11 December 2025

Climate Change Authority
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Subject: Submission to the 2026 ACCU Scheme Review

1. Introduction

Dairy Australia (DA) and Australian Dairy Farmers (ADF) appreciate the opportunity to contribute to the Climate Change Authority's review of the Carbon Credits (Carbon Farming Initiative) Act 2011 and the functioning of the ACCU Scheme.

The dairy industry supports a high integrity, trusted and accessible ACCU Scheme that encourages genuine emissions reduction. Dairy farmers are committed to contributing to Australia's 2035 emissions target but require methodologies and policy settings that reflect the realities of diversified, mixed farming systems, regional variability, and the increasing land-use pressures emerging from climate mitigation and adaptation demands.

This submission focuses on two key issues for the dairy sector:

1. The need to prioritise, broaden and accelerate the Integrated Farm and Land Management (IFLM) method.
2. The need to manage land-use change risks associated with offset-driven investment, particularly where ACCUs substitute for genuine emissions reductions.

About Australian Dairy Farmers (ADF)
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 farming members.

About Dairy Australia
DA is the national services body for dairy farmers and industry. Its role is to help farmers adapt to a changing operating environment, and achieve a profitable, sustainable dairy

industry. As the industry's Research and Development Corporation, it is the 'investment arm' of the industry, investing in projects that cannot be done efficiently by individual farmers or companies.

2. Integrated Farm and Land Management (IFLM) Method

The dairy industry sees strong potential for the IFLM method to finally provide a methodology that reflects how farms actually operate: as whole, interconnected systems where vegetation, soil, livestock, infrastructure and management decisions interact. A method that captures this complexity will improve both integrity and participation.

The current method suite relies heavily on single-activity and single-asset approaches. This increases transaction costs, produces fragmented abatement, and fails to represent genuine systems-based emissions reductions.

2.1 Concerns with development delays and scope

The IFLM method has been under development for more than three years. Despite this long gestation period:

- Its scope remains narrow, capturing only managed regeneration and plantings of native forest and soil carbon improvements.
- Livestock methane mitigation, central to Australia's agricultural emissions profile, is not meaningfully incorporated.
- Multiple methods vital for dairy and other livestock sectors remain sidelined or unresolved, including:
    - Feed Additives Methodology
    - The Animal Effluent Method

Importantly, one of the most valuable integrity features of the proposed IFLM design is its whole-of-farm project footprint, which inherently manages leakage risk. By requiring the entire farming operation to be captured within the project boundary, the method reduces the likelihood of emissions simply being shifted to other parts of the property or of unintended intensification of emissions outside the project area. This systems-level coverage is essential to ensuring additionality and preventing perverse outcomes and should be retained and strengthened in the final design.

2.2 Recommendations

- **Accelerate and properly resource IFLM development**
  Finalisation of the IFLM method should be fast-tracked, with published milestones and transparent scope.
- **Expand IFLM to reflect real farm systems**
  A credible method must include:
    - Livestock methane mitigation pathways (including feed additives).

  - Effluent methane capture.
  - Clear stacking potential with biodiversity methods where appropriate.
- **Improve method interoperability**
  IFLM should function as a "hub" method enabling multiple project activities within a single project boundary, reducing duplication, audit burden and administrative complexity.

3. Managing land-use change risks and climate-driven competition for land

The shift in ACCU demand from government purchasing to Safeguard Mechanism compliance has fundamentally changed market dynamics. High offset demand risks driving land-use change at a scale that affects food production, regional economies and community identity.

Key risks include:

- Conversion of agricultural land to single-purpose carbon plantings.
- Reduction in regional employment and service viability.
- Consolidation of land ownership by non-farming investors.
- "Lock-up and leave" land management with limited active oversight.
- Displacement of food production and intensification of national food security pressures.

These concerns are well documented in Australian evidence, including the Australian Farm Institute's policy paper on balancing land use competition priorities[1], and the Parliamentary Inquiry into Food Security[2], and are strongly echoed in international experience.

3.1 New Zealand case study: offset-driven afforestation and land-use disruption

New Zealand provides a clear example of how carbon market incentives can reshape agricultural regions when safeguards are insufficient[3].

Under the New Zealand Emissions Trading Scheme (NZ ETS), carbon returns for exotic forestry became highly attractive relative to traditional livestock farming. Between 2018 and 2023, this led to:

- A rapid rise in permanent exotic pine forests established primarily for carbon sequestration.
- Conversion of sheep, beef and mixed farming land to carbon plantations.
- Purchase of farmland by external investors for long-term carbon income.
- Reduced local employment, as permanent exotic forests generate far fewer jobs than farming.
- Emerging environmental risks, including fire susceptibility, pest issues and

[1] Balancing land use competition priorities in a net zero future
[2] Australian Food Story: Feeding the Nation and Beyond – Parliament of Australia
[3] Managing Permanent Exotic Afforestation Incentives: Regulatory Impact Statement

questions around long-term forest management.

The New Zealand Climate Change Commission concluded that an unconstrained reliance on offsets:

Did not drive meaningful gross emissions reductions, delayed structural decarbonisation, and used up land resources needed for food production, biodiversity and community resilience.

In response, the New Zealand Government introduced restrictions on exotic species in permanent carbon forestry categories, strengthened local authority planning powers, and began a review of ETS settings to ensure emitters reduced emissions at source rather than defaulting to offsets[4].

Australia can avoid repeating this experience by placing appropriate guardrails around offset-driven land-use change and embedding a clear hierarchy of abatement.

3.2 Structural drivers of land-use conflict in Australia

Literature and stakeholder evidence point to several drivers:

- Information asymmetry between landholders and carbon project proponents.
- Lack of national, state, and local strategic identification of prime agricultural land.
- Fragmented policy across climate, biodiversity, land-use planning, energy, housing and agriculture.
- Price signals that favour land retirement, not active stewardship.
- An "offset substitution effect" where ACCUs become a cheaper alternative to industrial decarbonisation.

3.3 Recommendations

- **Ensure ACCUs complement, not replace, genuine decarbonisation**
  Guidance should encourage a hierarchy where ACCUs are used after feasible within supply chain abatement options.
- **Prevent offset-driven distortion of agricultural land use**
  The Authority should consider policy settings that:
  - Monitor and report land-use change attributable to carbon projects.
  - Limit conversion of high-value agricultural land to permanent single-species carbon plantings.
  - Ensure carbon plantings are actively managed to avoid environmental and community risks.
- **Adopt place-based oversight of carbon and biodiversity markets**
  Integrated planning should:
  - Balance food production, biodiversity, renewable energy and climate

[4] Government tightens commercial forestry regulations one week out from election

outcomes.
    - Use state-based spatial planning tools to guide suitable land uses.
    - Improve price transparency to address the imbalance between developers and landholders.
- **Support diversified, actively managed sequestration projects**
  The scheme should focus on:
    - Shelterbelts, riparian zones, mixed-species plantings and agroforestry integrated into existing farming systems.
    - Projects that maintain or enhance regional employment and community resilience.

4. Conclusion

To support Australia's 2035 emissions reduction target, the ACCU Scheme must evolve in ways that:

- Recognise how real farms operate.
- Support genuine emissions reduction ahead of offsetting.
- Avoid perverse land-use outcomes that compromise food security, regional vitality or environmental integrity.

A comprehensive and timely IFLM method, alongside proactive management of land-use risks, is central to ensuring the ACCU Scheme supports a resilient, productive and low-emissions agricultural sector.

DA and ADF welcome further engagement with the Authority throughout the review.

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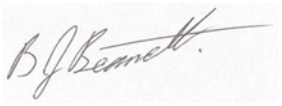
Yours sincerely



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