Chapter B15 - STANDARD FOR VALUATION OF CARBON

Standard for Valuation of Carbon

Purpose

The purpose of this standard is to estimate the market value of the carbon trading opportunity associated with the future carbon sequestration by a tree crop. Australia operates under a baseline and credit carbon trading system. The focus of this standard is on land-based vegetation carbon abatement projects created under this system and governed by the *Carbon Credits (Carbon Farming Initiative) Act 2011* which is currently integrated with the Australian Carbon Credit Units (ACCU) Scheme. Relevant carbon method determinations under the Act set out the rules for earning ACCUs. The system is administered by the Clean Energy Regulator (CER).

In addition to the ACCU Scheme there are also a number of international carbon farming methodologies and carbon credits, such as Verified Carbon Units (VCU) via the Verified Carbon Standard (VCS) Program which involve Australian forests.

These standards concentrate on the ACCU Scheme and seeks to ensure that there is consistency in the valuation of carbon, tree crop (current and future) and land.

STANDARD B15.1
Definition

This Standard is concerned with the value of the carbon trading opportunity associated with the future carbon sequestration by a tree crop as per the relevant vegetation carbon method determinations under the ACCU Scheme.

The valuation report should clearly state what is being valued (and what is not being valued).

Note an issued ACCU is a regulated tradeable financial instrument under the *Corporations Act (2001)* and financial advice relating to financial products requires an Australian Financial Services Licence (AFSL).

On this basis, a forest valuation does not extend to valuing ACCUs issued by the CER prior to the date of the valuation. However it may reference credited and issued ACCUs in its reconciliations, and any associated obligations that may impact land or tree value.

STANDARD B15.2
Separation of carbon value

After project registration with the CER is confirmed and the initial audit passed, the value of the carbon trading opportunity should be reported separately from the value of the tree crop (where harvesting is permitted under the method determination), and the value of land.

To avoid double counting, care needs to be taken in valuing the carbon trading opportunity in respect to the timing processes leading to the crediting and issuance of an ACCU.

In limited circumstances, a valuer may opine on a registered project which hasn't undergone the initial audit. In this situation the valuer needs to have a basis to consider satisfying the audit requirements.

STANDARD B15.3
Method of valuation

In estimating the value of carbon (i.e. the value of the carbon trading opportunity associated with the future carbon sequestration by a tree crop) the valuer shall document the relevant vegetation carbon method determination and associated schedules (where applicable) used.

STANDARD B15.4
Consistency

The valuation report shall document:

- **the scope for the valuation with respect to each component of forest value (e.g. land, tree crop, carbon);**
- **how consistency has been achieved in the valuation of the different components;**
- **that the components are 'additive' (i.e. no double counting or leaving out components); and**
- **the existence of trade-offs between the different components of the valuation).**

STANDARD B15.5
Reality checks

The valuation report shall document reality checks of the component values and overall forest value.

STANDARD B15.6
Carbon stocks

The valuation report shall describe:

- **the registration status of the carbon sequestration opportunity with the CER;**
- **the age of the tree crop(s) at the date of valuation;**
- **the area of each Carbon Estimation Area (CEA) which may be aggregated to a project level;**
- **the vegetation carbon method determination chosen for each CEA or project (e.g.**
  - **Carbon Credits (Carbon Farming Initiative—Plantation Forestry) Methodology Determination 2022, including applicable schedules.**
  - **Carbon Credits (Carbon Farming Initiative—Reforestation and Afforestation 2.0) Methodology Determination 2015.**
  - **Carbon Credits (Carbon Farming Initiative) (Reforestation by Environmental or Mallee Plantings - FullCAM) Methodology Determination 2024.**
- **Full Carbon Accounting Model (FullCAM) version (or other empirical models used where permitted);**
- **what checks have been made to ensure that the FullCAM or other model carbon sequestration estimates are consistent with CER guidelines;**
- **the assumed permanence obligations; and**
- **the estimates of future sequestration estimates by age (or year) reconciled against ACCUs credited and issued.**

STANDARD B15.7
Carbon trading strategy

The valuation report shall describe:

- **the frequency of carbon returns (offset reports) assumed;**
- **outline the form of any carbon project agreement;**
- **any commitments to the sale of ACCUs in respect to price, volume and delivery requirements; and**
- **the status and details of ACCUs credited, issued and sold.**

STANDARD B15.8
Carbon price

The valuation report shall describe:

- **the carbon price used including:**
  - **units**
  - **currency**
  - **exchange rate used to convert (if applicable)**
  - **allowance for trading costs (commission)**
  - **whether future prices are real or nominal**
  - **the method used to estimate carbon price;**
- **any market information used in support of prices:**
  - **sources of data**
  - **relevance of data**
  - **reliability of data**
  - **price volatility;**
- **assumed future real price changes (including zero change); and**
- **the results of any analysis completed to form an opinion on carbon prices.**

STANDARD B15.9
Costs

The valuation report shall:

- **declare all costs associated with the carbon trading opportunity including registration, measurement, audit, filing emissions returns, annual fees, commissions as well as relevant carbon-specific overhead and administration costs.**
- **in the case of permanent (non-harvest) carbon forests, declare all costs associated with establishing, managing and maintaining the trees including overhead and administration costs associated with growing the trees. Net revenues from management actions (e.g. ecological thinnings) should also be declared (if applicable).**

STANDARD B15.10 **Land rental**	**Where market information is available, the carbon trading opportunity should carry land rental on the component of land value that exceeds the forestry-only component of land value borne by the tree crop. Where market information is unavailable, the absence of any adjustment to the land rental carried by the tree crop should be qualitatively disclosed.**
STANDARD B15.11 **Discount rate**	**The valuation report shall adhere to Standard B10.**
STANDARD B15.12 **Uncertainty**	**The valuation report shall adhere to Standard B9.**