

Pig Poo Power...

12 months has passed since the launch of the **Carbon Farming Initiative** (CFI) in Australia. And for the majority of people it's business as usual. For a small number of businesses, it marks the end of year one of their CFI project and the money is in the bank.

Let's take a look at one of Australia's first businesses to receive money from the sale of CFI carbon credits and analyse whether it was a worthwhile project.

A search of the Register of Offsets Projects at the cleanenergyregulator.gov.au website reveals 8,169 credits were issued to a piggery business that undertook an "Emissions Avoidance: Destruction of methane generated from manure in piggeries" project. Multiplying these credits by \$23 per credit puts approximately \$188,000 in their bank. A nice economic return for their business, as well as removing 8,169 tonnes of greenhouse gasses from the environment.

However, was the attraction of carbon credits the main reason for undertaking the project?

The underlying business case for installing the bio gas generators was to convert the methane emitted from pig manure, into electricity. The project was reported to cost \$1 million dollars to install, however turned the company's \$15,000 per month electricity bill into a \$5,000 monthly income stream from electricity generation.



This equates to an **annual return of \$240,000, and on a \$1,000,000 investment**, has an excellent payback period of just over 4 years, and just over 2 years if you take into account the income from carbon credits.

For those who have been following the carbon pricing market, changing from a fixed rate of \$23 per tonne, to a flexible world market rate (currently \$6 per tonne), would see revenue from the sale of carbon credits fall significantly. However, as already

mentioned, even without the carbon credits the cost benefit analysis for this project stacks up.

So, is it too late for your business to get involved?

Undertaking a CFI project should be treated like any other significant decision your business makes. Firstly, undertake some research. In this case, go to the website www.climatechange.gov.au and click on the Carbon Farming Initiative link. Review the eligible activities and if you believe you are eligible, then review the approved methodologies. The methodologies are the rulebooks that set out what you have to do if you undertake a project to ensure you receive your credits.

Secondly, and most importantly, if it looks like you might be eligible to undertake a project, prepare a cost benefit analysis to see if the numbers stack up for your business.

So before you dismiss the CFI, or put it in the too hard basket, ask yourself whether this could be the income generation and cost reduction strategy you have been looking for to keep your business viable.

If you would like to discuss CFI and what it means for your business, please contact Paul Goonan from Johnsons MME on (02) 6023 9100 or email paul.goonan@johnsonsmme.com.au

September 2013