



FACT SHEET

WHEN CAN FOREST MANAGERS CREATE NGACs?

The scheme allows certain forest managers in NSW to create NSW Greenhouse Abatement Certificates (NGACs) for storing carbon (carbon sequestration) in eligible forests.¹

To create NGACs, forest managers need to establish that:

- they are eligible to apply
- their forest is on eligible land, and
- they have calculated the number of NGACs using the relevant Interim Australian Standard.

Relevant Documents

Greenhouse Gas Benchmark Rule (Carbon Sequestration) No. 5 of 2003 incorporates parts of the:

- Kyoto Protocol to the United Nations Framework Convention on Climate Control, and
- Interim Australian Standard AS4978.1 (Int) 2002 – *Carbon Accounting for Greenhouse Sinks Part 1: Afforestation and Reforestation* (“the Standard”)

The Standard was designed to be used ahead of various developments in carbon accounting, both in Australia and internationally. Standards Australia is completing further detailed work on how the Standard will be developed, updated and applied in Australia. The Carbon Sequestration Rule depends on these documents for most of its details.

Who is eligible to apply?

To be eligible to apply for accreditation as a certificate provider, a forest manager must:

- own or control the Carbon Sequestration Rights registered on the title to the land on which the eligible forest is planted
- be able to demonstrate that the carbon sequestration achieved by the forest project will be maintained for 100 years
- have appropriate procedures in place to manage risks such as fire, disease or climate variability, and
- maintain adequate records.

What is an eligible forest?

An eligible forest must be on land that is eligible under Article 3.3 of the Kyoto Protocol, and must meet the definition of ‘forest’ in the Standard.

Kyoto-consistent land is land which:

- was cleared at some time prior to 1 Jan 1990
- was planted on or after that date, and
- can have Carbon Sequestration Rights registered over its title.

The Standard allows for ranges of value for the area, cover and height of an eligible forest. The scheme has adopted the minimum values for the definition of a forest as used by the processing unit within Australia’s National Carbon Accounting System (NCAS) model.

¹ Carbon sequestration may occur in eligible forests in jurisdictions other than NSW if the jurisdiction has a scheme which is approved by the Minister in accordance with s97DA of the Electricity Supply Act 1995

The scheme requires an eligible forest:

- to be a minimum of 0.2 hectares
- to have at least 20% crown cover at maturity, and
- to consist of trees with the potential to reach a height of 2 metres at maturity

Calculating how many NGACs forest managers can create

NGACs can be created for carbon sequestration which:

- takes place after 31 December 2002, and
- has not been used or traded for any other purpose.

The maximum number of NGACs is calculated as:

$\text{NGACs} = \frac{\text{Net Carbon Stock Change} \times 44}{12}$
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Where the Net Carbon Stock Change is the change in the amount of carbon (tonnes) stored in the forest from one point in time to another.

Estimating the change in carbon stock

The Standard allows the carbon stock to be estimated using a variety of methodologies. However, the forest manager must be able to demonstrate, based on an uncertainty analysis, that it is 70% probable that the net increase in its carbon stocks is greater than the number of NGACs it has created.

The forest must be periodically monitored to verify the estimate of the carbon stored.

Additional eligible forests can be added to the forest manager's "pool" to increase the total carbon stocks.

What if carbon stocks do not match NGACs created?

If at any time a forest manager's carbon stocks are not sufficient for the number of NGACs it has created, it must advise the Scheme Administrator and not register any further NGACs until it has increased the carbon stock sufficiently.

The Scheme Administrator also has the power to require the forest manager to purchase NGACs from the market and to surrender these in order to make good the shortfall in carbon stocks.

Legal context for this fact sheet

The Scheme Administrator has prepared this Fact Sheet as a general summary of relevant parts of:

- **the Act:** *Electricity Supply Act 1995* (as amended by the *Electricity Supply Amendment (Greenhouse Gas Emission Reduction) Act 2002*).
- **the Regulation:** *Electricity Supply (General) Regulation 2001* (as amended by the *Electricity Supply (General) Amendment (Greenhouse Gas Emission Reduction) Regulation 2002*, the *Electricity Supply (General) Amendment (Greenhouse Gas Abatement Certificate Scheme) Regulation 2003* and the *Electricity Supply (General) Amendment (Reduction of Greenhouse Gas Emissions) Regulation 2003*).
- **the Rules:** Greenhouse Gas Benchmark Rules issued through the Department of Energy, Utilities and Sustainability and approved by the Minister for Energy & Utilities.

This Fact Sheet should not be relied upon as a substitute for legal advice, and is designed to be read in conjunction with the above source documents.