

LEGISLATIVE STATEMENT - Second Reading for the Climate Change Response (Extension of Penalty Transition for Forestry Activities with Low Volume Emissions Liabilities) Amendment Bill

Presented to the House of Representatives in accordance with Standing Order 272.

The Climate Change Response (Extension of Penalty Transition for Forestry Activities with Low Volume Emissions Liabilities) Amendment Bill (**the Bill**) extends the transitional arrangement set out in clause 17 of Schedule 1AA of the Climate Change Response Act 2002 (**the Act**) to cover unit liabilities arising from forestry activities carried out prior to 1 January 2025 with an average net quantum of less than 25,000 units per year (**small forestry participants**).

In doing so, the Bill helps to mitigate the risk of serious financial hardship to small forestry participants who fail to surrender or repay units by the due date posed by the **‘three to one penalty’**, which:

- was introduced by the Climate Change Response (Emissions Trading Reform) Amendment Bill to strengthen the compliance and penalty regime;
- is set at three times the price of carbon (as set in regulations) with no discretion to be reduced or waived by the regulator;
- replaced the former discretionary penalty (the **‘excess emissions penalty’**): set at \$30 per unit that the person has failed to surrender or repay by the due date, with a discretion to reduce the penalty by up to 100% in certain circumstances¹; and
- has been identified as being disproportionate to small forestry participants due to the size of the penalty compared to their cashflow, meaning their personal assets (such as their farm or home) could be at risk if they were to incur the ‘three to one’ penalty and be unable to pay by the due date. This risk persists and may be exacerbated by the rising price of carbon.

The Bill helps to mitigate the risk of serious financial hardship small forestry participants by:

- retaining the previous excess emissions penalty for small forestry participants until 31 December 2024 until a revised penalty that is proportionate to these participants is developed and finalised; and
- ensuring there will be sufficient time for small forestry participants to be educated on what a revised penalty will mean in practice before it takes effect from 1 January 2025.

A revised penalty for small forestry participants is intended to be progressed via separate legislation.

¹ Additional penalties may apply where a person fails to pay the units again following a penalty notice, and/or if they are convicted of a knowing/evasion offence in relation to their unpaid units.