

2023 Value in Vines Conference

Australian Carbon Landscape (“101”)

Ben Cameron

Net Zero



Target: Greenhouse Gas Emissions (GHG) to reach Net Zero by 2050



By 2030 need to reach emission levels of 43% below 2005 levels.



Developing 6 * Sectoral Plans:

- Electricity & energy
- Industry
- Resources
- The built environment
- Agriculture & land
- Transport

History of the Carbon Market

- The Australian Carbon Market was established with the introduction of the **Carbon Credits (Carbon Farming Initiative) Act 2011** (CFI Act 2011). As part of Australia's commitment to addressing climate change, this voluntary carbon offsets scheme provides financial incentives for landholders to alter management strategies to store carbon or reduce greenhouse gas emissions (GHG).
- The CFI Act was amended to include the **Emission Reduction Fund** (ERF) and the **Safeguard Mechanism** (CFI Act Amended 2014).

Emissions Reduction Fund (ERF)



- Australia's carbon credit scheme, the ERF, offers landholders, communities & businesses the opportunity to run projects in Australia that avoid the release of GHG or remove and sequester carbon from the atmosphere.
- *Why did I get interested?*

Avoiding GHG or Remove & Sequestor Carbon by:



This can be through projects involving:

- new technology
- upgrading equipment
- changing land or business practices to improve productivity or energy use
- changing the way vegetation is managed to store more carbon

Eligible projects include those associated with:

- vegetation management
- agriculture
- energy consumption
- waste
- transport
- coal and gas production
- industrial processes

The Clean Energy Regulator (CER) is the Australian independent statutory authority responsible for:

- developing carbon crediting methods,
- administrating the ERF,
- making emission reduction purchases for the Govt & managing carbon abatement contracts,
- The Secretariat to the Emissions Reduction Assurance Committee (ERAC)

Enter the ACCU



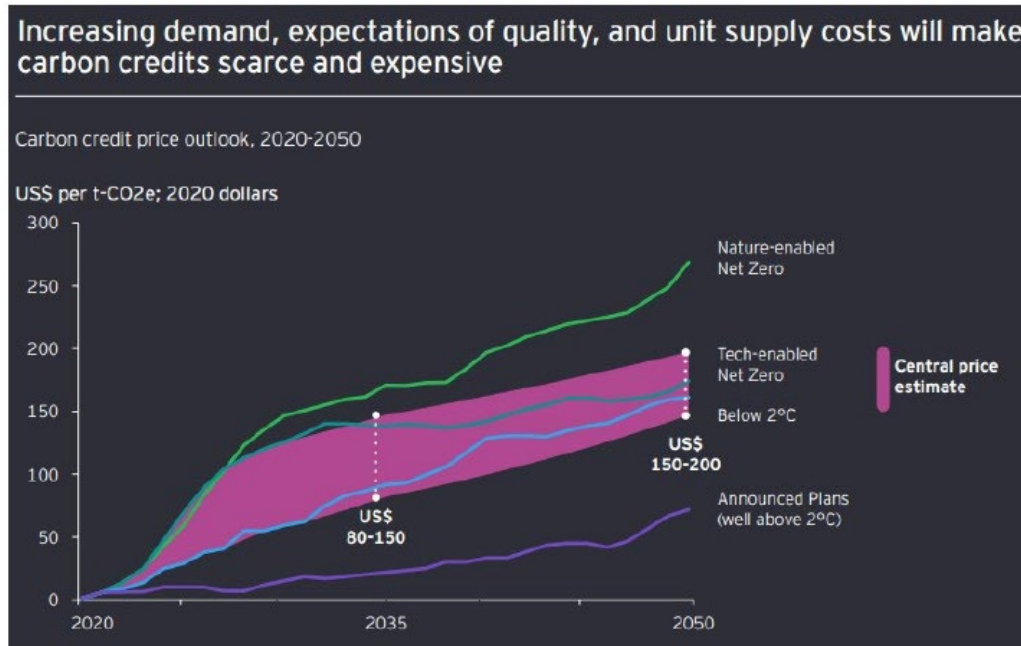
- Participants can earn Australian Carbon Credit Units (ACCU) for every tonne of carbon dioxide equivalent (tCO₂-e) emissions **stored** or **avoided** by a project.
- ACCUs can be **sold to generate income**, either to the Australian Government through a carbon abatement contract, or to companies and other private buyers in the secondary market.
- ***"Change your behaviour/practices & I'll pay you for it"***



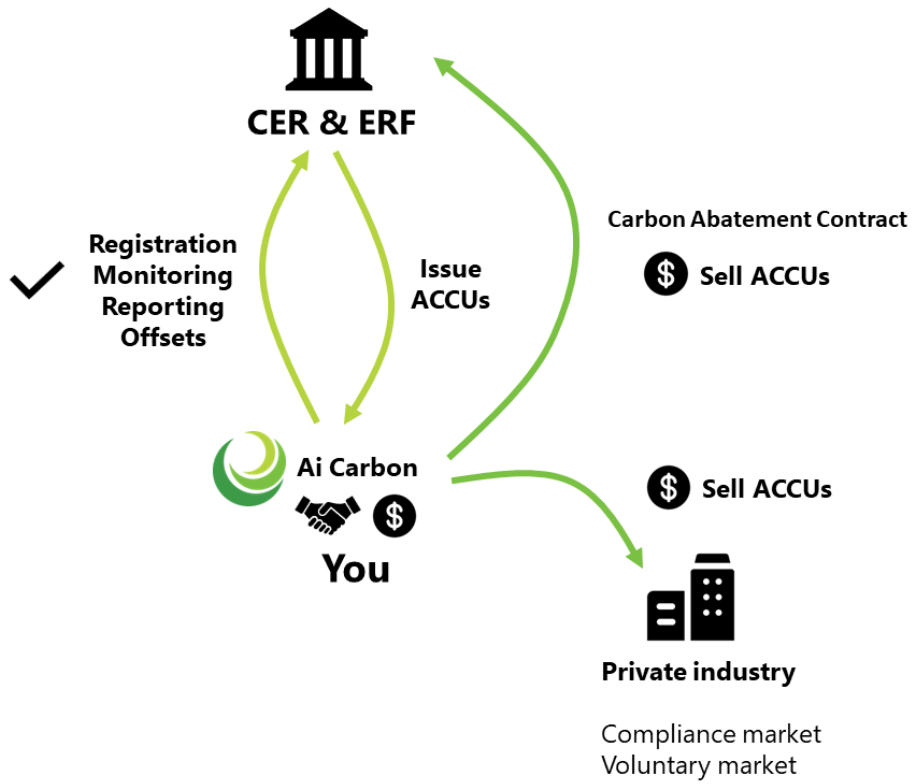
Price History – SPOT ACCUs

“Prices for Carbon could rise to a central estimate of US\$80 – 150 per tonne by 2035 (in 2020 dollars)”

ACCU price today is **US\$20/tonne** or AUD\$30.50 (www.accus.com.au)



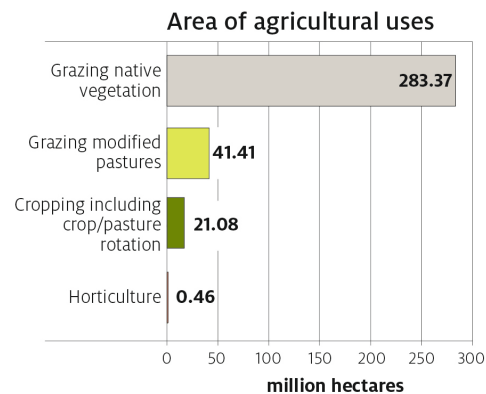
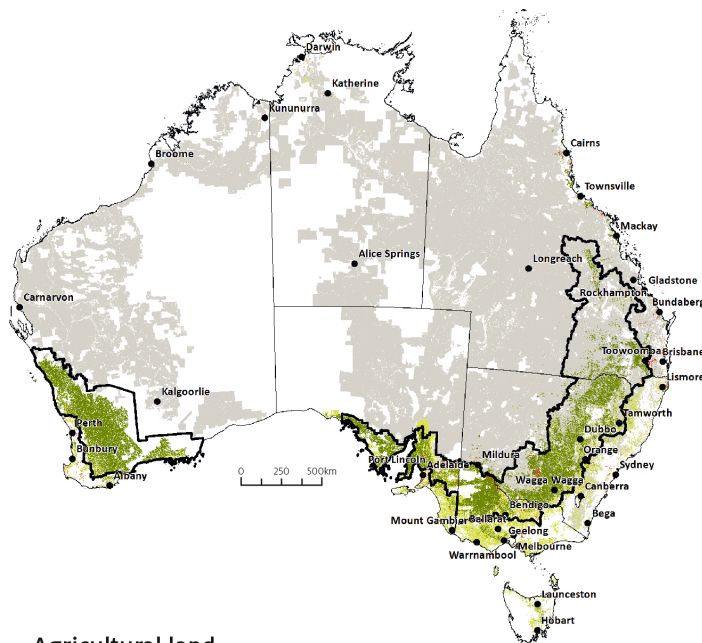
Source: www.ey-net-zero-centre-carbon-offset-publication-20220530.pdf



How the Carbon Market Works

87,800 commercial Agri Businesses

<https://www.agriculture.gov.au/abares/products/insights/snapshot-of-australian-agriculture-2022>



Agricultural land

- Grazing native vegetation
- Grazing modified pastures
- Cropping including crop/pasture rotation
- Horticulture *
- Other uses
- Wheat-sheep

Independent Review of ACCUs



The Chubb Review (Dec 2022):

- The purpose of the Review was to ensure ACCUs and the carbon crediting framework maintain a strong and credible reputation supported by participants, purchasers and the broader community. Among a host of other requirements, the Panel sought independent analysis and advice to inform its consideration of the integrity of the following carbon farming methods:
 - human induced regeneration (HIR)
 - avoided deforestation
 - landfill gas, and
 - carbon capture and storage.
- The Panel concluded “that the ACCU scheme arrangements are essentially sound, incorporating mechanisms for regular review and improvement, and recommends a number of changes to clarify governance, improve transparency, facilitate positive project outcomes and co-benefits, and enhance confidence in the integrity and effectiveness of the scheme”

The Opportunity: Bentleys Carbon Fund established



- Early 2022: 16% of carbon developer, AiCarbon, was being sold via a Sale Process run by EY
- We ran the ruler over it, came in as “underbidder”.
- Successful bidder was Osaka Gas (listed Japanese company) <\$63M AiC mkt cap>. Mitsubishi also own 40% of AiCarbon, purchased in 2021 <\$35M AiC mkt cap>.
- AiCarbon team identified the synergies with having Bentleys on their share register, so founder and other “insiders” sold 10% to Bentleys Carbon Fund - \$6.3M investment, same price as for Osaka Gas.
- 10% gave us a board seat on AiCarbon board.
- Sep23: Now ASX listed “top 20” miner has just bought 14% in the new AiCarbon capital raise <\$114M AiC pre-money mkt cap>
- Bentleys Carbon Fund currently raising \$4.5M to maintain our 10% interest in AiCarbon.
- No more capital raises needed by AiCarbon.
- *At the 14th ERF Auction on 11 April 2022, AiCarbon accounted for 62% of the Contract Volume*

Bentleys Carbon Fund



- Australian Unit Trust (original investors #37) with Trustee (Bentleys (Qld) Advisory Pty Ltd AFSL 274444)
- Single asset: 10% interest in Australian Integrated Carbon Pty Ltd <https://AiCarbon.com/>
- Investment Objective:
 - is to provide investors with capital growth on their initial investment, building toward reliable annual distributions to investors as the investment matures.
 - Will allow investors to participate in the newly created Australian Carbon Market and stay invested as this market grows and expands as Australia's Regulators force change on businesses to reduce their carbon emissions.
 - this investment is not otherwise available to individual investors and the Bentleys carbon Fund provides a unique opportunity to sophisticated investors to participate I the supply side of the Australian Carbon Market.
 - Timeframe: > 5 years but < 10 years.

The Problem: GHG Emissions: Agri Sector lacking clear pathways and expert providers to enable holistic solutions.

- **Farmer/ Producer:**
 - How do I know my farm/product emission intensity?
 - What’s my baseline? How can I get to net Zero? What’s my options?
 - How can I get more value for my product?
- **Agri Value Chain / Asset Owners / Brands / Retailers:**
 - Want/need to report emission intensity on product or assets – what are the GHG numbers?
 - Product / Assets to net zero – how? Insetting potential in value chain? “Carbon Ledger” concept
 - Rigor or assessment methods – robust certification?
 - How to dovetail with ESG frameworks?
 - Funds / Investments: Who can assess and advise us on asset / platform GHG emissions and opportunity potential?
- **Consumers:**
 - Where is product label GHG intensity to inform purchase decisions?



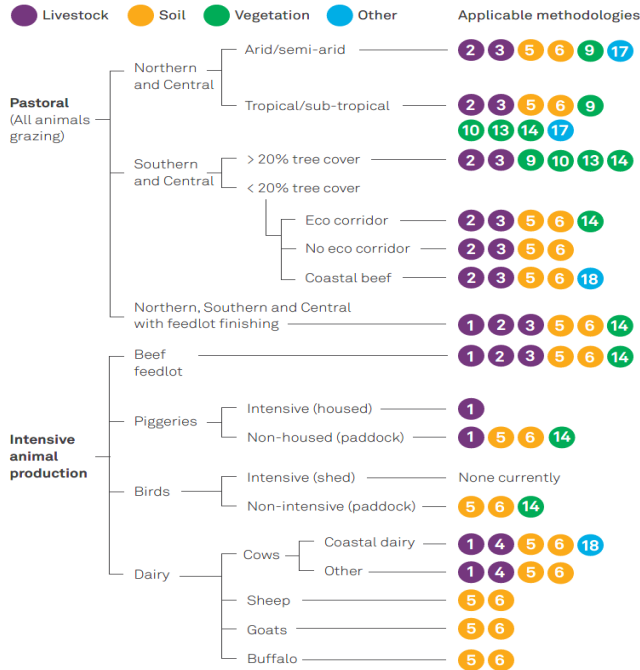
Bentleys / AiCarbon JV – Our Value Proposition : “to give our clients an actual outcome”

- GHG Footprinting: A role for **Bentleys / AiCarbon JV** in identifying and educating clients on GHG emissions, leading toward establishing baseline and product GHG intensity, to (maybe) Carbon Project Pre-Feasibility Assessment.
- Carbon Project Development Services: **AiCarbon**

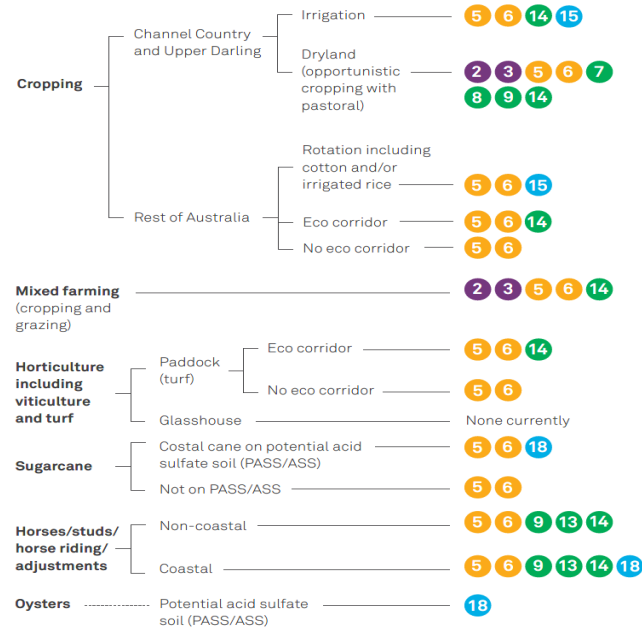
Carbon Mgt “methodology” decision tree



② Carbon management methodology decision tree



Find out which carbon management methodologies apply to your farm enterprise by using the following decision tree, starting off with your farming practice. Once you have identified your applicable methodologies, head to pages 12-13 to read short summaries of each. Long descriptions of each methodology can be found on the pages listed.



Decision Tree (cont.)



Livestock

1. Animal effluent management – page 52

Gives piggeries and dairies the option to develop facilities for treating animal effluent to either destroy emissions, avoid them, or create biomethane to be used as a natural gas substitute.

2. Beef cattle herd management – page 54

Efficient management of large herds of cattle to reduce emissions per kilo of beef produced, by implementing practices that assist in maintaining weight gain, such as adding additional water points and improving genetics.

3. Reducing greenhouse gas emissions in beef cattle through feeding nitrate containing supplements – page 56

Replacing urea supplements with nitrate supplements in cattle to reduce methane emissions. These come in the form of lick blocks.

4. Reducing greenhouse gas emissions in milking cows through feeding dietary additives – page 58

For milking cows that are pasture fed at least nine months of the year, methane emissions can be reduced by increasing fat content of diets and/or improving the quality of feed.

Soil

5. Estimating sequestration of carbon in soil using default values – page 60

Involves implementing a new land management activity out of three options to sequester carbon in soil, such as halting tillage practices, rejuvenating pasture through cropping, and applying nutrients to the land.

6. Estimating soil organic carbon sequestration using measurement and models – page 64

A more holistic soil carbon methodology, it involves implementing a set of land management activities to sequester carbon in soil and estimates the level of carbon in soil through measurement and/or modeling.

Vegetation

7. Avoided clearing of native regrowth – page 68

For those with a valid clearing consent and land that has been cleared at least twice in the past, this method involves retaining areas of forest which would otherwise be cleared.

8. Avoided deforestation – page 70

For those with a valid clearing consent, credits can be generated in native forest areas that would have otherwise been cleared for crops or grassland.

9. Human-induced regeneration of a permanent even-aged native forest – page 72

For land that has been suppressed or cleared in the last decade, these projects restore forest through stopping the destruction of native regrowth, allowing it to naturally regenerate.

10. Native forest from managed regrowth – page 76

Allows native vegetation to grow into forest by stopping activities that have previously suppressed or destroyed the vegetation's regeneration.

11. Measurement-based methods for new farm forestry plantations – page 78

This method is based on establishing and maintaining trees on land that was previously used for grazing or cropping.

12. Plantation forestry – page 80

If you have a plantation forest or are looking to establish a forest, this method focuses on the creation and maintenance of both plantation and permanent forests.

13. Reforestation and afforestation – page 84

This method applies to land that has been used for either grazing, cropping or fallow in the past five years, and involves planting seeds or seedlings to create a permanent forest.

14. Reforestation by environmental or mallee plantings – page 86

Projects that create and maintain native vegetation, including trees, shrubs or mallee eucalypts, on land that has been cleared of forest for at least five years.

Other

15. Reducing greenhouse gas emissions from fertiliser in irrigated cotton – page 88

The method involves taking actions that help to raise the efficiency of synthetic nitrogen fertiliser on crops, reducing emissions and improving fertiliser efficiency.

16. Verified Carbon Standard projects – page 89

These projects are only those running under the Verified Carbon Standards method. They must have been registered under the Emissions Reduction Fund before 30 June 2015. No summary is provided for this method as it is not applicable anymore.

17a. Savanna fire management – emissions avoidance – page 90

Fire management projects run burning activities in the early dry season where burnable biomass is cooler and moister. This in turn reduces the frequency and extent of fires in the late dry season.

17b. Savanna fire management – sequestration and emissions avoidance – page 90

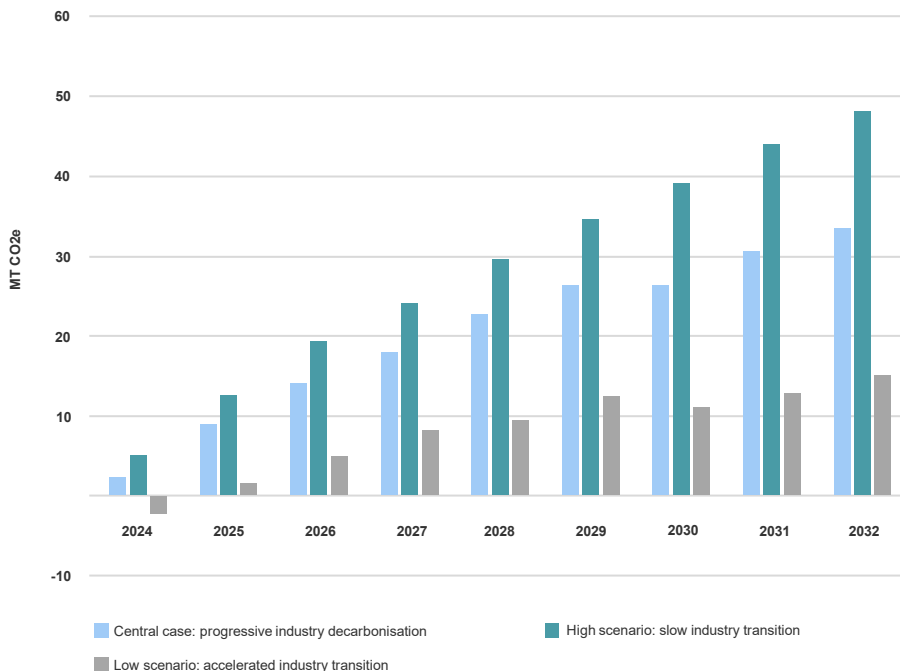
In terms of project activities, this method is identical to 17a. The difference is that this method also measures the amount of carbon sequestered in dead organic matter.

18. Tidal restoration of blue carbon ecosystems – page 94

Involves projects that allow the introduction of tidal flow into a plot of land, including the management of any potential tidal inundation, to establish coastal wetland ecosystems.

Demand for ACCUs is likely to be supported by the new Safeguard Mechanism as well as continued demand from government and voluntary purchasers

POTENTIAL ANNUAL COMPLIANCE DEMAND FOR OFFSETS IN THE SAFEGUARD MECHANISM²



Provided for illustration only. Forecasts are not a reliable indicator of future performance. Please see full disclaimer

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KEY GROWTH DRIVERS FOR THE ACCU MARKET

The reformed **Safeguard Mechanism** is expected to create a **structural change** in Australia's **carbon market** with legislated emissions caps creating a long term price signal for decarbonisation.

The **Australian Federal Government** is expected to continue to be a **key source of demand for ACCUs** through auctions and carbon abatement contracts.

Voluntary demand for ACCUs, is also **expected to continue to grow** as businesses increasingly seek high-quality domestic carbon credits.¹

The most recent Clean Energy Regulator data shows **voluntary (and state and territory) ACCU cancellations** to the end of Q3 in 2022 totalled 1.2m (a **93% increase over the same period in 2021**).²

Increasing requirements to reduce emissions as well as large capex costs and long lead times for deployment of projects to reduce emissions on-site are likely to lead to a **sustained period of support and positive price environment for ACCUs**³ (see compliance demand scenarios in figure left).

1. Internal view

2. Clean Energy Regulator, [Quarterly Carbon Market Report September Quarter 2022](#)

3. Reputex, [OUTLOOK: Safeguard reform](#), 14 February 2023

Ai Carbon's existing portfolio of registered projects is expected to drive immediate ACCU growth

Number of HIR projects registered by Ai Carbon and % share of market

2019*		2020		2021		2022	
No.	% total HIR	No.	% total HIR	No.	% total HIR	No.	% total HIR
0	0%	6	13%	13	36%	13	30%

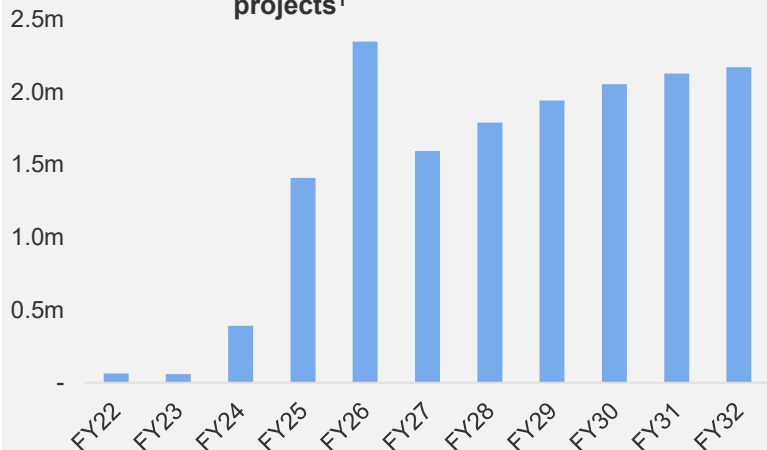
Source: ERF data, accessed March 2023

*calendar years



From 2021, Ai Carbon registered over one third of all HIR projects in the Australian carbon market, making it the fastest growing HIR project developer in Australia. Ai Carbon's recent success has secured their growth story, with strong ACCU generation projected over the coming five years.

Gross ACCU growth from existing portfolio projects¹



Note: ACCU forecast based on 38 registered projects plus 3 projects currently being registered.

AI CARBON PROJECT HIGHLIGHTS¹



Ai Carbon has been very effective in contracting landholders and registering new projects over the last 3 years. While sequestration projects take a number of years to generate carbon credits, existing projects will drive rapid revenue growth in the short to medium term.



43 million tonnes of abatement expected from the current portfolio of 41 projects to 2046.



8 million ACCUs from these projects expected to be distributed to Ai Carbon between now and 2046.



8.1 million ha under regenerative land management based on current portfolio.



Compounded annual revenue growth of 39% from existing projects from FY24 to FY30.

Australian Integrated Carbon is one of Australia's fastest growing nature-based carbon project developers

AUSTRALIAN INTEGRATED CARBON'S VISION:

Australian Integrated Carbon (Ai Carbon) is one of Australia's leading nature-based solutions (NBS) carbon project developers. Ai Carbon is committed to working with its project partners in rural and regional Australia in seeking to generate significant financial returns while providing tangible benefits to both the environment and the communities in which it operates.

Ai Carbon is a 'profit for purpose' business that is pursuing growth from its strong foundation across strategic parts of rural and regional Australia and by drawing on its deep and trusted connections with land managers. Backed by existing shareholders, Ai Carbon aims to accelerate its growth by expanding the core offering in nature-based carbon projects and leveraging its experience and partnerships to enter new regions and environmental markets.



One of the fastest growing NBS project developers (by Human Induced Regeneration (HIR) projects)

32% of all HIR registrations over the last 2 years¹

Large pipeline of new projects with track record in conversion to registration

3+ million ACCUs issued per annum by 2030²

Strong ACCU projections from existing portfolio

43 million ACCUs across 41 projects to 2046²

Highly respected and experienced management team with expansive landholder network

Leading ecology and geospatial mapping techniques

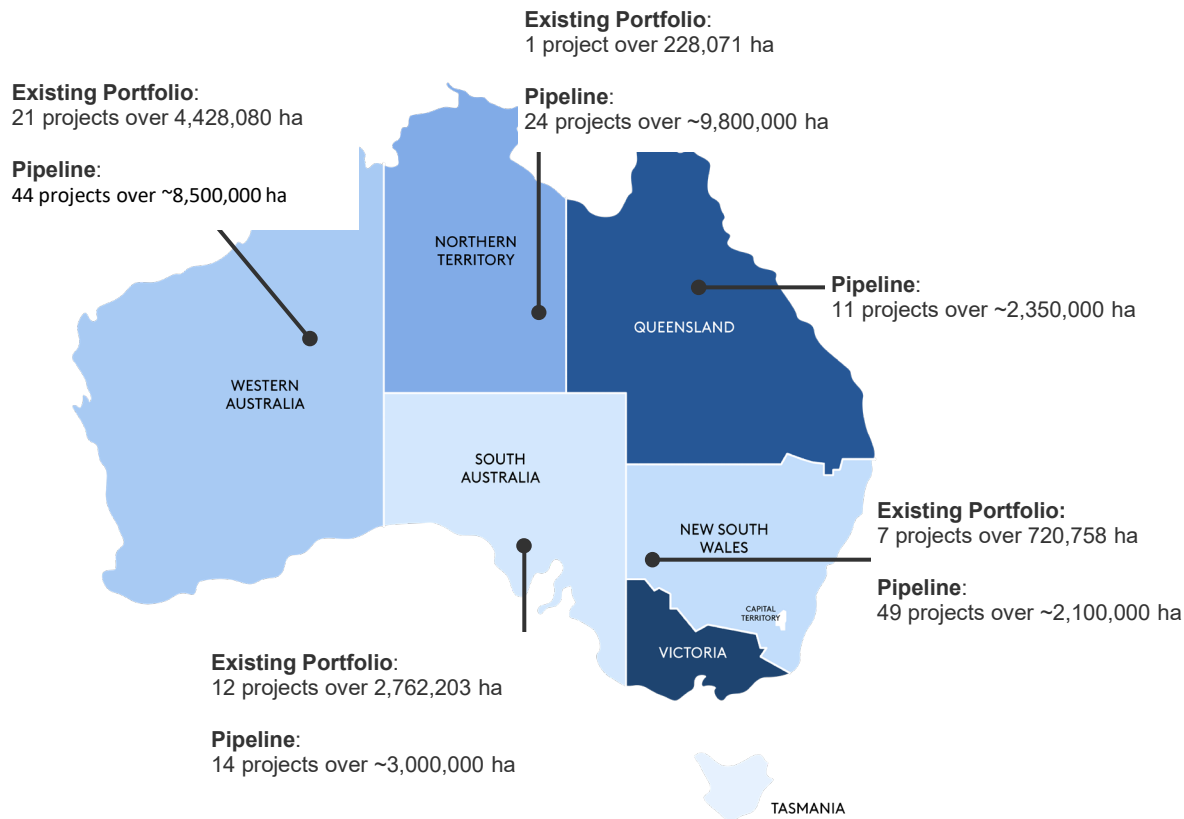
Significant growth potential from new methods and markets

Ai Carbon has a strong pipeline of project opportunities

We believe an investment in Ai Carbon presents an opportunity to participate in Australia's fast-growing carbon and nature markets.

Ai Carbon is emerging as one of **Australia's leading NBS carbon project developers** and we believe the company presents a strong opportunity to invest in a business that is primed to take advantage of opportunities presented by the increasing demand for high quality nature-based carbon in Australia.

Ai Carbon is supporting farmers, land managers and Traditional Owners in rural and regional Australia to regenerate vegetation and store carbon by drawing greenhouse gas emissions from the atmosphere. These projects generate Australian Carbon Credit Units (ACCUs), which are tradable financial assets that Ai Carbon sells to governments and the private sector who use them to meet voluntary or compliance climate commitments.



We believe Ai Carbon are strategically positioned to secure new HIR projects and enter new markets and geographic regions

In FY22, Ai Carbon tripled the size of its project portfolio.¹ With a strong understanding of pipeline conversion rates, we believe the company is in a credible position to inform its future growth and execution needs.

Ai Carbon's plan is to ensure the enterprise is equipped with the skills, bandwidth and strategic insight to deliver on its growing portfolio, while diversifying its carbon market offering and entering nascent biodiversity markets. Over the medium-to-longer term Ai Carbon will be exploring new markets in different parts of Australia and abroad as well as additional revenue-streams in the carbon and project development space.

GROWTH STRATEGY OVERVIEW



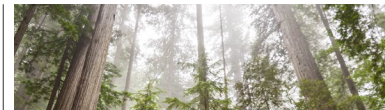
GROW FROM AI CARBON'S CORE

Optimise existing project implementation	Secure new vegetation regeneration projects in strategic locations
Re-visit marginal feasibility assessments and use direct measurement and higher credit prices	Build a leading Indigenous Partnerships Carbon Strategy



NEW METHODS AND MARKETS

Prepare for the introduction of the 'integrated farm management' method	Build out offering in permanent plantings & plantation and farm forestry methods
Develop offering in emerging biodiversity markets	Continue research partnerships to explore methane reductions and broader sustainable farming practices



FUTURE GROWTH OPPORTUNITIES

Develop consulting arm for carbon accounting and whole of farm production advice	Target Safeguard Mechanism facilities developing their own carbon projects
Northern Territory and Queensland carbon market entry	Consider new regions globally

The capital raise is intended to facilitate buildout of people and systems to deliver on these priorities

Where you want to be.

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Managing Partner, Bentleys (Qld)

&

Joint Founder & Director of Truebell
Financial Group



FINANCIAL REVIEW

Top 100

Accounting Firms 2022

Thank you.



Bentleys™

THINKING AHEAD



Advisors



Accountants



Auditors