

REEF CREDIT GUIDE – Consultation Feedback 2019

Comments received during the 12 November 2018 – 12 December 2018 Public Consultation on the draft Reef Credit Guide V1.0; Responses 8 March 2019

| # | SECTION | COMMENT | TYPE OF FEEDBACK | RESPONSE |
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| 1. | Acknowledgements | Page 1. Suggest re-wording: 'The Reef Credit Scheme was launched by the Queensland State Government in October 2017, as part of two reef water quality projects, the Wet Tropics and Dry Tropics Major Integrated Projects...' to The Queensland Government launched the Reef Credit Scheme in October 2017, as part of two reef water quality projects, the Wet Tropics and Burdekin Major Integrated Projects... | Suggested update | Updated as suggested. |
| 2. | Rationale for the Reef Credit Scheme | pg 3 Specify that the water quality targets are relative to a 2013 baseline and the targets are to be achieved by 2025. Targets are meaningless without this context. | Suggested update | No update as the targets are subject to change. The reference to WQI targets has been further clarified in Schedule 2. |
| 3. | | Regarding the potential to stack Reef Credits with other environmental credits (e.g carbon, biodiversity etc), there will need to be clarity over additionality and baselines (regulatory and voluntary) at the project site. For LRF projects, carbon credits will be governed by the Federal CFI Act 2011 which does not permit carbon credits to be generated on a site that is already being used for compliance biodiversity/water quality/other environmental credits. Where similar activities are used to generate multiple forms of credit (e.g gully restoration may deliver water quality, carbon and biodiversity benefits) it will be especially important to clarify additionality. I don't think there's necessarily anything in the Standard that needs to be tweaked to reflect this issue at this stage, but it could be worth exploring some hypothetical case studies to illustrate how a project might appropriately deliver multiple forms of environmental credit - either for inclusion in the Guide or other communication material. It will get messier if Reef Credits are used for compliance purposes. | Suggested update or suggestion for communication plan | Credit stacking is a core principle. The Standard is written to provide the flexibility to participate in other programs if this is allowed under state and federal law. The project proponent is required to comply with the law and the verifier's role is to ensure that this is the case. The additionality requirement is sufficient to exclude projects that would otherwise be required by law and it also requires that the calculation of the baseline take into account pollution reductions already accounted for in other programs. We will include examples in future as required. The purpose of the Secretariat is not to be prescriptive of all projects but to set the rules project proponents need to comply with. |
| 4. | Governance | Pg 5: For clarity, suggest advising the instrument under which the company will be established e.g. Associations Incorporation Act 1981. | Suggested update | Updated page 5 governance section to refer to the legislation under which the company will be established as the Corporations Act 2001 (Cth) as the company will be limited by guarantee. |

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| 5. | | Suggest the Guide should clarify somewhere the role of the Board in overseeing the Secretariat and in particular, their role in reviewing updated versions of the standard and other Reef Credit documentation. This clarity could be provided under Governance, Reef Credit documentation or version development and implementation. | Suggested update | Updated governance section in Standard and Guide as follows: "The role of the Board is to provide strategic, risk and compliance, and financial oversight to the Reef Credit Scheme, manage the development and ongoing maintenance of the Reef Credit Standard, and provide supervision of the Secretariat." |
| 6. | Scope and Application | Note the current Voluntary Water Quality Offsets Policy doesn't clearly allow Reef Credits to be used to meet water quality offset requirements. However, an updated policy is being developed to clearly support this, which is likely to be released in the first quarter of 2019. | General comment | Noted. We look forward to the development and release of this policy. |
| 7. | | Reef credit base unit and conversion factors (pg 6). It is unclear whether the focus is on DIN or nutrients in general. | Suggested update | DIN is the base unit but a Reef Credit is not limited to it. All pollutants which have a target in the WQI plan are eligible for crediting. Definitions have been updated so that "pollutants" are now defined as "those substances with a target under the WQI plan". |
| 8. | Version Development and Interpretation | It is noted the Guide (in operation for 12 months) will be further reviewed and updated by the Interim Steering Committee. I would have thought this would be a role for the Secretariat, similar to the Standard? | Question | Updated paragraph 3 under 'version development and interpretation' to replace 'interim Steering Committee' with 'Secretariat' |
| 9. | Reef Credit Principles | Reef credit principles (pg 8): 1) Real. States the removals/reductions must be measured. This could be very costly. Can some outcomes be modelled if there is existing information available? 2) Additional. What is a business as usual scenario? Would be good to define or provide more information on what would constitute above business as usual, e.g. should be above industry standard or regulations? | Question | 1) Updated description of principles on page 8 to "Real - All Reef Credits must be the result of an eligible project action that yields quantifiable and verifiable pollution reductions or removals". The methodology describes the way pollution reductions or removals are accounted for and the Standard determines the parameters of the methodologies. Measurement of the outcome for which the Reef Credit is issued is subject to the accounting requirements of the methodology. An important consideration in methodology design is accuracy, repeatability, and cost. 2) Business as usual definition is updated to "Business as usual means water pollutant reductions that would have occurred without the Reef Credit Project". |

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| 10. | Reef Credit Principles | It is not clear what the term “business as usual” means. I assume it is regulated minimum standards. Who makes the decision as business as usual? Permanent – what happens (payment, project continuance etc) in the case of loss due to an extreme weather event? This point is also raised below in the Standard. | | Refer to business as usual definition. Business as usual definition is updated to "Business as usual means water pollutant reductions that would have occurred without the Reef Credit Project". Business as usual is determined by the Standard. Refer to the Standard for the approach to permanence and additionality. Headers of what is included in the Standard are now included on page 11 of the Guide for further clarity. |
| 11. | Reef Credit Scheme Participants | What does an aggregator look like? How can a proponent be an aggregator? | Question | Reference to ' aggregator' is deleted from page 9 table under heading 'project proponents', and simplified to refer to 'project proponent' as defined in the Standard. Aggregation is a tool that may be utilised by proponents. |
| 12. | Overview of the Reef Credit Process | Is it an ongoing process? Can a project proponent apply at any time or will there be a call for projects? | Question | Project proponents can apply to do projects at any time. |
| 13. | Any other comments | Suggest the Guide could more clearly outline that the beta phase in 2019 is a trial of the system and explain briefly how information from the trial will inform the review of the standard. It would also be useful to provide some indication in the Guide about how long projects that commence in the beta phase will last for. Suggest more discussion is needed about how Qld Government could support projects when we only have guaranteed funding until June 2020. | Suggested update | No description is included, one will be included on the website or FAQ. The current phase is not a trial but there are capacity constraints (for example, the Registry will not be online, and there are constraints on the scale of participation). Refer to the Standard. Projects under this phase will run for no longer or shorter than under any other phase. We would be happy to talk to the Queensland Government about how to continue to support the Reef Credit Scheme. |
| 14. | Any other comments | I couldn't find any information on how landholders will be attracted into the program or about the risks of inadequate participation levels. There is a lot of information available about best practice for incentive program design that could help increase the supply of landholders (and thus credits) to the scheme. If there are inadequate participants, the market won't function, or won't realise its cost-saving potential. Information on participant experiences could be gathered through the pilots (though information from other landholders would be helpful too). | General comment - note future success factors | This was a consideration in the design phase. We are aware of these risks and have fully considered them in the design of the Scheme. |

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| 15. | Any other comments | There is a lot of information and new processes etc that people working in the reef space would be unfamiliar with. Therefore I suggest a short summary of the process/steps involved. A brief case study example would also be helpful. | Suggested update or suggestion for communication plan | Noted. The communication strategy identifies a range of collateral that will be provided. |
| 16. | Any other comments | Training will be required for extension officers, NRM staff etc on their role and how to apply or help producers to apply for reef credits. | General comment | Noted. |
| 17. | Any other comments | As an overarching comment there would be benefit to a clearer representation of scheme elements and their interaction. In particular flow charts identifying the different steps and time periods would help to interpret the operation of the scheme. | General comment | Noted. |
| 18. | Any other comments | The use of the Reef Credits Scheme within an offsetting framework is not entirely clear from an operational perspective. For example, a Reef Credit purchased as an offset will deliver at best a smaller reduction in overall pollutants than a Reef Credit purchased and retired. Clarity around the distinction between Reef Credits purchased to meet water quality offset requirements and outright retirements would be beneficial. Note also that there are likely to be additional benefits to reef health beyond the WQIP targets and thus from issuing Reef Credits beyond these targets, albeit this is a distant proposition. | General comment | Irrespective of the purpose for which the Reef Credit is purchased or the use to which it is put (whether for voluntary or compliance purposes), the Standard requires that it is retired. It is not the responsibility of the Reef Credit Scheme to differentiate the purpose for which Reef Credits are being purchased. |
| 19. | | As Reef Credits are issued relating to a forward contract period instances may arise where landholders are effectively paid to meet regulatory requirements. Greater clarity on the risk of this occurring or the process in place to avoid this from occurring is desirable from a public perception and probity perspective. In the event this situation occurs, our recommendation is that proponents should no longer be paid for an emission reduction which is expected through regulation. The corollary in this situation where Reef Credits are providing an offset to increase pollutant export elsewhere is a requirement that future Credits not yet received (or paid for?) are annulled and must be sought from alternate providers. | General comment | To clarify, Reef Credits are issued based on verified pollutant reduction or removal during an agreed 'crediting period'. The Standard has a rule which requires that project proponents show that the reductions or removals are not required to be carried out under a law of the Commonwealth or Queensland (refer to 3.2.8.2). This instance cannot arise. |
| 20. | Any other comments | We assume that Reef Credits are individually saleable though this is not clearly indicated in the Guide or Standard. | General comment | Buyers can purchase one or more Reef Credits. Refer to 3.8. There is no constraint on volume that can be bought or sold. |

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| 21. | Any other comments | Issuing price guidance may prove a useful (and non-binding) step in encouraging market entry by both buyers and sellers. Alternatively auctions or tenders could be utilized to establish a price range to encourage market entry where required or to support the initial trades in target areas with few trades. In a related point it is unclear to what extent the Reef Credit Secretariat will also provide a credit market place. For example, will the Reef Credits be advertised with the price a seller is willing to accept for the credit? Similarly, we suggest making clear whether price discovery will be supported by buyers and sellers being able to see prices received by others in historical reef Credit transactions (excepting where there may be necessary commercial-in-confidence elements). | General comment | This has been considered and in the beta phase it is envisaged that the market will be 'over the counter' only and we don't anticipate an issue with price discovery between buyers and sellers. Reef Credits will not be advertised with a price and the Secretariat will not provide a marketplace. Price discovery will not be supported by the Secretariat. The Standard doesn't preclude marketplace participants from disclosing pricing. If project proponents consider it a good strategy they may choose to publish such information. |
| 22. | Any other comments | Recognizing the importance financially supporting the Reef Credits Secretariat, we do have concerns about the transaction costs imposed by Credit Registration Fees and the costs of independent verification. The impact of transaction costs on market entry and trades is a well-known impediment to the emergence of environmental credit markets. We also note that the requirement that "All verification costs shall be borne by the Project Proponent" could provide an incentive to minimize the verification requirement for a site, which in turn requires that the "Methods" are explicit about monitoring requirements for the wide range of site conditions. We note that this could be challenging to achieve in the case of gully restoration method given the breadth of site conditions in terms of scale, environmental conditions and restoration methods. An alternative would be for verification to be funded by the Secretariat from a levy on Projects. In a similar vein we emphasize the importance of minimising the transaction costs imposed by the safeguards and process for monitoring and verification (Standard section 3) through the provision of standardised guidance/pro-forma that cover what information needs to be collected, when and how for adequate monitoring of credit sites and activities. | General comment | The fee structure model adopted is industry best practice, it is the mechanism used under other standards such as the Verified Carbon Standard. We acknowledge the costs pointed out and note there are also a range of costs associated with running other programs. These costs already exist but are not currently externalised. The Scheme will make these costs clear, and by making them transparent, can assist in driving them down. |