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Emissions Reduction Assurance Committee
Department of Climate Change, Energy,
the Environment, and Water
GPO Box 2013
Canberra ACT 2601

Dear Emissions Reduction Assurance Committee Secretariat,

Periodic Review of the Carbon Credits *(Carbon Farming Initiative – Estimation of Soil Organic Carbon Sequestration Using Measurement and Models)* Methodology Determination 2021

Australian Dairy Farmers welcomes the opportunity to provide a submission to the Emissions Reduction Assurance Committee (ERAC) regarding the *Periodic Review of the Soil Organic Carbon (SOC) Methodology Determination 2021* under the Australian Carbon Credit Unit (ACCU) Scheme.

We have worked with Dairy Australia (DA) in the development of this response.

Australian Dairy Farmers (ADF) is the national peak Industry Representative Body (IRB) representing all dairy farmers from across Australia's six dairy producing states. ADF's membership includes the State Dairy Farming Organisations from each State as well as direct farmer members.

Dairy is the third largest Australian rural industry and a key sector of the agricultural economy, with a farmgate value of $6.2 billion and a direct workforce of almost 31,300 across dairy farms and processing. In 2023/24, 32% of milk production was exported, worth around $3.6 billion. Australia is a significant exporter of dairy products and ranks fifth in terms of world dairy trade.

ADF supports the continuation and improvement of the SOC methodology, as outlined in our submission.

Our recommendations align closely with those expressed by the National Farmers Federation (NFF) submission, reflecting a consistent industry position advocating for practical, accessible, and sustainable ACCU methodologies.

We emphasise the importance of ensuring the SOC method is fit-for-purpose for dairy systems, recognising existing best practices, reducing complexity and cost, and enabling broader participation - particularly for smaller farms.

to the Department should work with industry to ensure this methodology is fit-for-purpose and aligned with dairy farming systems, as it offers valuable opportunities to enhance sustainability and diversify farm income.

Soil health is fundamental to the productivity and resilience of dairy systems. Improvements in soil organic carbon (SOC) are directly linked to better soil structure, enhanced fertility, and increased moisture retention - all of which are essential for sustaining pasture growth, especially under dryland or variable irrigation conditions. These benefits are particularly valuable in the context of "green droughts," where soils may appear lush but lack the water-holding capacity to support sustained pasture growth. Healthier soils can also contribute to improved animal health through more consistent and nutritious feed availability.

A method that reflects and supports this alignment with existing practices can help unlock co-benefits for the dairy sector. It could incentivise further improvements in land management, enhance the sustainability of farm systems, and offer a pathway for income diversification through participation in the ACCU Scheme. For this reason, ADF is invested in ensuring the SOC methodologies are fit-for-purpose and accessible to dairy farmers, with clear guidance and minimal barriers to entry.

ADF emphasises that the SOC method should recognise genuine effort and ensure that additionality provisions don't penalise early adopters.

Many dairy farmers are already actively involved in practices that improve soil health and sequester soil carbon as part of best practice dairy farming. Many of the eligible activities under the SOC methodologies, such as improved grazing practices, incorporation of legumes, strategic liming of acidic soils, reduced or no-till cropping, and stubble retention, are not new concepts for the dairy sector.

The activities that many dairy farmers have already taken to improve soil health often involve upfront costs, operational adjustments, and agronomic risks. These changes were made in pursuit of more resilient and productive systems, not solely because of access to carbon credits.

Failing to acknowledge this effort under the method risks discouraging future innovation and undermines trust in the scheme. Farmers who have invested early in sustainability should not be disadvantaged compared to those who delay action in order to meet method thresholds.

ADF supports an approach to additionality that is both robust and fair, recognising that without economic incentives, many of the practices that build soil carbon are unlikely to be adopted at scale. A well-designed method should reward ongoing effort, encourage continuous improvement, and reflect the realities of on-farm decision-making.

There is limited uptake of the SOC methodology so far, which signals barriers to participation.

Despite growing interest in soil carbon as a pathway for both environmental and economic benefits, uptake of the SOC methodology remains low. Of the 560 projects currently registered under the method, only 18 have successfully generated ACCUs to date. This gap suggests that significant barriers exist between registration and delivery of measurable abatement.

A key challenge is the complexity and cost associated with measurement and monitoring. Soil testing (every 1–5 years), project registration, modelling and audit requirements are costly and complex, particularly for smaller dairy farms.

These requirements are not only expensive but can also be technically daunting. Navigating the regulatory framework, accessing appropriately qualified consultants, and interpreting soil carbon modelling outputs all add layers of complexity that may deter otherwise willing participants.

To improve accessibility and equity grouped project models or cost-sharing mechanisms should be considered. Grouped projects, where multiple farms aggregate under a single project umbrella, could reduce per-farm transaction costs and enable economies of scale. Facilitating this model, particularly through trusted industry or regional organisations, could make the method more viable for family-run and small-to-medium dairy enterprises. Similarly, co-funding arrangements or government-backed support for initial testing and audit costs could help lower the barriers to entry.

ADF is supportive of introducing new measurement and monitoring methods that minimise complexity and cost for Australian dairy farmers.

In addition to financial and administrative barriers, the current methodology's reliance on physical soil sampling further limits participation. While physical sampling to a depth of at least 30 cm is intended to ensure scientific integrity, it is both labour- and cost-intensive. These challenges are amplified for farms in remote areas or variable landscapes, where sampling logistics are more complex and expensive.

Despite this, the method does not yet accommodate the growing suite of technologies that could offer more efficient and potentially more representative ways to measure soil carbon changes. Expanding the method to include alternative, benchmarked approaches such as satellite-derived indicators, remote sensing, precision agriculture tools, and hybrid measure-model techniques should be considered.

Broadening the range of approved measurement tools would not only reduce costs but also allow farmers to better integrate carbon measurement into existing land management practices. This would be particularly beneficial if coupled with trusted extension services, such as those delivered through the Carbon Farming Outreach Program and Dairy Australia. Enabling farmers to choose the most appropriate and cost-effective tools for

their operation, without compromising integrity, will be key to improving participation and unlocking the full potential of soil carbon projects in the dairy industry.

Further engagement & development needed for new approaches to account for climate variability.

ADF recognises the importance of improving the accuracy of carbon accounting under the SOC method, particularly in distinguishing between changes driven by management practices and those driven by climate variability. Soil carbon levels are significantly influenced by factors such as rainfall, temperature, and soil type, variables that are outside a farmer's control. Without appropriate safeguards, these factors could result in some farmers being unfairly credited or penalised based on weather patterns rather than genuine land management actions.

Further engagement and development is required to garner support for proposed enhancements to the methodology (such as the use of paired control sites and minimum timeframes between sampling events) provided these do not impose undue cost, complexity or time burdens on dairy farmers.

Given the limited time available during this consultation, ADF has not been able to fully test these proposals with our members across diverse dairy regions. Further engagement will be needed to assess their feasibility, particularly for smaller farms with limited resources. Any changes to the method must prioritise accessibility, minimise transaction costs, and avoid creating new barriers to participation.

ADF believes that existing conservatism is sufficient and does not support further measures.

ADF believes the current conservation measures built into the SOC method are already more than adequate to manage over-crediting risk. The method applies multiple discount factors, including a 25% temporary withholding, a 20% permanence discount under the 25-year option, and a 5% risk of reversal buffer. These safeguards are already highly conservative and offer a strong integrity framework.

Maintaining integrity is critical but so is providing clear and fair incentives to participate. Further erosion of crediting potential through additional discounting or restrictions would only discourage uptake, particularly among smaller or more risk-averse farmers. Confidence in the Scheme depends on a balance between environmental rigour and commercial practicality.

ADF suggests further actions to improve accessibility and uptake of SOC projects in the dairy sector.

To unlock the full potential of SOC projects for the dairy industry, additional steps are needed to ensure the methodology is practical, inclusive, and aligned with the realities of dairy farming systems. ADF makes the following recommendations:

- Tailored guidance for dairy systems:
  Dairy farms differ significantly from broadacre cropping systems. They typically operate on more intensive pasture rotations, with higher stocking rates and the use of effluent systems that influence soil nutrient profiles and carbon dynamics. These characteristics should be reflected in future updates to modelling tools and guidance materials to ensure the method accurately accounts for the specific conditions and management practices in dairy systems.

- Support for smaller enterprises:
  Smaller dairy farms often face greater barriers to participation due to limited resources and capacity to manage the technical requirements of the method. Government should explore mechanisms such as aggregated project models, regional technical support, or targeted incentives to reduce these barriers and increase participation. Trusted industry bodies, such as Dairy Australia, could play a key role in coordinating such efforts.

- Integration with environmental markets:
  Dairy farmers are increasingly navigating a range of environmental obligations and opportunities, including biodiversity credits, water trading frameworks, and state-based sustainability programs. Greater clarity is needed on how SOC projects interact with these schemes to ensure alignment and avoid duplication or conflict. A more integrated approach would support strategic decision-making and enable dairy farmers to stack benefits across programs.

- Data sharing and education:
  Currently, there is a lack of publicly available case studies or success stories showcasing SOC projects in dairy systems. Sharing more real-world examples, particularly from farms of varying scale, region, and production model, would help build confidence and understanding among prospective participants.

For further information, please contact me directly on 0408 664 841 via email ssheridan@australiandairyfarmers.com.au.

Yours sincerely,

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