

The Australian

Green companies get the blues over official bungle

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THE end of the government's Greenhouse Friendly scheme -- and the lack of a suitable replacement -- has left many companies in difficulties.

The bureaucratic bungle is forcing buyers to look overseas for carbon credits and sending carbon-offset companies out of business.

"It is a hard enough industry as it is without ill-conceived and bloody-minded policy positions that are illogical," said Andrew Grant, the CEO of Australia's biggest forest offset company, CO2 Group, which has \$150 million invested in on-farm forest plantations.

So-called voluntary carbon schemes were accredited under the federal government's Greenhouse Friendly program until June 30. This was supposed to be replaced on July 1 by the Carbon Pollution Reduction Scheme, which covered Kyoto-compliant carbon sequestration (storage) such as forestry, and the National Carbon Offset Standard (NCOS) which covered voluntary, non-Kyoto-compliant sequestration, such as storing carbon in the soil.

The problem is that the CPRS was voted down, Greenhouse Friendly ended and the only scheme left was NCOS, which does not cover current carbon-offset activities including forestry and renewable energy.

"If they deferred the CPRS, they should have deferred Greenhouse Friendly. That is all they needed to do," Grant says. "It is just a bureaucratic bungle. All the big buyers of voluntary carbon have to go offshore. They have no means by which they can recognise carbon abatement projects in Australia -- they have just shut it down. Every carbon offset company I know, bar a handful, have gone out of business in the last six months."

Last year the domestic voluntary carbon market was worth about \$6m, but now Australian companies have no option but to buy overseas carbon credits.

A spokesperson for Qantas said up to 10 per cent of passengers booking online also opted to buy carbon offsets. "We got our credits from Fieldforce which was a Greenhouse Friendly accredited carbon offset provider," he said.

Qantas soon will make an announcement about its new, overseas provider.

"There are no certified credits being generated in Australia. It is unfortunate for the sector, but for us the key is to have a certified scheme that is credible for our customers," he said.

Greening Australia CEO Rod Bristow said the country's biggest environmental NGO set up a carbon sequestration business three years ago, contracting to provide Kyoto-compliant abatement.

But the end of Greenhouse Friendly, and the lack of a replacement, has resulted in "a significant drop-off in business. We have had to downsize quite significantly".

Three months ago, Bristow wrote to then-prime minister Kevin Rudd suggesting a simple solution: to grandfather Greenhouse Friendly until the introduction of the CPRS. "But for whatever reason that was not the course of action the government wanted to pursue," he said.

Greening Australia is now faced with a contract risk. "We have signed contracts to put carbon in the ground that is

Kyoto-compliant, but now there is no regulatory regime under which we can have them certified. Government has caused us quite a significant problem."

Global Sustainability director Caroline Bayliss said the voluntary carbon market has stagnated in the past six months. "Providers are frustrated. They are saying the government needs to fix this and it is easy to fix," she said.

The only options for companies wanting to claim carbon neutrality were to buy overseas offsets or to look to NCOS. The problem with NCOS was that it covered non-Kyoto compliant sequestration like woody biomass and soil sequestration, "but there is no methodology for those yet", Bayliss said.

She said the value of carbon offsets had also fallen. "A project that was diversion of waste from landfill that was Greenhouse Friendly certified, was up until recently selling for between \$16 and \$20 a tonne. That is now around the \$4 mark, because Greenhouse Friendly doesn't count for anything any more."

Sara Gipton, chief executive of Greenfleet, which has planted more than 6000 hectares since 1997, said the government changes had left her in a bind. "The forests are still growing, it is just who is getting credit for them that is the problem. We have no way, because of government administration, of proving to people that the forests are being used for the purpose that they were intended."

Ms Gipton said the government did not plan for the possibility that the CPRS might not go ahead. "That meant that all Australian-based Kyoto compliant-abatement falls into a hole. What we want is for them to fill that gap, so what we do and what people have trusted us to do, counts."

But some see opportunity in the non-Kyoto compliant NCOS. Adelaide-based Leonard Cohen runs Canopy, which sees landholders revegetate their land using the carbon market.

Mr Cohen said there were great opportunities in the country's semi-arid and arid rangelands to sequester carbon through increased grass cover, shrubs and soil carbon through changed management. "If you change the way in which we treat those overgrazed rangelands, and the way in which we burn the savannah, we could save about 113 million tonnes of CO₂ a year, which is twice the amount of CO₂ produced by all of Australia's motor vehicles," he said.

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