



Carbon Project Agreement offering

A guide to our carbon sequestration
and credit opportunity for
Tasmanian landholders

Midway

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Midway

Midway is a leading Australian forestry company with a head office in Geelong Victoria, founded in 1980.

Midway has business units across Australia and is involved in all aspects of forestry, with a lead focus of woodfibre processing and exporting.

The development of the greenhouse gas emission abatement market in Australia has created new revenue opportunities for independent private property landowners, investors and forestry contractors.

Midway has developed the **Carbon Project Agreement** offer for landholders to encourage the development of more plantation forestry across Australia, and to contribute to the reduction of greenhouse gas levels in the atmosphere.

Midway
Tasmania

Midway Tasmania is a wholly owned subsidiary of Midway.

Midway Tasmania started operations in 2018, operating in hardwood and softwood plantation and native hardwood thinning operations across Tasmania, and processing woodfibre for export from Bell Bay.

Midway Tasmania undertakes planning, harvesting, wood processing, marketing, reforestation, and carbon project management services for Tasmanian landholders.

Objective

To encourage the development of plantation forestry and expedite sequestration of atmospheric carbon, Midway Tasmania has developed a commercial offering for Landholders who are keen to support commercial forest production and participate in Australia's expanding carbon reduction market through the generation of carbon offsets.

Contracting with Landholders

Midway's Carbon Project Agreement offering is summarised below.

1. Assess	Midway's wholly owned subsidiary, Australian Carbon Projects Pty Ltd (ACP) conducts preliminary assessment on the eligibility of land nominated by the Landholder for a Midway Carbon Project.
2. Register	Subject to eligibility, ACP contracts with the Landholder and registers the plantation forestry project with the Emission Reduction Fund (ERF) administered by the Commonwealth Government's Clean Energy Regulator (CER), for a period of 25 years.
3. Plan	Midway Tasmania develops the Forestry Management Plan (FMP) in conjunction with the Landholder for the life of the project. The Landholder and Midway Tasmania will formally meet, at least annually, to review and update the FMP, in accordance with the requirements of the ERF Plantation Management project obligations.
4. Establish	The Landholder pays Midway Tasmania for the establishment and ongoing maintenance of the plantation, including management fees for the first three years of the project.
5. Allocate	As Australian Carbon Credit Units (ACCUs) are issued for the project by the ERF, ACP will receive and allocate the ACCUs on a 50:50 basis (subject to negotiation) between the Landholder and ACP. The rate of ACCU issuance from ERF depends on the type of project undertaken, e.g. Schedule 1 (Establishing a new plantation), Schedule 2 (Converting an existing plantation from a short to a long rotation), or Schedule 3 (Continuing plantation forestry activities).
6. Select	The Landholder can either elect for their ACCUs to be priced at the prevailing spot market on the day the ACCUs are issued or held in ACP's account and priced on a date nominated by the Landholder, or the Landholder can establish their own Australian National Registry of Emission Units (ANREU) account and nominate for their share of ACCUs to be transferred into that account. ACP can establish the ANREU account for the Landholder if this last option is nominated.
7. Conclude	If at the end of the project, ACCUs still remain in the ACP ANREU account that are contractually owned by the Landholder, ACP will transfer those ACCUs to the Landholder at the prevailing spot price at that time.

Key requirements for eligible participants

- A minimum of 20 hectares of suitable land for plantation forestry in Tasmania.
- Completion of proof of beneficial ownership of land and contracted counterparty by ACP.
- Successful feasibility assessment against an ERF plantation methodology conducted by ACP.
- Execution of the Carbon Project Agreement between ACP and the Landholder.
- Registration of the project with the ERF by ACP.
- Registration of a forestry right over the intended plantation area by ACP.

Contact

Michael Schofield – Resource Manager and Sustainability, Midway Tasmania
M 0409 711 640 E mschofield@midwaytasmania.com.au

Common questions

Who pays for the project registration with the ERF?

Midway's subsidiary, ACP, will pay for the registration of the project, if determined feasible by ACP, and accepted for registration by the ERF.

What are the Management fees for the project?

Subject to total area committed, Midway Tasmania will charge \$250/ha in Year 1, \$125/ha in Year 2 and \$75/ha in Year 3 for managing the establishment of the plantation. These are the critical establishment years for the plantation and the period over which additional oversight is required to ensure success.

What is the split of ACCUs?

ACP and the Landholder will share the generated ACCUs on a 50:50 basis.

Midway Tasmania recognises economies of scale and varying site productivity, and can negotiate with landowners on management fee and ACCU split.

When do ACCUs get paid?

ACCUs are issued by the ERF. Issuance occurs annually once proof of product is achieved and varies depending on the type of project and species involved. Schedule 1 ACCUs are issued until the total number of credits dispensed equals the project's long-term average carbon stock. This might take 8 years for a short rotation crop, or it might take 18 years for a long rotation species. Schedules 2, 3 and 4 issue ACCUs in equal apportionments over the first 15 years of the project's crediting period. To be eligible under the ERF rules, a carbon sequestration project must have a minimum life of 25 years.

How do I price the ACCUs?

As project owner, ACP will receive all ACCUs and then either pay the Landholder their share of ACCUs as issued (spot price), or after issuance when the Landholder nominates, or the Landholder can establish an ANREU account and nominate for ACP to transfer ACCUs to that account. In that instance, the Landholder is responsible for selling ACCUs at their choosing.

What audit obligations does the ERF have over the life of the project?

The ERF rules require an independent audit to be conducted in the first 5 years after establishment, and then at least two more times over the life of the project. Audit fees will be split equally between ACP and the Landholder.

Do I need to insure the plantation?

No. Insurance is very difficult to acquire and is generally considered prohibitively expensive. Insurers have limited expertise and exposure to forestry, and the insurer is likely to change hands over the lifetime of the rotation which potentially further complicates matters.

What happens in the event of a fire?

ACP, as project owner will advise the ERF. Depending on the severity the area impacted will either be removed from the project, and the amount of ACCUs issued reduced or paid back, or the area will be replanted, and the project recommence without new ACCUs being reissued for the area damaged.

Common questions continued

What role will Midway Tasmania play as Manager of the plantation?

Midway Tasmania will develop the forestry management plan and the carbon permanence plan, contract all service providers including establishment, ongoing fire management, weeds and vermin control, track and report all activity for the ERF, coordinate the project audits and liaise regularly with the Landholder. Midway Tasmania will establish and manage the trees.

What are the estimated establishment costs for the plantation?

Establishment costs are significant: depending on topography, site status (fallow coupes can be weedy or firebreaks may need additional work or drainage) and species planted, estimated establishment costs will range from \$1,800 – \$2,250/ha.

What are the estimated ongoing costs for the plantation?

There are key points in the early stages of the project that incur costs. Initial plantation establishment is a substantial, upfront cost. A survival count in year one is key to determining 'proof of product', followed by a 'free to grow' assessment at the three-five year mark. At 'free to grow', the trees should be upright and healthy, weeds under control, and firebreaks, fences, and access to water points (dams) all in place. Beyond five years, management costs are minimal. There may be adhoc expenses associated with impacts, for example ring-barking or browsing of *Pinus radiata* trees, or insect defoliation of *Eucalyptus nitens*, but otherwise costs are minimal.

Can I sell my land once the plantation is established?

Yes, but only after the express written approval of ACP and the recognition of the new owner of the ongoing obligation to maintain the plantation for the life of the project.

Why does ACP establish a forestry right over my title?

As a form of security over the life of the project, ACP will establish a right to the carbon sequestered by the project. This protects ACP from any event that would otherwise block ACP's ability to claim the emission reduction benefit which is equivalent to the ACCUs issued by the successful completion of the project.

Does ACP or any Midway entity have a right to the timber produced?

No. Midway Tasmania has the first right to acquire the products of the plantation if the Landholder agrees to commercial terms.

How are the number of ACCUs generated by the project determined?

The ERF provides a model – FullCAM – that determine the ACCUs per hectare generated by species and location.

Are there risks?

Yes. The risks to achieving a successful outcome include:

- proving the eligibility of the project, including gaining consents from third parties e.g. water consents and/or bank consents for mortgage holders;

- passage of the application to registration with the CER's Emission Reduction Fund;
- additional costs associated with establishment that result from weather events and/or management actions;
- fire and other weather events reducing the productive area of the registered project; and
- market access and value of the harvested wood products and potential Government changes to the carbon market.

This is not an exhaustive list, but identifies key considerations that potential counterparties should consider.

How to mitigate these risks

Midway is a well-established forest company founded in 1980 with an unmatched history of competency in forestry business in Australia.

Midway has a long history of establishing and managing trees on freehold and importantly on independent private property. Midway has invested in staff resourcing to complete due diligence, mapping, and administration of the projects to successfully get them registered and manage audits and reporting for the life of the project.

Fire, weather events and management are clear risks to the project. ACP as the project proponent and interest holder in a split of the ACCUs also carries these and other risks. ACP and its contractors will mitigate these risks via applying best practice forest management and oversight of the project.

Midway are well established commercial participants in local and export markets for wood products with a long history of harvesting, reforestation, wood processing and marketing of wood. As a partner in the project, Midway and all its subsidiaries are highly aligned with the Landholder to achieve the targeted outcomes: carbon sequestration, high quality timber and high yielding plantations.

What happens to the land and trees?

The Landholder has 100% ownership of the land and trees throughout the project. Throughout and at the completion of the project – 25 years – the Landholder retains title to, and control of, the land. Midway has no stake in your land or the trees.

More questions?

ACP and Midway Tasmania are happy to answer them.

Silviculture, the art and science of tree growing, and management is well established, however being paid for carbon sequestration is a new concept and the eligibility, registration, and management of the project requires discipline and good communication between all parties involved.

Midway Tasmania has a good track record in carbon sequestration projects over the last 3 years and Midway Tasmania together with Midway Limited are structuring and resourcing carbon projects to ensure they deliver value for all participants.