the outputs of carbon farming, so these can be traded.

In this system, a carbon farmer must show either a reduction in emissions, or carbon sequestration (or ideally both), according to clearly specified criteria. The government will then issue (free of charge) one credit for every tonne of carbon dioxide ($CO_2$) – or $CO_2$ equivalent – abated in this way. Farmers can then sell these credits, thus receiving a direct financial return for their efforts.

The primary buyer of ACCUs at the moment is the government, via its Emissions Reduction Fund. Farmers (individually or as collectives) who want to embark on carbon farming projects are asked to nominate a price they would need to make it profitable for them to go ahead with the project. Through a reverse auction , the fund selects the lowest-price proposals.

---

***Read more:*** ***Explainer: how does today's Direct Action reverse auction work?***

---

In this way, the government gets the greatest carbon abatement for the least money. Successful bidders embark on their projects knowing that they have a guaranteed price for their carbon abatement outcomes. There is nothing magical or mystical about it. It is simply the price at which the buyer and sellers of carbon credits find it mutually advantageous to do business.

The average price paid at the last auction round was A$12 per tonne of $CO_2$ abated. This is the current carbon price in this particular market.

## The Safeguard Mechanism

A second potential set of buyers of carbon credits was created by the Safeguard Mechanism, introduced by the Abbott government. This caps emissions from big industrial emitters in order to to ensure that abatement achieved by the ERF is not offset or cancelled out.

The cap is set at whatever the maximum emission rate from the emitter has been. So it is not designed to reduce emissions from these big emitters, but simply to hold them to current levels.

The scheme covers just over 150 facilities, which are responsible for about half of Australia’s emissions . Emitters that go over their limit can remain in compliance by buying enough carbon credits to compensate for their “excess” emissions and surrendering these to government .

---

***Read more:*** ***Australia’s biggest emitters opt to 'wait and see' over Emissions Reduction Fund***

---

This policy is now beginning to bite. The government has just announced that in the first period for which the policy has been in effect, some 16 large emitters were in excess and had to buy 448,000 carbon credits to remain in compliance. Among the biggest buyers were:

- Anglo Coal’s Capcoal mining operations
- Glencore’s Tahmoor Coal
- Rio Tinto’s Alcan Gove aluminium operations
- BHP Billiton Mitsubishi Coal/BM Alliance.

These companies bought their credits from carbon farmers who abated more carbon then they had calculated, and so had a surplus left over for sale.

But what is most interesting is the price that excess emitters were willing to pay for the surplus credits. Most of the sales were in the region of $14-15 per tonne (T), but the price rose to $17-18/T as the deadline approached.

This means that the price spiked at 50% higher than the most recent ERF auction price of $12/T.

Commentators describe this as a secondary market, and the price in this market is exciting news for carbon farmers. According to Australian Carbon Market Institute CEO Peter Castellas, "Australia now has a functioning carbon market." Carbon farmers – who make up an increasing proportion of the Nationals' constituency – will do well if this market expands.

One way to develop the market would be to slowly lower the caps on big emitters so they must either buy more carbon credits or find ways to reduce their own emissions.

From this point of view, there is good reason to progressively and predictably reduce the emissions allowed under the Safeguard Mechanism.

## The current review

Here's where we get to the current review. As already noted, the Safeguard Mechanism does not seek to reduce emissions from big emitters. In fact, it allows for an increase in emissions to accommodate business growth. Nevertheless, big emitters are still unhappy.

The government's review is a response to business concerns. An initial consultation paper has proposed making it easier to raise the cap on a company's emissions as its activity grows.

***Read more:*** ***An Emissions Reduction Fund could work, if well designed***

If the rules are altered in this way, the demand for carbon credits may stall, and even decline, bringing to an end to this promising new source of revenue for farmers.

That is why members of parliament with rural constituencies should take note. Rural MPs should not sit by and allow the government to respond to the interests of the coal industry and other lobby groups.

Carbon farming depends on reducing the caps under the Safeguard Mechanism, not raising them. This would also be a step in the direction of achieving the emissions reduction target to which Australia agreed at the Paris meetings in 2015.

*Andrew Hopkins does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond their academic appointment.*

Authors: Andrew Hopkins, Emeritus Professor of Sociology, Australian National University

**Read more** http://theconversation.com/the-nationals-should-support-carbon-farming-not-coal-94112