

Agriculture Biodiversity Stewardship

Carbon + Biodiversity Pilot

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Acknowledgement of Country

We acknowledge the Traditional Owners of Country throughout Australia and their continuing connection to land, sea and community. We pay our respects to them and their cultures and to their elders past, present and emerging.

Agriculture Stewardship: Carbon + Biodiversity pilot processes

Carbon+Biodiversity participants

If you participate in this pilot you are offering to provide the Australian Government with long-term biodiversity improvement services in conjunction with an Emissions Reduction Fund (ERF) project.

Look over the pilot documents and seek advice on participation

The pilot documents published on [GrantConnect](#) and agriculture.gov.au/carbon-biodiversity-pilot outline how to participate. These pilot documents include the template agreement that you will be expected to agree to for the delivery of your project, if your application is successful. We encourage you to develop a project idea and seek independent professional advice (such as from financial, legal, agronomy and carbon project experts) before applying.

When applications open, complete and submit an application

Finalise your project plan and submit it through the [Agriculture Stewardship portal](#).

DAWE will assess your project and determine what biodiversity payment we will offer

We assess applications against the eligibility criteria and exclude (and notify) ineligible applications. We will calculate a biodiversity payment offer based on the estimated cost of your project and the revenues the project could generate from carbon credits. Alternatively, you can submit your own bid price. Projects will be ranked (highest to lowest) based on a benefit-cost ratio against other applications in their region.

We make recommendations for included projects

A project assessment panel will advise the decision maker on which projects are the best value for money, based on the costs and benefits.

Biodiversity payment offers are approved and notified

The decision maker approves the amount we will offer to successful applicants. We notify successful applicants of our payment offer for their biodiversity improvement services.

You consider the offer and the legal terms

We will provide the legal agreement, which will give you the option (but not the obligation) to undertake the biodiversity stewardship project and receive the biodiversity payment. You will be legally obligated to complete the project only when the option is exercised.

You register your ERF project with the Clean Energy Regulator

You must register your project with the Clean Energy Regulator (CER) and have it formally accepted within 4 months of exercising the option to initiate the biodiversity stewardship project. See more information on [how to register an ERF project](#).

Payments

When your project is successfully registered under the ERF, we will provide you with 50% of the biodiversity payment. The remainder of the payment will be made in 2 equal instalments over the subsequent 2-3 years.

Plantings and ongoing obligations

You must establish your plantings in accordance with the requirements of both the ERF (for carbon) and this pilot (for biodiversity). Both programs have rules governing the establishment and management of environmental plantings and ongoing reporting/monitoring requirements.

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1. Introduction

This document explains the Agriculture Biodiversity Stewardship – Carbon + Biodiversity Pilot (the C+B Pilot).

The pilot is a component of the Australian Government’s Agriculture Stewardship Package. The package will create new market-based mechanisms that reward farmers for improving environmental outcomes on agricultural land.

Farmers can and are already taking steps to build farm resilience, by planting and maintaining environmental plantings that protect their soils, farm dams and waterways. This Pilot trials a market-based mechanism for farmers to provide biodiversity and carbon abatement services by establishing biodiverse environmental plantings.

Over time, the aim is to create a credible market mechanism that improves biodiversity and climate outcomes and creates new income opportunities for farmers. The pilot is initially being run in 6 Natural Resource Management regions:

- Burnett-Mary in Queensland;
- Central West in New South Wales;
- North Central in Victoria;
- NRM North in Tasmania;
- Eyre Peninsula in South Australia;
- South West in Western Australia.

This document sets out:

- the eligibility and assessment criteria
- how to apply to participate
- how applications are considered, and how biodiversity payment offers are made
- how farmers that have applied are notified and receive payments
- how participating farmers’ projects will be monitored and evaluated
- responsibilities and expectations.

We have worked in partnership with the ANU to develop the pilot.

2. About the grant program

The C+B Pilot will trial a market-based mechanism that supports biodiverse environmental planting projects in agricultural areas. Participants who establish and maintain biodiverse environmental plantings in accordance with the C+B planting protocol will be eligible to receive payments for biodiversity. They will also potentially be able to receive Australian Carbon Credit Units (ACCUs) for the carbon sequestered in the plantings under the Australian Government's ERF. Participants will be able to sell the ACCUs to the Australian Government or other buyers, which would provide an additional source of revenue for the projects.

The objectives of the pilot are:

- trial a market-based system whereby farmers can be paid to provide biodiversity improvement services
- provide the information, knowledge and experience necessary to increase and monetise on-farm biodiversity stewardship.

The intended outcomes of the pilot are:

- increase the adoption of biodiversity practices by enabling farmers to be rewarded for their stewardship by those willing to pay
- improve biodiversity and increase carbon sequestration in environmental plantings
- provide confidence to the market.

2.1 Core elements

The C+B pilot has 5 core elements.

- 1) Participants will be required to undertake new [ERF environmental plantings projects](#) involving reforestation through either planting or direct seeding of native tree and shrub species. Participants will also need to ensure they satisfy relevant ERF [participant obligations](#), including in relation to measurement, reporting and auditing.
- 2) Projects participating in the C+B Pilot will also need to comply with the C+B planting protocol and reporting requirements. The planting protocol sets out rules about the location, dimensions, configuration and composition of plantings to ensure projects generate biodiversity benefits.
- 3) Projects contracted under the C+B Pilot will receive biodiversity payments over the course of the project. Payments will be contingent on the satisfaction of relevant C+B Pilot requirements, including the planting protocol.
- 4) Projects that meet ERF requirements, as determined by the CER, will be able to receive ACCUs for the carbon sequestered in the planting project. Participants can sell, keep or cancel any ACCUs they receive for the projects.
- 5) Plantings established under the C+B Pilot will need to be protected and maintained for at least 25 years. Once registered under the ERF, the projects will be subject to the ERF permanence requirements.

3. Grant amount and grant period

The total budget for the C+B Pilot component of the Agriculture Stewardship Package is up to \$23.5 million.

The pilot will trial a dual-track approach to determining the biodiversity payments made to applicants. This is to ensure value for money and demonstrate the potential of a market approach to investors who may have an interest in purchasing biodiversity outcomes.

Under the dual-track approach, the biodiversity payments offered to applicants will be determined using one of two processes.

- **Option A:** Applicants can submit cost estimates for their project and, if they are successful in the selection process, they will receive a biodiversity payment offer that considers their estimated costings.
- **Option B:** Applicants can submit their own bid price for the biodiversity payment they are willing to accept, along with their project costs. If they are successful in the selection process, they will receive a biodiversity payment offer based on either the bid price or the estimated costs of the project.

All projects will be assessed according to the costs and biodiversity benefits.

For applicants who choose Option A, the price offer will be calculated using a financial model that accounts for the likely revenues from the sale of carbon credits and the project costs. The model will estimate:

- the carbon revenues projects could receive from the sale of carbon credits
- the cost of establishing and maintaining the plantings
- the cost of reporting and auditing associated with the project.

The model will consider the revenue and cost estimates to calculate a biodiversity payment offer, having regard to the aim of providing efficient participants with an appropriate rate of return on their investment.

Option B is similar to Option A, but it gives applicants the opportunity to put in a lower bid price to increase their chances of receiving an offer – for example, if they think the plantings will increase agricultural production. The same financial model will be used to test the competitiveness of the bids made by applicants who choose to submit a bid price. If a bid is deemed to be uncompetitive (too high), the applicant may receive a biodiversity payment offer based on the estimated costs of the project. Where this occurs, the offer will be derived using the same approach as detailed for Option A.

3.4 Project period

C+B Pilot projects will need to be protected and maintained for a minimum of 25 years. This is consistent with the minimum permanence period for ERF tree planting projects. If plantings die or are otherwise lost over 5% or more of the planting area, participants will be required to re-plant the area in accordance with the C+B planting protocol.

Successful applicants who enter a C+B agreement can withdraw from the pilot at any time before exercising the option to provide the contracted services. After a participant exercises the option, registers under the ERF and receives the funding, they can only withdraw by repaying the biodiversity payment, plus interest. The contract will address repayment requirements after plantings are established.

Additionally, once a project is registered under the ERF, participants are required to protect and maintain the credited carbon stocks for the duration of the project's nominated 'permanence period'. The permanence period is the period over which participants are required to protect and maintain the credited carbon stocks. Participants must choose between a 25-year or 100-year permanence period. The period starts when the first ACCUs are issued to the project. If participants opt for a 25-year permanence period, a 20% permanence period discount is applied when calculating their ACCU entitlements. Projects with 100-year permanence periods are not required to apply a permanence period discount when calculating their ACCU entitlements.

Participants of registered ERF projects can apply to the CER to have their project revoked at any time. However, for the CER to accept a revocation application, the participants must relinquish the same number of ACCUs as have been issued for the project.

See [Permanence obligations](#) for further information on ERF project permanence requirements

3.3 Case studies

This section includes 2 case studies in different eligible regions to provide examples of how the pilot will work and the size of a payment the project might receive. Use these case studies can act as a guide to help you decide whether to apply but they should not be relied on when making your own financial decisions. The case studies go into some detail to help potential applicants understand the interactions between this pilot and the ERF.

Case study 1: Environmental Planting Project near Grenfell, New South Wales

Patrick and Jane own a 2,700-hectare property outside Grenfell, in the Central West region of New South Wales. They operate a mixed farming operation on the property, mainly producing sheep and wheat. To diversify their income and provide additional shelter for livestock, they apply to participate in the C+B Pilot for a 40 hectare tree planting project.

Patrick and Jane and their advisers estimate that the tree plantings are likely to sequester approximately 225 tonnes of carbon dioxide (tCO₂) per hectare, or 9,000 tCO₂ in total, over 25 years.

Under the ERF, a 5% risk of reverse buffer discount is applied when calculating the number of carbon credits that environmental planting projects receive. Participants must choose between a 25-year or 100-year 'permanence period' – the period over which the plantings must be protected and maintained. If participants opt for a 25-year permanence period, a 20% permanence period discount is applied when calculating their carbon credits entitlements, on top of the 5% risk of reverse buffer discount. Projects with 100-year permanence periods are not required to apply a permanence period discount. Patrick and Jane decide the best option for them is a 25-year permanence period.

Accounting for the total number of ACCUs the project could receive and when they are likely to be issued, the possible future price of ACCUs, and a preferred discount rate, Patrick and Jane and

their advisers calculate that the present value of the ACCUs from the project is likely to be in the around \$2,000 per hectare, or \$80,000 for the whole project. The average price paid for contracts from the auction held by the Clean Energy Regulator in September 2020 was \$15.74 per ACCU.

To participate in the C+B Pilot, the plantings must be established and managed in accordance with the ERF environmental plantings method and the C+B planting protocol. After consulting their local Natural Resource Management Group, Central West Local Land Services, Patrick and Jane decide the best way to establish the plantings consistent with these requirements is via mechanical tubestock planting. They also decide that 2 km of fencing will be required to protect the plantings from livestock, kangaroos, rabbits and other feral herbivores. Before planting, Patrick and Jane plan to treat the weeds on the site with 2 rounds of boom spraying and one round of spot spraying. Considering these project details, they calculate that the likely establishment costs around \$3,500 per hectare, or \$140,000 in total.

In planning the project, Patrick and Jane also consider recurrent weed and pest management costs across the 40 hectares of plantings, and the reporting and auditing costs associated with the C+B Pilot and the ERF. Under the ERF, all tree planting projects are required to undergo 3 third-party audits, the first of which is due at the end of the first reporting period. These third-party audits are paid for by the project participant. The C+B Pilot has no equivalent third-party auditing requirements but participants must submit periodic reports on the environmental and financial performance of projects.

Using the planting area and cost data they submit, the department provide Patrick and Jane with a biodiversity payment offer of \$2,500 per hectare, or a total of \$100,000.

If Patrick and Jane enter a C+B agreement and exercise the option to initiate the project, they could receive \$50,000 upfront (after the project is registered under the ERF) to support the plantings. They will then receive the remaining \$50,000 in the following 2-3 years, contingent on verification that the plantings have been established in accordance with the C+B planting protocol and the satisfaction of other pilot requirements.

Case study 2: Environmental Planting Project near Campbell Town, Tasmania

Rowena owns a 1,000 hectare property near Campbell Town, in Tasmania's Midlands, where she runs sheep. To help reduce lambing mortality and diversify her income, Rowena decides to participate in the pilot and apply for a biodiversity payment. She plans to undertake a 15 hectare environmental planting, comprised of a mix of shelter belts and block plantings.

Under average climate conditions, tree plantings are likely to sequester approximately 280 tCO₂ per hectare over 25 years. After considering the applicable ERF requirements, Rowena decides on a 100-year permanence period, thereby avoiding the need to apply a 20% permanence period discount when calculating the ACCU entitlements associated with the project.

Considering the ERF requirements, including the need to apply a 5% risk of reversal buffer, and other factors, Rowena and her advisers calculate that the present value of the ACCUs from the project is likely to be around \$3,400 per hectare, or \$51,000 for the whole project.

The area where Rowena wants to put the plantings is reasonably hilly. After consulting with her local Natural Resource Management Group, NRM North, Rowena decides the best way to

establish the plantings in this hilly area is through manual tubestock plantings. She also decides to use tree guards in some areas to protect the seedlings from feral grazing impacts. Rowena plans to spot spray the site and source the tubestock from a local nursery. All up, she estimates the plantings will cost \$4,200 per hectare to establish, or \$63,000 in total.

Rowena estimates she will need to spend around \$60 per hectare per year (\$900 per year total, in present value terms) on managing the plantings (weeding and pest control) and reporting under the ERF and C+B Pilot. In addition, in making her business plan, she accounts for the need to pay for three third party audits under the ERF.

Using the planting area and cost data that Rowena submits, the department provides her with a biodiversity payment offer of \$3,500 per hectare, or \$52,500 in total. If Rowena goes ahead with the project, she can receive \$26,250 upfront after she registers the project under the ERF and the remaining \$26,250 in the following 2-3 years if she satisfies the pilot requirements.

4. Eligibility criteria

Eligibility criteria apply to both the applicant and to the proposed project. You must provide the information we need to assess your eligibility and the eligibility of your proposed project.

If you, or your proposed project, do not meet all the eligibility criteria, your application will not undergo assessment.

4.1 Eligible applicants

To be eligible, you must satisfy these requirements:

- 1) Your property must be in one of the eligible pilot regions (see section 3.2 below).
- 2) Your property must be predominantly used for agricultural purposes.
- 3) You must be willing and able to undertake a new ERF environmental plantings project.
- 4) You must be an individual or body corporate who owns the land on which the project will be undertaken, in the sense of holding the freehold title.
- 5) You must meet the participant obligations under the ERF as outlined on the CER's website (<http://www.cleanenergyregulator.gov.au/ERF/Want-to-participate-in-the-Emissions-Reduction-Fund/Planning-a-project/participant-obligations>).
- 6) You must not have begun the project.
- 7) You must provide a commitment to act with the utmost good faith in your engagements with the pilot.

You cannot submit more than three applications in total. If you submit more than three applications, only the first three will be considered.

4.2 What projects are eligible?

To be eligible, your project must satisfy the following requirements:

- 1) All planting areas associated with a project must be located within the same pilot region.
Projects can be comprised of one or more planting areas. The planting areas associated with a project can be located on different properties and different land titles, provided the properties are owned by the same applicant. However, the planting areas must be located within the same pilot region and each planting area must be located wholly within the boundaries of the region.
- 2) Projects must cover an area of between 5 and 200 hectares.
The project must satisfy the eligible offset project registration requirements under the ERF, including the requirements under the [ERF environmental planting method](#) and must not already be registered.
- 3) The environmental plantings must be carried out in accordance with the C+B planting protocol.

The environmental plantings must be carried out in accordance with the [C+B planting protocols](#) for the relevant region. C +B protocols are available on [GrantConnect](#) and at [agriculture.gov.au/carbon-biodiversity-pilot](#). The protocols specify the location, dimensions, configuration and composition of plantings and are designed to ensure projects generate the maximum possible biodiversity benefits. The protocols contain rules about the proximity of plantings to houses and other infrastructure. These rules are designed to reduce the bushfire risk associated with plantings.

- 4) Projects must not receive financial or other support for the establishment of the plantings under another federal, state/territory or local government environment program, other than the ERF.

For more information, see the requirements for the [ERF environmental planting method](#), guide to the reforestation by environmental or mallee planting ERF method.

4.3 How project applications are assessed

A competitive, transparent and fair process will be used to assess and select projects to ensure the pilot delivers biodiversity improvements that are value for money and achieve biodiversity outcomes. Details of the assessment, ranking and selection process are provided in [section 6.1](#) below.

5. What the grant can be used for

To be eligible your project activities must be in accordance with this and other pilot documents including the [C + B Pilot Planting Protocols](#). The planting protocols contain the eligibility, design, establishment and maintenance conditions that apply to all environmental planting projects under the C + B Pilot.

Project activities will also be required to fulfill requirements under the ERF methods. A more detailed summary of the Emissions Reduction Fund requirements is available [here](#).

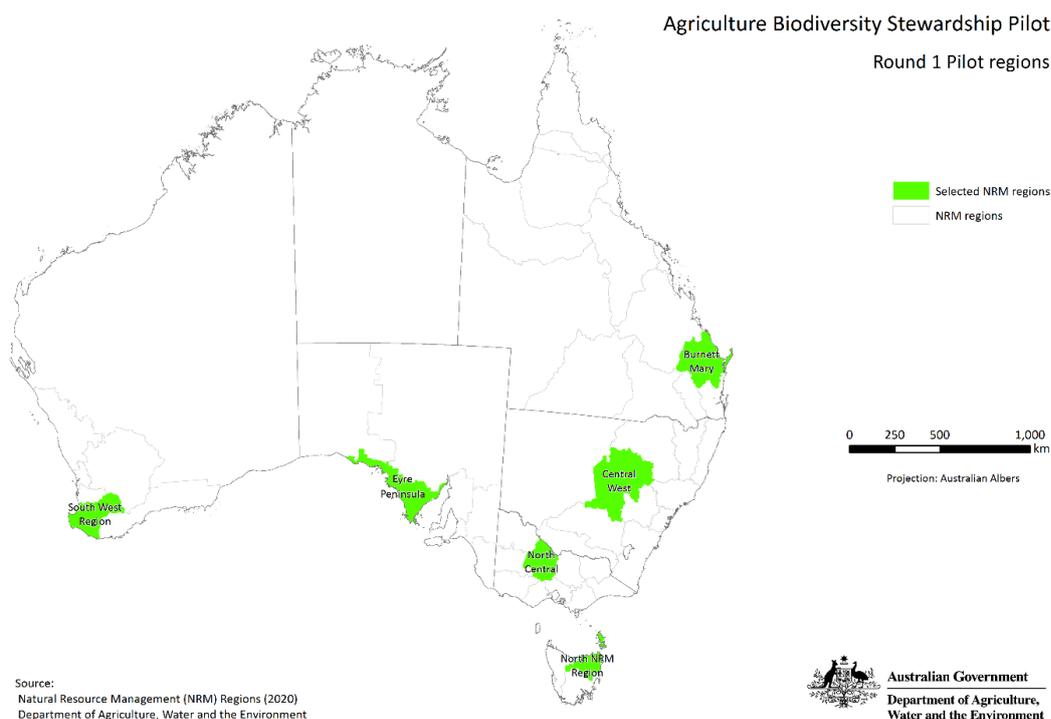
5.3 Eligible locations

To be eligible to participate in the Pilot, your project must be in one of 6 eligible Natural Resource Management (NRM) regions. The eligible NRM regions are:

- Burnett-Mary in Queensland
- Central West in New South Wales
- North Central in Victoria
- NRM North in Tasmania
- Eyre Peninsula in South Australia
- South West in Western Australia

The above regions were selected to test the pilot across a range of jurisdictions, farming systems and vegetation types. Other NRM regions may be included in the future but have not been determined at this point in time.

Figure 1 Map of eligible Carbon + Biodiversity Pilot regions.



6. The assessment criteria

The C+B Pilot is testing a market approach to purchasing biodiversity services from farmers. Applications will be assessed using a benefit-cost score, that is the extent to which the biodiversity payment represents value for money for the biodiversity services provided.

Applications will be selected based on their benefit-cost score. The assessment panel will also take into consideration the number of projects within each NRM region to ensure robust testing of the pilot design and methodology in a range of farming systems and vegetation types.

The benefit-cost score is based on two criteria:

Criterion 1 – Cost

Each application will be assigned a biodiversity payment offer this represents the cost of the project to the Australian Government. The biodiversity payment offer will be determined using one of two processes:

- **Option A:** Applicants can submit cost estimates for their project and, if they are successful in the selection process, they will receive a biodiversity payment offer calculated using a financial model that takes into account their estimated costings. Cost estimates provided by the applicant include:
 - Site preparation (weed control)
 - Soil preparation
 - Tubestock or seed, and total planting costs
 - Tree guards and fencing
 - Recurrent management (such as weeding and pest control).
- **Option B:** Applicants can submit their own bid price for the biodiversity payment they are willing to accept, along with their project costs. If they are successful in the selection process, they will receive a biodiversity payment offer based on either the bid price or the estimated costs of the project as determined by the financial model.

The financial model used considers estimated revenues the project could receive from the sale of ACCUs generated by the carbon project and the estimated costs associated with the project (establishment costs, recurrent management costs, and reporting and auditing costs).

[Section 8](#) provides further detail on how biodiversity payment offers are determined.

Criterion 2—Biodiversity benefit

Each application will be assigned a biodiversity benefit score to estimate the future biodiversity value of the site and its contribution to biodiversity conservation across the NRM region. The biodiversity benefit score will be based on a number of factors, including:

- the size of the proposed planting areas,
- the location of the planting areas and their association with threatened species and ecosystems,
- the presence of mature trees that provide habitat for biodiversity within the planting area,
- whether the planting area is near watercourses or other water bodies, and

- the applicant's choice of permanence period (projects that opt for 100-year permanence periods will be given a higher score).

7. How to apply

Before applying, you must read and understand this pilot document and the relevant planting protocols and price guide for your region. These documents can be found on the [GrantConnect](#) website and at agriculture.gov.au/carbon-biodiversity-pilot. Any alterations to these documents will be published on GrantConnect and by registering on this website, you will be automatically notified on any changes. GrantConnect is the authoritative source for grants information.

We strongly recommend that you seek independent professional advice about your participation in this pilot, potentially including financial, legal, agronomy and carbon project specialists.

Application timelines

Round 1 Applications open 12 April 2021

Round 1 Applications close 11 June 2021

Note: Further rounds may take place if the full amount of funding is not exhausted.

Table 1 How to apply for the Pilot

To apply you must:

Complete the application through the web portal accessed at www.agriculture.gov.au/carbon-biodiversity-pilot
 Provide your personal details and the address of the property on which the project will be located
 Signify your commitment to act with the utmost good faith in all engagements with the pilot
 Confirm you hold the freehold title to the property and that it is predominantly used for agricultural purposes
 Plot where the plantings will be established on your property or properties
 Submit cost estimates for your project.

The web portal will also allow you to submit a bid price for the biodiversity payment you would be willing to accept to undertake the project. Applicants do not have to submit a bid price – those that do not will be provided with a payment offer based on their cost estimates. Submitting a bid price may increase your chances of being successful in the application process.

The requirement to act with the utmost good faith in all engagements with the pilot is intended to ensure participants embrace and support the objectives of the pilot. The C+B Pilot is trying to improve public good environmental outcomes, while providing new market opportunities for the agricultural sector. These objectives can only be realised if participants engage with the pilot in a collaborative manner.

Applicants should ensure the planting areas are plotted as accurately as possible because the plotted areas will be used to generate your payment offer or test the competitiveness of your bid price.

To assist with your project planning, the web-portal will provide an indicative estimate of the anticipated carbon sequestration in the planting areas (tonnes of carbon dioxide equivalent (tCO₂-e)). This estimate is not a projection of the ACCUs the project is likely to receive – it is an indicative estimate of the carbon sequestration in an environmental planting project on the site under average climate conditions.

Table 2 Application details of the Pilot

For each planting area, you will be required to provide details on the project, including:

Size and location of the planting
 The number of mature native trees that will be retained within the planting area
 The current vegetation cover in the planting area
 Site preparation (weed control) method (spot spray, boom spray or other)
 Soil preparation method (manual digging, deep ripping or discing)
 Planting method (manual tubestock planting, mechanical tubestock planting, or direct seeding)
 Tree protection method (fencing, guards or no protection)
 Annual management regime (grazing, weeding and pest control).

The ERF environmental plantings method has requirements that should be taken into account. An overview of the requirements under the ERF environmental planning method is available [here](#).

Table 3 Costing details of the Pilot

For each planting area, you will also be required to provide estimates of the costs of key project components including:

Site preparation (weed control)
 Soil preparation
 Tubestock or seed, and total planting costs
 Tree guards and fencing
 Recurrent management (such as weeding and pest control).

To help estimate these costs, a price guide will be published for each region that provides an indicative price for each component of your project. The price guides are available on [GrantConnect](#) and at agriculture.gov.au/carbon-biodiversity-pilot.

The cost estimates must not include the cost of management actions that are required to be carried out by or under a law of the Commonwealth or a state or territory, or are already funded under another Australian Government, state, territory or local government environment program.

As noted, under the ERF, participants must choose between a 25-year or 100-year permanence period. If participants opt for a 25-year permanence period, a 20% permanence period discount is applied when calculating their ACCU entitlements. Applicants should note that the 20% permanence period discount is not considered when calculating biodiversity payment offers under the C+B Pilot. The financial model we use to generate the payment offers assumes all projects have 100-year permanence periods. This is to ensure the C+B Pilot does not provide higher payment offers to projects with shorter permanence periods.

You are responsible for ensuring that your application addresses the eligibility criteria and is complete and accurate. Applications that contain false or misleading information may be excluded from consideration. Knowingly giving false or misleading information to the Commonwealth is also an offence under the *Criminal Code Act 1995 (Cth)*.

You must notify us if there are any key changes to your organisation or its business activities, particularly if they affect your ability to meet your obligations under the project, carry on

business or pay debts due. The legal agreement will contain provisions that apply if you sell the land on which the project is established.

If you find an error in your application after submitting it, you should contact us immediately at agstewardship@awe.gov.au or 1800 329 055.

You cannot change your application after the closing date and time.

If we find an error or information that is missing, we may ask for clarification or additional information from you that will not change the nature of your application. However, we can refuse to accept any additional information from you that would change your submission after the application closing time.

You should keep a copy of the confirmation notice you receive on the Agriculture Stewardship web-portal when you submit your application and any supporting documents.

We will acknowledge that we have received your application within 2 to 3 working days.

If you need further guidance on the application process or if you are unable to submit an application online contact us at agstewardship@awe.gov.au or 1800 329 055.

7.1 Timing of pilot opportunity processes

You must submit an application between the published opening and closing dates. Late applications will not be assessed but can be considered for future rounds of the pilot should sufficient funds remain.

Table 4 Activity timeframes

Activity	Timeframe
Release of pilot specifications for potential applicants to consider	4 weeks
Applications open	8 weeks (12 April 2021 to 11 June 2021)
Assessment of applications and make biodiversity payment offers to applicants	4 weeks
Applicant consideration of offer and agreement is signed by both parties	4 weeks
ERF project registration and exercise option to initiate project	Within 4 months of agreement being signed
Undertake plantings	Within 9 months of ERF project registration, unless an extension is provided due to drought or other factors that are beyond the control of the applicant
End date of activity or agreement	If the option to initiate a project is <u>not</u> exercised – 6 months after the date of execution of the agreement If the option to initiate a project <u>is exercised</u> – 25 years after the date on which the project is registered under the ERF
ERF Permanence end date	25 or 100 years from the date the first ACCUs are issued

7.2 Questions during the application process

If you have any questions during the application period, contact us by email at: agstewardship@awe.gov.au or via phone at 1800 329 055.

We will endeavour to respond to emailed questions within three working days.

[Frequently asked questions](#) and their answers will be published on [GrantConnect](#) and our website as they arise.

8. The grant selection process

8.1 Assessment of project applications

Applications will be subject to an initial screening to determine whether the project and applicant meet the eligibility requirements.

Applications that are eligible will be assessed and ranked in accordance with the process detailed in this section.

The application will be assigned a possible biodiversity payment offer and a biodiversity benefit score.

The biodiversity payment offer will be determined in accordance with one of these processes:

- **Option A:** Applicants can submit cost estimates for their project and, if they are successful in the selection process, they will receive a biodiversity payment offer that takes into account their estimated costings.
- **Option B:** Applicants can submit their own bid price for the biodiversity payment they are willing to accept, along with their project costs. If they are successful in the selection process, they will receive a biodiversity payment offer based on either the bid price or the estimated costs of the project.

The possible biodiversity payment offer will be determined in accordance with a 4-step process.

- 1) A file will be created for each application containing details of the proposed project and the estimated cost of key project components.
- 2) The data on the location of the projects in each application file will be used to generate an indicative estimate of the number of ACCUs the projects could receive over 25 years.
- 3) The cost estimates submitted by applicants will be assessed against cap prices set for each relevant cost component. Cap prices will be set for each component in each region based on prevailing market prices of relevant goods and services. If an estimate submitted by an applicant for a cost component exceeds the relevant cap price, the cap price will replace the applicant's estimate when generating the payment offer or testing the competitiveness of the bid price. The cap prices will not be published in the price guide.
- 4) For applicants that choose **Option A**, a financial model will be used to generate the possible biodiversity payment offer. The model will account for:
 - estimated carbon revenues the projects could receive from the sale of ACCUs and
 - the estimated costs associated with the project (establishment costs, recurrent management costs, and reporting and auditing costs).

The model will consider the revenue and cost estimates to calculate a possible biodiversity payment offer, having regard to the aim of providing efficient participants with an appropriate rate of return on their investment.

For applicants that choose **Option B**, the possible biodiversity payment price offer will be set at the bid price. However, the competitiveness of the bid price will be tested by generating a shadow payment offer using the same pricing model that is used for **Option A**.

The biodiversity benefit score will reflect the predicted future biodiversity value of the site and its contribution to biodiversity conservation across the region. The score will be calculated based on a number of factors, including the size of the proposed planting areas, the location of the planting areas and their association with threatened species and ecosystems, the presence of mature trees that provide habitat for biodiversity within the planting area, whether the planting area is near watercourses or other water bodies, and the applicant's choice of permanence period (projects that opt for 100-year permanence periods will be given a higher score).

A benefit–cost score will be calculated for all eligible applications, using their biodiversity benefit scores (benefit) and possible biodiversity payment offers (cost). The benefit–cost scores assigned to applications will be standardised to facilitate comparisons between regions.

All eligible applications will be given a ranking within their region using their benefit-cost score (highest benefit–cost score is ranked first and so on for the region).

The application will be assessed on its merits, based on:

- the regional ranking of the project based on the benefit-cost score.
- whether it provides value with relevant money.¹

Assessment of the application will have regard:

- the overall objective/s to be achieved in providing the pilot funding
- the relative value of the price offer sought
- extent to which the geographic location of the application matches identified priorities
- the extent to which the evidence in the application demonstrates that it will contribute to meeting the outcomes/objectives.

Applicants that submit more cost-effective planting projects are more likely to succeed. This can be done through good project design (e.g. using cost-effective planting methods and locating plantings in areas that are good for biodiversity), and by submitting lower bid prices and providing lower project cost estimates.

8.2 Who will assess applications

The Minister for Agriculture will establish an assessment panel, chaired by a senior officer of the department. The panel will include 2 departmental employees, and 2 specialist advisors from

¹ 'value with relevant money' is a judgement based on the project proposal representing an efficient, effective, economical and ethical use of public resources and determined from a variety of considerations. Please see Section 11 of [Commonwealth Grants Rules and Guidelines 2017](#).

the ANU. All members of the assessment panel will be expected to perform their duties in accordance with the Commonwealth Grants Rules and Guidelines (CGRG) 2017 (section 2.9).

An independent probity advisor will support the selection advisory panel, and other experts may be invited by the chair in a non-voting capacity.

The selection advisory panel will recommend which projects should be successful to the decision maker.

8.3 Who will approve projects

The decision-maker will be the Minister for Agriculture. The decision maker decides which projects to approve based on the recommendations of the selection advisory panel.

9. Notification of application outcomes

Applicants will be advised of the outcome of their application in writing. Successful applicants will be advised of the price offer and conditions of the offer as outlined in [Section 10](#).

9.1 Feedback on your application

Unsuccessful applicants can ask for feedback within one month of being advised of the outcome. The Department of Agriculture, Water and the Environment will provide written feedback within one month of the request.

10. Successful grant applications

10.1 The grant agreement

Successful applicants will be notified and sent a legal agreement, with details of the biodiversity payment offer and contracted project activities. Each agreement has general terms and conditions that cannot be changed. A sample agreement will be made available on [GrantConnect](#) and agriculture.gov.au/carbon-biodiversity-pilot during the application period.

Upon receiving the offer, applicants will be given the opportunity to propose good faith variations to the details of the project – for example, minor modifications to the size of the planting. Any proposed modifications will be accepted or rejected at our discretion, to ensure that it does not compromise the integrity and fairness of the selection process. Where variations are made to the project, the payment offer may also change.

The agreement will contain a clause requiring the applicant to act with the utmost good faith in the performance of their obligations and in their dealings concerning the C+B Pilot.

The agreement will give the contracted party the option (but not the obligation) to undertake the project and be paid the biodiversity payment price offer. To exercise the option the contracted party will be legally required to:

- register the project under the ERF within 4 months.

Once the option is exercised the contracted party will be legally required to:

- undertake the plantings within 9 months of registering the ERF project, unless an extension is provided by us on account of drought or other factors that are beyond the control of the applicant that could adversely affect the success of the plantings (plantings must not commence until the project is registered under the ERF).

These obligations will not take effect until and unless the option is exercised. If the option is not exercised within 6 months, it will expire – the successful applicant would lose the opportunity to receive the biodiversity payment if they undertake the plantings.

10.2 How we pay the grant

Biodiversity payments under the C+B Pilot will be made over the first 3 years of the project, dependent on when the option to initiate the project is exercised. The project payment schedule for projects will be as follows and recognises that most costs associated with environmental plantings are incurred upfront.

Table 5 Project payment schedule

Payment number	Amount
Payment 1	Up to 50% of payment upon registration of the ERF project
Payment 2	Up to 25% of payment following establishment of the plantings

Payment 3	Remainder of payment within three years of the registration of the project under the ERF
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All payments will be contingent on satisfying prescribed project milestones.

Payment 1 will be contingent on the registration of the project under the ERF (with an unconditional project declaration from the CER). The project will be eligible to receive the payment immediately following registration, ensuring participants have pilot funds to assist with the costs of establishing the plantings.

Payment 2 payment will be contingent on:

- providing evidence that the plantings have been established in accordance with the project's contracted specifications and the C+B planting protocol; and
- providing itemised data to us about the cost of establishing the plantings in the accordance with the terms of the legal agreement.

The **Payment 3** will be contingent on:

- providing evidence that:
 - i) the contracted recurrent management actions have been undertaken (such as weeding and pest control); and
 - ii) the mortality rate in the plantings are within prescribed parameters and, where significant mortality events have occurred, an appropriate number of replacement plants have been planted.
- providing information on the financial performance of the project to us in the accordance with the terms of the legal agreement, including the sale price of any ACCUs and the cost of contracted recurrent management actions.

10.3 Grant payments and GST

Where applicable, payments will be GST inclusive. If you are registered for the Goods and Services Tax (GST), where applicable, we will add GST to your payment and issue you with a Recipient Created Tax Invoice.

11. Announcement of grants

If successful, your grant will be listed on the [GrantConnect](#) website 21 calendar days after the date of effect as required by section 5.3 of the CGRGs.

12. How we monitor your grant activity

12.1 Reporting

The C+B Pilot aims to provide information, knowledge and experience on how to support and monetise on-farm biodiversity stewardship. To do this, information needs to be gathered and analysed from participants on the environmental and financial performance of their projects.

Consistent with this, successful applicants that exercise the option to initiate projects will be required to submit annual C+B reports on the financial and environmental performance of projects over their first 3 years. Over the remainder of the 25-year agreement period, C+B reports will be required to be submitted when participants' report under the ERF.

The C+B reporting requirements will be streamlined to reduce transaction costs for participants. The first three C+B reports will be required to contain:

- evidence that plantings have been established in accordance with the project's contracted specifications and the C+B planting protocol (for example, prescribed tree and understory species have been planted in the appropriate places, proportions and configurations), and that contracted recurrent management actions have been undertaken
- information on the mortality rate of the plantings and the steps taken to address any significant mortality events
- itemised financial data on the project, including the costs of establishing the plantings and undertaking the contracted recurrent management actions, the sale price of ACCUs, the cost of audits, and the cost or time taken to complete reporting requirements

C+B reports submitted in later years will be similar, although they will not have to include information on the establishment of the plantings. The focus of the ongoing reporting will be on the health of the plantings and project costs

Participants will be able to use a range of data sources for reporting purposes, including ground photographs, aerial photographs, satellite imagery and invoices.

12.2 Monitoring

Environmental planting projects initiated under the C+B Pilot will be required to:

- establish long-term monitoring plots and allow designated parties to access the sites for monitoring purposes
- allow designated parties to access the broader project areas for monitoring and evaluation purposes.

Monitoring visits will occur in accordance with a rotational scheme-wide monitoring schedule that ensures a proportion of projects are inspected each year and all projects are visited every 2 to 4 years. If there is evidence of non-compliance with C+B Pilot requirements, projects may also be subject to additional spot visits.

The monitoring visits will serve 2 purposes. Firstly, they will allow the department (or our delegate) to check compliance with the pilot requirements without the need for third-party auditors. Participants will not be responsible for the cost of the visits. Secondly, they will help fill

gaps in the scientific understanding of how environmental plantings affect biodiversity and the carbon accumulation rates in different types of environmental plantings.

Participants will receive an indicative schedule of monitoring visits when they exercise the option to initiate a project. They will also be notified of any visits in writing no less than 30 days ahead of such site visits. The written notice will provide information on the nature and purpose of the visit, and the designated personnel who will be involved. They will also be given the opportunity to discuss when the visits will be conducted so they do not inconvenience you or your business.

The obligations to maintain the monitoring plots and to allow designated parties to access the project areas will cease at the end of the project term.

Audits of the ERF eligible component of projects will be conducted in accordance with [CER auditing rules](#).

The reporting and monitoring requirements of the C+B Pilot are designed to achieve a proportionate balance between the risks associated with the use or management of public resources, and the effect of these requirements on participants.

12.3 Data sharing

If you are successful and exercise the option to initiate a project, you will be required to share (on a confidential basis) data on the financial and environmental performance of your project, including expenses and revenues associated with project activities and potential sale of ACCUs. This is important because it is a pilot and information is needed to build and improve the system.

12.4 Project variations

As noted in [section 10](#), upon receiving the offer, applicants can apply to us to vary their project. Contracted parties can also apply to us to vary their project, both before and after the option to initiate a project has been exercised.

Applications for project variations will be accepted or rejected at our discretion. In making decisions on applications for variations, we will consider the nature and extent of the variation, the implications of any changes for the integrity of the application and selection process, and the obligation for pilot participants to act in good faith.

Where an application is made for a project variation that involves the reduction of a planting area (including a reduction in the area included within the boundaries of an ERF carbon estimation area), the variation will only be accepted if the applicant repays or forgoes an amount of the C+B funding, plus interest, that is proportionate to the reduction in the planting area. That is, if the planting area is reduced by 30%, 30% of the funding plus interest will need to be repaid.

Once a project is registered under the ERF, any variation in the boundaries of a project or planting area that requires a corresponding variation of the project registered under the ERF will only be considered after the variation has been accepted by the CER.

Where variations are made to the project, the biodiversity payment offer may also change. This applies equally to projects where the plantings have already been established. Participants may

be required to repay funds (plus interest) if they vary a project and it reduces the applicable payment offer.

In addition to variations in the specifics of projects, under the agreement, participants must notify us of any material changes in your organisation or its business activities that are relevant to the project. This includes any changes in your name, postal address, email, phone numbers and bank account details. Participants must also notify us of any material non-compliance with the terms and conditions of your C+B agreement or ERF requirements.

12.5 Keeping us informed

You should let us know if anything is likely to affect your project.

You must also inform us of any changes to your:

- name
- addresses
- nominated contact details
- bank account details.

If you become aware of a breach of terms and conditions under the legal agreement, you must contact us immediately.

12.6 Audit or declaration

If there is evidence of non-compliance with C+B Pilot requirements, we may ask you to provide an independently audited statement about project activities and/or the information contained in C+B reports.

12.7 Acknowledgements

If you make a public statement about your participation in the pilot, we require you to acknowledge your participation as follows:

‘This project participated in the Australian Government Agriculture Biodiversity Stewardship – Carbon + Biodiversity Pilot.’ (or another form of text agreed by us).

13. Probity

13.1 Fair process

We will make sure that the assessment and decision-making process is fair; is undertaken according to the published documentation, and incorporates appropriate safeguards against fraud, unlawful activities and other inappropriate conduct.

This pilot document may be changed occasionally by the Minister for Agriculture, which could affect future applicants. Where this happens, updated documentation will be published on our website.

We will undertake this pilot in accordance with the requirements of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), the *Public Governance, Performance and Accountability Rule 2014* (Rule) and the CGRG. If the requirements of the PGPA Act, Rule and CGRG are inconsistent with the provisions of this document, the requirements of the PGPA Act, Rule and CGRG will apply.

This document comprises the “grant opportunity guidelines” for the pilot for the purposes of the CGRG.

13.2 Conflict of interest

Any conflicts of interest could affect the performance of the pilot. There may be a conflict of interest, or perceived conflict of interest, if our staff, the ANU's staff, any member of a committee or advisor and/or you or any of your personnel:

- has a professional, commercial or personal relationship with a party who is able to influence the application selection process, such as an Australian Government officer (or member of an external panel)
- has a relationship with or interest in, an organisation, which is likely to interfere with or restrict the applicants from carrying out the proposed activities fairly and independently or
- has a relationship with, or interest in, an organisation, that which they will receive personal gain because the organisation receives a payment under the pilot.

You will be asked to declare, as part of your application, any perceived or existing conflicts of interests or that, to the best of your knowledge, there is no conflict of interest.

If you later identify an actual, potential, or perceived conflict of interest, you must inform us in writing immediately.

Conflicts of interest for Australian Government staff will be handled as set out in the Australian Public Service Code of Conduct (Section 13(7)) of the *Public Service Act 1999*. Panel members and other officials, including the decision-maker, must also declare any conflicts of interest.

13.3 Privacy

We treat your personal information according to the *Privacy Act 1988* and the Australian Privacy Principles. This includes letting you know:

- what personal information we collect
- why we collect your personal information
- who we give your personal information to.

Personal information means information or an opinion about an identified individual, or an individual who is reasonably identifiable.

Sensitive information is a subset of personal information and includes any information or opinion about an individual's racial or ethnic origin, political opinion or association, religious beliefs or affiliations, philosophical beliefs, sexual preferences or practices, trade or professional associations.

For further information see our [privacy policy](#).

13.4 Confidential information

Other than information available in the public domain, you agree not to disclose to any person, other than us, any confidential information relating to the application and/or agreement, without our prior written approval. The obligation will not be breached where you are required by law, Parliament or a stock exchange to disclose the relevant information or where the relevant information is publicly available (other than through breach of a confidentiality or non-disclosure obligation).

We may at any time, require you to arrange for you; or your employees, agents or subcontractors to give a written undertaking relating to nondisclosure of our confidential information in a form we consider acceptable.

We will keep any information in connection with the agreement confidential to the extent that it meets all of these conditions:

- you clearly identify the information as confidential and explain why we should treat it as confidential
- the information is commercially sensitive
- revealing the information would cause unreasonable harm to you or someone else.

We will not be in breach of any confidentiality agreement if the information is disclosed to:

- the selection advisory panel and other Australian Government employees and contractors to help us manage the pilot effectively
- employees and contractors of our department so we can research, assess, monitor and analyse our pilot and activities
- employees and contractors of other Australian Government agencies for any purposes, including government administration, research or service delivery
- other Australian Government, state, territory or local government agencies in pilot reports and consultations
- the Auditor-General, Ombudsman or Privacy Commissioner
- the responsible minister or parliamentary secretary

- a House or a Committee of the Australian Parliament.
- The CER to support the administration of the ERF component.
- The contract may also include any specific requirements about special categories of information collected, created or held under the agreement.

13.5 Freedom of information

All documents in the possession of the Australian Government, including those about this opportunity, are subject to the *Freedom of Information Act 1982 (FOI Act)*.

The purpose of the FOI Act is to give members of the public rights of access to information held by the Australian Government and its entities. Under the FOI Act, members of the public can seek access to documents held by the Australian Government. This right of access is limited only by the exceptions and exemptions necessary to protect essential public interests and private and business affairs of persons in respect of whom the information relates.

13.6 Enquiries and feedback

If you are dissatisfied with the way your application assessment was handled, you may provide your complaint to us. All complaints must be provided in writing.

Any questions about the decisions for this pilot should be sent to agstewardship@awe.gov.au or 1800 329 055.

Any questions on the ERF can be sent to the Clean Energy Regulator at enquiries@cleanenergyregulator.gov.au or 1300 553 542.

If you do not agree with the way we have handled your complaint, you may complain to the Commonwealth Ombudsman. The Ombudsman will not usually investigate a complaint unless the matter has first been raised directly with us.

The Commonwealth Ombudsman can be contacted on:

Phone (Toll free): 1300 362 072

Email: ombudsman@ombudsman.gov.au

Website: www.ombudsman.gov.au

14. Consultation

The Pilot was designed in collaboration with the ANU and the Department of Agriculture, Water and the Environment. The 6 eligible NRM regions were consulted and provided advice on design elements and implementation of the Pilot.

The Department of Agriculture, Water and the Environment established the Agriculture Stewardship Advisory Group (ASAG) to provide stakeholder input to the development, implementation and review of components of the Agriculture Stewardship Package, including the pilot. Members of ASAG include:

- Australian National University
- NRM Regions Australia
- National Farmers' Federation
- University of New England
- The Nature Conservancy
- National Landcare Network

15. Glossary

Term	Definition
assessment criteria	The specified principles or standards, against which applications will be judged. These criteria are also used to assess the merits of proposals and, in the case of a competitive grant opportunity, to determine application rankings.
Australian Carbon Credit Union (ACCU)	A tradable financial product that represents one tonne of carbon dioxide equivalent abated. ACCUs are issued and regulated by the Clean Energy Regulator.
benefit-cost score	The score used to rank projects, considering their overall benefits against their projected costs. Projects will be ranked (highest to lowest) based on a benefit-cost score against other applications in their region.
bid price	The price that applicants are willing to be paid for a Carbon + Biodiversity Pilot project.
biodiversity benefit score	A score assigned to each application and used as part of the project assessment process. All applications will be assigned with a biodiversity benefit score.
biodiversity payment offer	The payment offered to applicants once they submit a project proposal and are deemed eligible. The biodiversity payment offer is based on the estimated cost of a projects and the revenues the project could generate from carbon credits.
biodiversity services	The biodiversity improvements provided by farmers who undertake the management actions specified in the Pilot.
carbon sequestration	The process of removing carbon dioxide from the atmosphere and storing it, often in trees, soil, vegetation etc.
Clean Energy Regulator (CER)	The Clean Energy Regulator administers schemes legislated by the Australian Government for measuring, managing, reducing or offsetting Australia's carbon emissions.
<i>Commonwealth Grants Rules and Guidelines (CGRGs)</i>	Establish the overarching Commonwealth grants policy framework and articulate the expectations for all non-corporate Commonwealth entities in relation to grants administration. Under this overarching framework, non-corporate Commonwealth entities undertake grants administration based on the mandatory requirements and key principles of grants administration.
credited carbon stocks	The amount of carbon stocks assigned to a project once it is registered under the ERF
decision maker	The person who makes a decision to award a grant
eligibility criteria	Refer to the mandatory criteria which must be met to qualify for a grant. Assessment criteria may apply in addition to eligibility criteria.
Emission Reduction Fund (ERF)	A voluntary scheme that aims to provide incentives for a range of organisations and individuals to adopt new practices and technologies to reduce their emissions.

environmental plantings	A method under the Emissions Reduction Fund which involves establishing and maintaining vegetation such as trees or shrubs on land that has been clear of forest for at least five years.
grant	for the purposes of the CGRGs, a 'grant' is an arrangement for the provision of financial assistance by the Commonwealth or on behalf of the Commonwealth: a. under which relevant money ⁶ or other Consolidated Revenue Fund (CRF) money ⁷ is to be paid to a grantee other than the Commonwealth; and b. which is intended to help address one or more of the Australian Government's policy outcomes while assisting the grantee achieve its objectives.
grant opportunity	refers to the specific grant round or process where a Commonwealth grant is made available to potential grantees. Grant opportunities may be open or targeted and will reflect the relevant grant selection process.
grantee	the individual/organisation which has been selected to receive a grant
market mechanism	A self-sustaining system where biodiversity improvements are valued and exchanged with limited government intervention.
market access	The ability to sell domestic products into new and existing markets. Includes both domestic and international market access.
native vegetation	Native vegetation is all indigenous terrestrial or aquatic plants in an area, incorporating all living and non-living components. This includes Australia's diverse natural vegetation and permanent native plantings for biodiversity and sustainable land management purposes.
Natural Resource Management (NRM) region	A geographic region of Australia overseen by a Natural Resource Management group. There are 56 regions in Australia.
permanence period	The period over which participants are required to protect and maintain the credited carbon stocks. Participants must choose between a 25-year or 100-year permanence period. The period starts when the first ACCUs are issued to the project.
planting protocol	A document outlining the approved species that can be planted in each Carbon + Biodiversity Pilot region.
price guide	A document that provides indicative estimates of the average costs associated with establishing environmental planting projects under the Carbon + Biodiversity Pilot. Each NRM region has its own price guide.
project	Is a set of activities that meet the eligibility requirements for registration of an environmental planting carbon project with the Clean Energy Regulator and meet the requirements of the C+B Pilot Planting protocols.

<p>selection process</p>	<p>The method used to select potential grantees. This process may involve comparative assessment of applications or the assessment of applications against the eligibility criteria and/or the assessment criteria.</p>
<p>value with money</p>	<p>value with money in this document refers to 'value with relevant money' which is a judgement based on the grant proposal representing an efficient, effective, economical and ethical use of public resources and determined from a variety of considerations.</p> <p>When administering a grant opportunity, an official should consider the relevant financial and non-financial costs and benefits of each proposal including, but not limited to:</p> <ul style="list-style-type: none"> • the quality of the project proposal and activities; • fitness for purpose of the proposal in contributing to government objectives; • that the absence of a grant is likely to prevent the grantee and government's outcomes being achieved; and • the potential grantee's relevant experience and performance history.
<p>verification</p>	<p>Refers to the process of ensuring that the emission reductions and/or co-benefits delivered by project are genuine and are as reported by the proponent in the project monitoring reports.</p>