

# Integrating Climate Change Mitigation and Adaptation Options into Farms in the Southwest of Western Australia

by

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I declare that this thesis is my own account of my research and contains as its main content work which has not previously been submitted for a degree at any tertiary education institution.

.....  
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## **Abstract**

This research reviews existing climate change literature and quantifies the climate change mitigation and adaptation potential of specific agricultural diversification activities at an individual farm level. It comprises modelling and simulations of net emission reductions and discounted market values of a range of small-scale renewable energy and carbon sequestration projects. The research aim is to enable private agricultural entities and governments to compare alternative investment options for both climate change mitigation and adaptation in the southwest of Western Australia. The research includes an analysis of ten small-scale renewable electricity systems and a range of sub-scenarios. In addition, six forestry sequestration projects are modelled, and one analysis of displacing fertiliser by using biochar are assessed.

The results indicate that privately-owned, small-scale, grid-connected renewable energy systems were not competitive adaptation options for private entities relative to sourcing electricity from centralised renewable electricity generators connected to the network. The total discounted capital and operating costs, and the relatively minor mitigation potential of the small-scale energy systems resulted in very high mitigation costs. The overall discounted values of the systems were relatively insensitive to the magnitude of the existing subsidy mechanisms, either capital subsidies or feed-in tariffs.

The forestry sequestration project results for the higher rainfall region show large differences in total discounted project costs over time. These costs were highly dependent on the project financing arrangements, while the tree species selection, and the previous land use were primary determinants of the biomass growth and the total carbon sequestered. The results indicate that the most productive agricultural lands in the region might be permanently retired from food production and replaced by single species tree plantations, although the viability of this option is dependent on future carbon market eligibility rules and carbon values. The biochar sequestration modelling results indicate that a reduction of phosphorus fertiliser use in low-rainfall cropping regions was possible when applying large quantities of biochar to the soil. The cost-effectiveness of using biochar in cropping systems was found to be insensitive to phosphorus fertiliser price or carbon market values. In contrast, the commercial viability of this option was highly dependent on the price paid for biochar, rather than the carbon price.

|   |              |
|---|--------------|
| Table of Contents   |              |
| <b>Abstract</b> .....   | <b>iii</b>   |
| <b>Table of Contents</b> .....                                    | <b>v</b>     |
| <b>List of Figures</b> .....                                      | <b>ix</b>    |
| <b>List of Tables</b> .....                                       | <b>xv</b>    |
| <b>List of Equations</b> .....                                    | <b>xxi</b>   |
| <b>List of Acronyms</b> .....                                     | <b>xxii</b>  |
| <b>Glossary</b> .....   | <b>xxiv</b>  |
| <b>Acknowledgements</b> .....                                     | <b>xxx</b>   |
| <b>Publications Arising from Thesis</b> .....                     | <b>xxxii</b> |
| Published Peer Reviewed Journal Articles:.....                    | xxxii        |
| Published Edited Book Chapters:.....                              | xxxii        |
| Relevant Journal Publications:.....                               | xxxii        |
| <b>Prologue</b> .....   | <b>1</b>     |
| <b>1. Introduction</b> .....                                      | <b>4</b>     |
| 1.1 Thesis Overview.....  | 5            |
| 1.2 Research Questions and Aims.....                              | 6            |
| 1.3 Research Method.....  | 12           |
| 1.3.1 Design Background.....                                      | 12           |
| 1.3.2 Meteorological Data.....                                    | 14           |
| 1.3.3 Primary Data and Technical Modelling.....                   | 18           |
| 1.3.4 System Economics and Electricity Tariff Baselines.....      | 19           |
| 1.3.5 Electricity Supply, Load Profile Data and Simulations.....  | 26           |
| 1.3.6 Renewable Energy Certificates (RECs) Calculations.....      | 32           |
| <b>2. Climate Change, Australia and Agriculture</b> .....         | <b>38</b>    |
| 2.1 Australian Climate Variability and Agriculture.....           | 40           |
| 2.2 The Southwest Observed and Projected Climate.....             | 42           |
| 2.3 Net Agricultural Impacts, Vulnerability and Adaptability..... | 47           |
| <b>3. International Climate Change Developments</b> .....         | <b>60</b>    |
| 3.1 International Climate Change Mechanisms.....                  | 61           |
| 3.1.1 Complexity in Australian Emissions Accounting.....          | 62           |

|   |            |
|---|------------|
| 3.2 Mitigation and Adaptation .....   | 69         |
| 3.2.1 Mitigation and Adaptation Management.....                                     | 71         |
| 3.3 Private Stakeholders and Climate Investments.....                               | 74         |
| 3.4 Governments: Tools, Direction, and Private Investor Certainty .....             | 78         |
| <b>4. Adaptation, Mitigation and Agriculture .....</b>                              | <b>86</b>  |
| 4.1 Mitigation and Adaptation Estimate Uncertainties .....                          | 87         |
| 4.2 Agricultural Mitigation and Mitigation Potentials.....                          | 90         |
| 4.2.1 Mitigation Potentials .....   | 95         |
| 4.2.2 Refining Mitigation Potentials for Implementation.....                        | 100        |
| 4.3 Agricultural Adaptation Theory .....  | 104        |
| 4.3.1 Australian Agricultural Adaptive Capacity .....                               | 108        |
| 4.3.2 Planned and Autonomous Adaptation .....                                       | 109        |
| 4.4 Adaptation Potentials .....   | 115        |
| 4.5 Calculating “No Regrets” Options and the Private Equivalent.....                | 122        |
| 4.6 Integrating Private Mitigation and Adaptation.....                              | 128        |
| <b>5. Economic Analyses and Climate Change Impacts .....</b>                        | <b>140</b> |
| 5.1 Navigating Climate Change Economic Model Approaches.....                        | 142        |
| 5.2 Exploration of Assessment Methods for Model Formulation.....                    | 147        |
| 5.2.1 The Comprehensive Mitigation Assessment Process.....                          | 148        |
| 5.2.2 Integrated Assessment Models (IAMs).....                                      | 149        |
| 5.2.3 Climate Change Impacts, Adaptation and Vulnerability (CCIAV)<br>Analyses..... | 151        |
| 5.2.4 Cost-Benefit Analyses (CBAs).....   | 154        |
| 5.2.5 Discounted Cash Flow (DCF) Analyses .....                                     | 157        |
| 5.2.6 Analogue Analyses.....  | 163        |
| 5.3 Some Issues with Assessment Methods.....  | 165        |
| 5.4 Appropriate Resolutions of Private Assessments .....                            | 169        |
| <b>6. Energy System Results and Discussion .....</b>                                | <b>174</b> |
| 6.1 A 1 kW Grid-connected Photovoltaic Array.....                                   | 175        |
| 6.1.1 Technical Simulation Results.....   | 175        |
| 6.1.2 Adaptation and Mitigation Model Results.....                                  | 179        |
| 6.1.3 Discussion .....  | 183        |
| 6.2 A 3 kW Grid-connected Photovoltaic Array .....                                  | 185        |

|  |     |
|--|-----|
| 6.2.1 Technical Simulation Results .....                               | 185 |
| 6.2.2 Adaptation and Mitigation Model Results .....                    | 188 |
| 6.2.3 Discussion.....  | 191 |
| 6.2.4 Comparative Scenario: Additional PV Subsidy Measures.....        | 191 |
| 6.3 A 6 kW Stand-alone Photovoltaic Array.....                         | 194 |
| 6.3.1 Technical Simulation Results .....                               | 195 |
| 6.3.2 Adaptation and Mitigation Model Results .....                    | 200 |
| 6.3.3 Discussion.....  | 206 |
| 6.3.4 Comparative Scenario: A 6 kW Diesel Stand-alone System .....     | 207 |
| 6.4 A 120 W PV Stand-alone 60 W Water Pumping System.....              | 214 |
| 6.4.1 Technical Simulation Results.....                                | 216 |
| 6.4.2 Adaptation and Mitigation Model Results .....                    | 217 |
| 6.4.3 Discussion .....   | 221 |
| 6.5 A 1 kW Grid-connected Wind Turbine .....                           | 222 |
| 6.5.1 Technical Simulation Results .....                               | 223 |
| 6.5.2 Adaptation and Mitigation Model Results .....                    | 227 |
| 6.5.3 Discussion.....  | 230 |
| 6.5.4 Comparative Scenario: The Wind System with Additional RECs.....  | 230 |
| 6.6 A 3 kW Grid-connected Wind Turbine .....                           | 231 |
| 6.6.1 Technical Simulation Results.....                                | 232 |
| 6.6.2 Adaptation and Mitigation Model Results .....                    | 236 |
| 6.6.3 Discussion .....   | 238 |
| 6.6.4 Comparative Scenario: Wind System REBS and FiT Eligibility.....  | 239 |
| 6.7 A 400 W Grid-connected Hydroelectric System.....                   | 242 |
| 6.7.1 Technical Simulation Results .....                               | 243 |
| 6.7.2 Adaptation and Mitigation Model Results .....                    | 246 |
| 6.7.3 Discussion.....  | 249 |
| 6.8 A 1 kW Grid-connected Hydroelectric System .....                   | 250 |
| 6.8.1 Technical Simulation Results.....                                | 251 |
| 6.8.2 Adaptation and Mitigation Model Results .....                    | 253 |
| 6.8.3 Discussion .....   | 256 |
| 6.8.4 Comparative Scenario: Hydro System REBS and FiT Eligibility..... | 257 |

|  |            |
|--|------------|
| 6.9 A 15 kVA Wood Gasification Grid-connected Unit Coupled to a 6 kW Modified Petrol Generator (Electricity only)..... | 262        |
| 6.9.1 Technical Simulation Results.....  | 264        |
| 6.9.2 Adaptation and Mitigation Model Results.....   | 267        |
| 6.9.3 Discussion .....   | 270        |
| 6.9.4 Comparative Scenario: Woodgas System Preferential Subsidies  | 271        |
| 6.10 A 15 kVA Wood Gasification Stand-alone Unit Coupled to a 6 kW Modified Petrol Generator (Electricity only).....   | 274        |
| 6.10.1 Technical Simulation Results .....  | 275        |
| 6.10.2 Adaptation and Mitigation Model Results.....  | 280        |
| 6.10.3 Comparative Scenario: Zero Operational Cost Woodgas System  | 282        |
| 6.10.4 Discussion of Both Woodgas System Project Scenarios.....  | 285        |
| 6.10.5 Comparative Scenario: A Diesel Component Substitution .....   | 285        |
| 6.10.6 Comparative Scenario: Biodiesel Fuel Substitution.....  | 289        |
| 6.11 Clean Energy Technology Feasibility Analyses Summary .....  | 294        |
| 6.11.1 Clean Energy Technology Feasibility Analyses Conclusion.....  | 302        |
| <b>7. Carbon Sequestration Feasibility Study Background.....</b>   | <b>305</b> |
| 7.1 A 50 Ha Pasture-to-Tree Forestry Project .....   | 313        |
| 7.1.1 Technical Simulation Results.....  | 319        |
| 7.1.2 Adaptation and Mitigation Model Results.....   | 325        |
| 7.1.3 Comparative Scenario: The Value of Carbon Versus Stumpage.   | 336        |
| 7.1.4 Discussion .....   | 339        |
| 7.2 A Biochar and Wheat Cropping Project .....   | 342        |
| 7.2.1 Technical Model .....  | 344        |
| 7.2.2 Adaptation and Mitigation Model Results .....  | 348        |
| 7.2.3 Comparative Scenario: it of BC ha <sup>-1</sup> with the Full Rate of SSP ...                                    | 355        |
| 7.2.4 Discussions.....   | 360        |
| <b>8. Conclusions and Recommendations.....</b>   | <b>362</b> |
| 8.1 Recommendations for Further Work.....  | 364        |
| <b>9. References .....</b>   | <b>367</b> |
| <b>10. Appendix Introduction and Table of Appendices.....</b>  | <b>380</b> |



## List of Figures

|  |     |
|--|-----|
| Figure 1.1: The geographical scope of the research (Southwest of Western Australia). Adapted from: (Western Australian Land Information Authority (Landgate) 2008).  | 7   |
| Figure 1.2: Annual solar radiation data for Albany airport. Source: (Department of Natural Resources Canada 2010).   | 16  |
| Figure 1.3: Annual and monthly mean ambient temperature data for Albany airport. Source: (Department of Natural Resources Canada 2010).  | 16  |
| Figure 1.4: Annual and monthly mean wind speed data for Albany airport. Source: (Department of Natural Resources Canada 2010).   | 17  |
| Figure 1.5: Generated annual and monthly mean available hydrological flows used for the hydro-electric simulations.  | 18  |
| Figure 1.6: Average electricity consumption 05/2006 to 05/2009 for the homestead (kWh day <sup>-1</sup> ).   | 28  |
| Figure 1.7: Simulated 15 minute interval homestead electrical load profile.  | 29  |
| Figure 1.8: Simulated intra-hourly, hourly, daily, and monthly electrical load profiles for the homestead.   | 30  |
| Figure 2.1: The average annual rainfall (1971-2000) for Western Australia, Northern Territory, and South Australia. Source: (Bureau of Meteorology 2010).  | 41  |
| Figure 2.2: Trend in annual total rainfall (1950 - 2008, mm/10 years). Source: (Bureau of Meteorology 2009).   | 43  |
| Figure 3.1: A comparison between Australia's national reported Kyoto emissions, with and without Article 3.4 emissions and the Southern Oscillation Index (SOI). Source: (McHenry 2009).   | 64  |
| Figure 3.2: Western Australian agricultural soil emissions from 1990 to 2006. Source: (McHenry 2009).  | 66  |
| Figure 4.1: Physical, technical, economic, socio-economic and market mitigation potentials presented with the concept of costs, benefits of positive and negative emission mitigation. Source: (McHenry 2011).   | 97  |
| Figure 4.2: The refinement of the IPCC's mitigation potentials to include adaptation potentials of specific investments with associated mitigation (tCO <sub>2</sub> -e) and adaptation (\$) units to quantify each potential. Source: (McHenry 2011). | 103 |
| Figure 4.3: The refinement of the mitigation potentials to include adaptation potentials of specific investments with associated mitigation and adaptation units to quantify each potential.   | 117 |
| Figure 4.4: The market and economic mitigation and adaptation potential models show the relationships between mitigation and adaptation  |     |

potentials. The model also represents the adaptation and mitigation options that may be undertaken (in grey) if new mechanisms are developed to internalise externalities to create a perfect market. In this case, the market potential would be equal to the economic potential. Source: (McHenry 2011). 120

Figure 4.5: The expansion of new adaptation ( $y$ ) and mitigation ( $x$ ) potential horizons ( $P$  to  $P+4$ ) over time ( $z$ ), ( $n$  to  $n+4$ ), all represented in a 3D diagram. Source: (McHenry 2011). 124

Figure 4.6: Two competing investments (the heavy black line is the wood gasification unit and the associated small harvested forestry plantation calculations, and the thin dotted line is a coal gasification unit) and their relative mitigation and adaptation potentials over time, represented in a 2D diagram. Each year is represented by a cross on the line to represent the  $z$  axis in a 2D mitigation and adaptation potential chart. Source: (McHenry 2011). 127

Figure 4.7: Wood gasifier NPV (a), DCF (d) and annual change in DCF (g), and corresponding cumulative emissions (b), annual emissions (e) and annual change in emissions (h) over a 25 year interval. Charts (c), (f) and (i) show adaptation ( $\$$  on the  $y$  axis) and mitigation ( $tCO_2-e$  on the  $x$  axis) in a single chart to track each variable of the investment over time. Source: (McHenry 2011). 132

Figure 6.1: System schematic with the electricity network. 175

Figure 6.2: Electrical energy simulation results for the homestead. 177

Figure 6.3: Inverter annual simulation results for the homestead. 177

Figure 6.4: Monthly average hourly homestead electricity exported to the grid. 179

Figure 6.5: The DCF of the 1 kW PV system over the 15 year interval. 181

Figure 6.6: Simulation results for the homestead with the 3 kW PV system. 186

Figure 6.7: Inverter output annual simulation results for the 3 kW PV system. 186

Figure 6.8: Monthly average hourly homestead electricity exported to the grid. 188

Figure 6.9: The DCF of the 3 kW PV system over the 15 year interval. 190

Figure 6.10: The DCF of the system with new assumptions over the 15 years. 194

Figure 6.11: Stand-alone 6 kW PV and battery system schematic. 195

Figure 6.12: Electrical simulation of the homestead's 6 kW PV system. 196

Figure 6.13: Inverter annual simulation results for the homestead. 196

|  |     |
|--|-----|
| Figure 6.14: Battery component annual simulation results for the homestead's input from the 6 kW PV and output to the 11 kW inverter.                          | 197 |
| Figure 6.15: Monthly average hourly homestead excess electricity from the system for each month.   | 199 |
| Figure 6.16: The DCF of the 6 kW PV system over the 15 year interval.  | 203 |
| Figure 6.17: The DCF of the 6 kW PV scenario over the 15 year interval.  | 205 |
| Figure 6.18: The efficiency curve of the homestead's 6 kW diesel generator.  | 208 |
| Figure 6.19: Electrical simulation results for the homestead's 6 kW diesel generator.  | 209 |
| Figure 6.20: Inverter annual simulation results for the homestead.   | 209 |
| Figure 6.21: Battery component annual simulation results for the homestead's input from the 6 kW diesel and input/output from/to the 11 kW rectifier/inverter. | 210 |
| Figure 6.22: The DCF of the diesel-inverter-battery stand-alone system over the 15 year interval.  | 213 |
| Figure 6.23: PV pumping system schematic.  | 215 |
| Figure 6.24: PV simulation results for the pumping system 120 W PV array.  | 216 |
| Figure 6.25: Selected hourly PV output and pumping loads for the system.   | 217 |
| Figure 6.26: The DCF of the 60 W water pumping system over the 15 year interval.   | 220 |
| Figure 6.27: System schematic for a 1 kW wind turbine connected to the electricity network.  | 222 |
| Figure 6.28: The generic 1 kW DC wind turbine power curve.   | 223 |
| Figure 6.29: Simulation results for the homestead's 1 kW wind system.  | 224 |
| Figure 6.30: Inverter simulation results for the 1 kW wind system.   | 224 |
| Figure 6.31: Monthly average hourly homestead electricity exported to the grid with a 1 kW grid-connected wind turbine.  | 226 |
| Figure 6.32: The DCF of the 1 kW wind system over the 15 year interval.  | 229 |
| Figure 6.33: System schematic for the 3 kW wind system with the electricity network.   | 232 |
| Figure 6.34: The generic 3 kW DC wind turbine power curve.   | 232 |
| Figure 6.35: Simulation results for the homestead's 3 kW wind system.  | 233 |
| Figure 6.36: Inverter annual simulation results for the 3 kW wind system.  | 233 |
| Figure 6.37: Monthly average hourly homestead electricity exported to the grid.  | 235 |
| Figure 6.38: The DCF of the 3 kW wind system over the 15 year interval.  | 238 |

|   |     |
|---|-----|
| Figure 6.39: The system DCF with the new assumptions over the 15 years.   | 242 |
| Figure 6.40: System schematic for the 400 W hydroelectric system with the electricity network.  | 243 |
| Figure 6.41: Simulation results for the homestead's 400 W hydroelectric system.   | 244 |
| Figure 6.42: Inverter simulation results of the 400 W hydroelectric system.   | 244 |
| Figure 6.43: Monthly average hourly homestead electricity exported to the grid.   | 246 |
| Figure 6.44: The DCF of the 400 W hydroelectric system over the 15 years.   | 249 |
| Figure 6.45: Simulation results for the homestead's 1 kW hydroelectric system.  | 251 |
| Figure 6.46: Inverter simulation results for the 1 kW hydroelectric system.   | 252 |
| Figure 6.47: Monthly average hourly homestead electricity exported to the grid.   | 253 |
| Figure 6.48: The DCF of the 1 kW hydroelectric system over the 15 years.  | 256 |
| Figure 6.49: The DCF of the 1 kW hydroelectric system over the 15 years.  | 260 |
| Figure 6.50: The generic efficiency curve generated for the spark-ignition engine generator coupled to the gasifier.  | 264 |
| Figure 6.51: System schematic for the 6 kW wood gas system connected to the electricity network.  | 264 |
| Figure 6.52: Simulation results for the homestead's 6 kW grid-connected woodgas system.   | 265 |
| Figure 6.53: Annual simulation results for the 6 kW woodgas generator.  | 265 |
| Figure 6.54: Monthly average hourly homestead electricity exported to the grid.   | 267 |
| Figure 6.55: The DCF of the 6 kW woodgas system over the 15 years.  | 270 |
| Figure 6.56: The system DCF with new assumptions over the 15 years.   | 274 |
| Figure 6.57: 6 kW woodgas/inverter/rectifier/battery system schematic.  | 275 |
| Figure 6.58: Electrical simulation results for the 6 kW woodgas generator.  | 276 |
| Figure 6.59: Inverter annual simulation results for the homestead.  | 277 |
| Figure 6.60: Battery component annual simulation results for the homestead's input from the 6 kW generator and input/output from/to the 11 kW rectifier/inverter. | 277 |
| Figure 6.61: Monthly average daily battery state of charge.   | 278 |
| Figure 6.62: Monthly average hourly homestead excess electricity from the stand-alone 6 kW woodgas system for each month.   | 279 |
| Figure 6.63: The 6 kW woodgas system DCF over the 15 year interval.   | 282 |

|   |     |
|---|-----|
| Figure 6.64: The DCF of the new 6 kW woodgas system scenario over the 15 year interval.   | 284 |
| Figure 6.65: The DCF of the 6 kW diesel stand-alone system over the 15 year interval.   | 287 |
| Figure 6.66: The DCF of the 6 kW biodiesel stand-alone system over the 15 year interval.  | 292 |
| Figure 6.67: The total market adaptation potential (AUD) and market mitigation potential (tCO <sub>2</sub> -e), for each primary system model used to produce a “marginal abatement cost” for the systems modelled.                                     | 297 |
| Figure 6.68: The total market adaptation potential (AUD) and market mitigation potential (tCO <sub>2</sub> -e), for each primary system model.  | 299 |
| Figure 6.69: The total market adaptation potential (AUD) and market mitigation potential (tCO <sub>2</sub> -e), for selected small-scale (≤1 kW) system models at coordinates between zero and ten tCO <sub>2</sub> -e, and AUD-5,000 and AUD-8.000.    | 300 |
| Figure 6.70: The total market adaptation potential (AUD) and market mitigation potential (tCO <sub>2</sub> -e), for the four 6 kW system and scenario models at coordinates between zero and sixty tCO <sub>2</sub> -e, and AUD-60,000 and AUD-120.000. | 301 |
| Figure 7.1: Relationship between total aboveground biomass (dry) and age for a range of <i>E. globulus</i> plantations in the SW of WA. Source: (Grierson and Adams 1999).  | 317 |
| Figure 7.2: The annual K11 stand growth rate (in the light grey area) and the annual total (in dark grey bars), over the 15 year projection.  | 320 |
| Figure 7.3: The annual M15.5 stand growth rate (in the light grey area) and the annual total (in dark grey bars), over the 15 year modelled projection.   | 320 |
| Figure 7.4: The annual BR8 stand growth rate (in the light grey area) and the annual total (in dark grey bars), over the 15 year projection.  | 321 |
| Figure 7.5: The annual BG8 stand growth rate (in the light grey area) and the annual total (in dark grey bars), over the 15 year modelled projection.   | 321 |
| Figure 7.6: The annual C7.5 stand growth rate (in the light grey area) and the annual total (in dark grey bars), over the 15 year modelled projection.  | 322 |
| Figure 7.7: The annual S7.5 stand growth rate (in the light grey area) and the annual total (in dark grey bars), over the 15 year projection.   | 322 |
| Figure 7.8: All six annual modelled stand growth projections over the 15 years.   | 323 |

- Figure 7.9: The same six annual modelled stand growth projections as Figure 7.8, except with a modified y axis scale to distinguish between each stand. 324
- Figure 7.10: The DCF of each of the 3 scenarios “A”, “B”, and “C”, over 15 years. 330
- Figure 7.11: Using the data contained in Table 7.14, five NPC calculations of the half SSP rate and BC addition are shown using the scenarios of BC costs (AUD0 to AUD200 t<sup>-1</sup>). These five NPC scenarios are compared against the NPC of the full SSP rate over a range of SSP prices. 351
- Figure 7.12: NPV ha<sup>-1</sup> of 1 t ha<sup>-1</sup> BC achieving a 15% yield gain over 1.75 t ha<sup>-1</sup>, with an average wheat price of AUD350 t<sup>-1</sup>, over the 15 years. (Note the negative NVP scenarios indicate when the BC addition is not cost-effective). 359

## List of Tables

|   |     |
|---|-----|
| Table 1.1: Summary of K1 tariff charges (GST inclusive). Source: (Synergy 2010; Frontier Economics 2009).   | 24  |
| Table 1.2: Requirements for eligibility for SGU system types. Source: (Office of the Renewable Energy Regulator 2010).  | 33  |
| Table 1.3: Deemed zone ratings by postcode for small PV systems in WA. Source: (Office of the Renewable Energy Regulator 2010).   | 34  |
| Table 1.4: Maximum deeming periods by technology type. Source: (Office of the Renewable Energy Regulator 2010).   | 35  |
| Table 1.5: Installation period multiplier reduction over time. Source: (Office of the Renewable Energy Regulator 2010).   | 35  |
| Table 1.6: REC entitlement for each simulated system as derived from the Office of the Renewable Energy Regulator's Small Generation Unit REC Calculator.   | 36  |
| Table 3.1: Australian 2006 sectoral net GHG emissions (Mt, Kyoto accounting). Source: (McHenry 2009).   | 62  |
| Table 3.2: Western Australian 2006 agricultural soil emission subcategory totals (Gg, Kyoto accounting). Source: (McHenry 2009).  | 63  |
| Table 4.1: A private and public representation of the function of adaptation with respect to mitigation, with its first and second differential. (Substitution of $x$ for $y$ gives the function of mitigation with respect to adaptation).   | 137 |
| Table 6.1: The list of primary system designs and scenarios.  | 174 |
| Table 6.2: Summary of annual average simulated technical outputs.   | 178 |
| Table 6.3: The DCF and emissions calculation results for the 1 kW PV grid-connected system over a 15 year interval. (Note the system's NPV is in red, and the remaining system value for each modelled system was based on the value of the remaining capital equipment after decommissioning). | 180 |
| Table 6.4: The market adaptation potential (NPV) and market mitigation potential (tCO <sub>2</sub> -e) of the 1 kW PV grid-connected system.  | 182 |
| Table 6.5: Summary of annual average simulated 3 kW PV system outputs.  | 187 |
| Table 6.6: The DCF and emissions calculation results for the 3 kW PV grid-connected system over a 15 year interval, with the NPV in red   | 189 |
| Table 6.7: The total market adaptation potential (NPV) and market mitigation potential of the 3 kW PV system.   | 190 |
| Table 6.8: The DCF, NPV, and emissions calculation results for the 3 kW PV grid-connected system over the 15 year interval including the new assumptions to increase the economic return of the system.   | 193 |

|   |     |
|---|-----|
| Table 6.9: Summary of annual average simulated technical outputs.   | 198 |
| Table 6.10: The DCF and emissions calculation results for the 6 kW PV stand-alone system over the 15 year interval. The system's NPV is in red.   | 202 |
| Table 6.11: The DCF and emissions results for the 6 kW PV stand-alone system with the grid-extension scenario over the 15 year interval. The NPV is in red.   | 204 |
| Table 6.12: The total market adaptation potential and market mitigation potential of the two 6 kW PV stand-alone system scenarios.  | 205 |
| Table 6.13: The carbon price of the two stand-alone systems.  | 205 |
| Table 6.14: 2009 emission factors and energy content of combusted diesel oil fuel in stationary energy systems. (All emission factors have the relevant oxidation factors incorporated). Source: (Department of Climate Change 2009). | 211 |
| Table 6.15: The DCF and emission results for the 6 kW diesel-inverter-battery stand-alone system over the 15 year interval (NPV in red).  | 212 |
| Table 6.16: The total market adaptation potential and market mitigation potential of the diesel-inverter-battery and the 6 kW PV stand-alone systems.   | 213 |
| Table 6.17: Summary of annual average simulated technical output for a 60 W pump.   | 216 |
| Table 6.18: The DCF and emissions calculation results for the 60 W PV stand-alone water pumping system over the 15 year interval. The NPV is in red.  | 219 |
| Table 6.19: The market adaptation potential and market mitigation potential of the PV system relative to the grid-connected stock watering pumping system.  | 221 |
| Table 6.20: Summary of annual simulated 1 kW wind system outputs.   | 225 |
| Table 6.21: Comparison of homestead 1 kW wind and 1 kW PV system annual average simulated outputs.  | 227 |
| Table 6.22: The DCF and emissions calculation results for the 1 kW wind grid-connected system over a 15 year interval, with the NPV in red.   | 228 |
| Table 6.23: The total market adaptation potential (NPV) and market mitigation potential of the 1 kW wind system.  | 229 |
| Table 6.24: A comparison between the 1 kW wind and 1 kW PV grid-connected system's total market adaptation potential (NPV) and market mitigation potential over the 15 year investment cycle.   | 230 |
| Table 6.25: Summary of average simulated 3 kW wind system outputs.  | 234 |



|   |     |
|---|-----|
| Table 6.26: Comparison of homestead 3 kW wind and 3 kW PV system annual average simulated outputs.  | 235 |
| Table 6.27: The DCF and emissions calculation results for the 3 kW wind grid-connected system over a 15 year interval, with the NPV in red.   | 237 |
| Table 6.28: The total market adaptation potential (NPV) and market mitigation potential of the 3 kW wind system.  | 238 |
| Table 6.29: A comparison between the 3 kW wind and 3 kW PV grid-connected system's total market adaptation potential (NPV) and market mitigation potential over the 15 year investment cycle.   | 239 |
| Table 6.30: The DCF, NPV, and emissions calculation results for the 3 kW wind grid-connected system over a 15 year interval, with the new assumptions to increase the economic return of the modelled economics of the system.  | 241 |
| Table 6.31: Summary of annual average simulated homestead 400 W hydroelectric system outputs.   | 245 |
| Table 6.32: The DCF and emissions calculation results for the 400 W hydroelectric grid-connected system over a 15 year interval, with the NPV in red.   | 248 |
| Table 6.33: The total market adaptation potential (NPV) and market mitigation potential of the 400 W hydroelectric system.  | 249 |
| Table 6.34: A comparison between the 1 kW wind, 1 kW PV, and 400 W hydroelectric grid-connected system's total market adaptation potential (NPV) and market mitigation potential over the 15 year investment cycle.   | 250 |
| Table 6.35: Summary of annual average simulated homestead 1 kW hydroelectric system outputs.  | 252 |
| Table 6.36: The DCF and emissions calculation results for the 1 kW hydroelectric grid-connected system over a 15 year interval, with the NPV in red.  | 255 |
| Table 6.37: The total market adaptation potential (NPV) and market mitigation potential of the 1 kW hydroelectric system.   | 256 |
| Table 6.38: A comparison between the 3 kW wind, 3 kW PV, and 1 kW hydroelectric grid-connected system's total market adaptation potential (NPV) and market mitigation potential over the 15 year investment cycle.  | 257 |
| Table 6.39: The DCF and emissions calculation results for the 1 kW hydroelectric grid-connected system with the AUD <sub>0.47</sub> kWh <sup>-1</sup> FiT for exported electricity over a 10 year interval, and standard Synergy REBS values after the 10 year period. The NPV is in red. | 259 |

|   |     |
|---|-----|
| Table 6.40: The DCF and emissions calculation results for the 1 kW hydroelectric grid-connected system, minus any government subsidy or FiT mechanism over a 15 year interval, with the NPV in red.   | 261 |
| Table 6.41: Summary of annual average simulated 6 kW woodgas system outputs.  | 266 |
| Table 6.42: The DCF and emissions calculation results for the 6 kW woodgas grid-connected system over a 15 year interval, with the NPV in red.  | 269 |
| Table 6.43: The total market adaptation potential (NPV) and market mitigation potential of the 6 kW woodgas system.   | 270 |
| Table 6.44: The DCF, NPV, and emissions calculation results for the 6 kW woodgas grid-connected system over a 15 year interval, with the new assumptions to increase economic return.   | 273 |
| Table 6.45: Summary of annual average simulated technical outputs.  | 279 |
| Table 6.46: The DCF and emissions calculation results for the stand-alone 6 kW woodgas system over the 15 year interval, relative to grid-connection. The system's NPV is in red.   | 281 |
| Table 6.47: The DCF and emissions results for the stand-alone 6 kW woodgas system over the 15 year interval with zero wood fuel and gasifier maintenance labour costs. The system's NPV is in red.  | 283 |
| Table 6.48: The total market adaptation potential and market mitigation potential of the two 6 kW woodgas stand-alone system scenarios.   | 284 |
| Table 6.49: The carbon price of the two stand-alone system scenarios.   | 284 |
| Table 6.50: The DCF and emissions results for the 6 kW diesel stand-alone system over the 15 year interval. The system's NPV is in red  | 288 |
| Table 6.51: The total market adaptation potential and market mitigation potential of the diesel-inverter-battery and the woodgas-inverter-battery systems.  | 289 |
| Table 6.52: The DCF and emissions results for the 6 kW biodiesel stand-alone system over the 15 year interval. The NPV is in red.   | 291 |
| Table 6.53: The total market adaptation potential and market mitigation potential of the diesel-inverter-battery and the biodiesel-inverter-battery systems.  | 292 |
| Table 6.54: The carbon price of the two stand-alone diesel powered generator system scenarios.  | 292 |
| Table 6.55: The total market adaptation potential (AUD), market mitigation potential (tCO <sub>2</sub> -e), and the market carbon price (AUD tCO <sub>2</sub> -e <sup>-1</sup> ) for each system, relative to electricity network connection. | 295 |
| Table 7.1: The two primary C sequestration scenarios.   | 305 |

|  |     |
|--|-----|
| Table 7.2: Chemical properties of soils (0-10 cm) at the Manjimup and Busselton sites, compared to average Karri forest and agricultural soils. Source: (O'Connell and Grove 1998).  | 316 |
| Table 7.3: Calculated total harvest CO <sub>2</sub> -e ha <sup>-1</sup> for selected peer-reviewed published tree growth data in the SW of WA, using estimated RS ratios, and a carbon ratio of 49%. (Totals may not add due to rounding). The understorey and leaf litter biomass was excluded to focus on the biomass of the primary overstorey tree species). Sources: (Hingston, Dimmock, and Turton 1981; Ward and Pickersgill 1985; Grove and Malajczuk 1985; Grierson and Adams 1999; O'Connell and Grove 1998; O'Connell et al. 1999; Ward and Koch 1996). | 318 |
| Table 7.4: Modelled total mitigation potential for each modelled stand 15 year projections, based on extrapolated published stand growth data in high-rainfall areas.  | 325 |
| Table 7.5: The DCF results for the 50 ha forestry carbon sequestration project "A" over the 15 year interval, with an 8% real discount rate. The NPC is in red.  | 331 |
| Table 7.6: The DCF results for the 50 ha forestry carbon sequestration project "B" over the 15 year interval, with a real interest rate of 5%. The NPC is in red.  | 332 |
| Table 7.7: The DCF results for the 50 ha forestry carbon sequestration project "C" over the 15 year interval, with a 0% discount, interest, and inflation rate for comparison. The NPC is in red.  | 333 |
| Table 7.8: The modelled NPC of the three project scenarios.  | 334 |
| Table 7.9: Modelled total mitigation potential for each species or mix of species, based on extrapolated existing plantation growth data in high-rainfall areas, projected over a 15 year rotation.  | 334 |
| Table 7.10: Three of the potentially profitable "A" and "B" scenarios out of the potential twelve scenarios, based on the 15 year modelled total mitigation potential for each species or mix of species, in combination with a carbon price below AUD50. (The red numbers indicate when the carbon value of the forestry stand is greater than the average value of the land, based on a value of AUD10,000 ha <sup>-1</sup> .)   | 335 |
| Table 7.11: Modelled total saleable stumpage yield comparison for each species or mix of species, based on extrapolated existing plantation growth data in high-rainfall areas, projected over a 15 year rotation.   | 338 |
| Table 7.12: Three significant positive fertiliser and BC responses from low rainfall wheat crops in WA. Sources: (Blackwell et al. 2007; Blackwell, Reithmuller, and Collins 2008; Blackwell 2010, 2010).  | 345 |
| Table 7.13: The DCF and emissions calculation results over 15 years for the 1 t ha <sup>-1</sup> biochar and half rate fertiliser applications, assuming identical wheat yield. The NPC is in red.   | 349 |

|  |     |
|--|-----|
| Table 7.14: The NPC results over 15 years for both the baseline scenario of full single superphosphate (SSP) application rate (90 kg ha <sup>-1</sup> year <sup>-1</sup> ), shown in the second column, and the half rate SSP with 1 t ha <sup>-1</sup> biochar (BC) applications, all assuming identical wheat yield. The calculations in the model added GST for all biochar purchase price scenarios, while the SSP purchase price included GST. (Cells with numbers in red and a “-” indicate when the half rate SSP and biochar addition was not cost competitive with the full SSP only rate.) | 350 |
| Table 7.15: The net cost of BC calculated using a range of BC purchase prices (excluding GST), using 3.666 tCO <sub>2</sub> -e tC <sup>-1</sup> , and 80% recalcitrance rates for soil sequestration, multiplied by a range of carbon prices (AUD <sub>0-100</sub> tCO <sub>2</sub> -e <sup>-1</sup> ).  | 353 |
| Table 7.16: Higher BC prices and the equivalent carbon prices required to recoup the BC purchase price with and without GST, and also including application to soil including GST.   | 354 |
| Table 7.17: Indicative NPC’s between the full SSP rate at roughly current market prices and application costs, and the half SSP rate with the addition of 1 t ha <sup>-1</sup> of BC at a relatively low price of AUD400 t <sup>-1</sup> .)  | 355 |
| Table 7.18: An example of one of the DCF and emissions calculation results for the full SSP rate (90 kg ha <sup>-1</sup> year <sup>-1</sup> ) and additional BC (1 t ha <sup>-1</sup> year <sup>-1</sup> ) application, assuming a 15% yield increase over the 15 year interval. The NPC is in red.  | 357 |
| Table 7.19: NPV ha <sup>-1</sup> of 1 t ha <sup>-1</sup> BC achieving a 15% yield gain over 1.75 t ha <sup>-1</sup> , with an average wheat price of AUD350 t <sup>-1</sup> , over the 15 years. (Note the negative NVP scenarios in red indicate when the BC addition is not cost-effective).   | 358 |
| Table 7.20: Indicative NPC of the full SSP rate with 1 t ha <sup>-1</sup> of BC at roughly current market prices and application costs.  | 360 |

## List of Equations

|  |     |
|--|-----|
| Equation 1.1: Total REC entitlement equation. Source: (Office of the Renewable Energy Regulator 2010).   | 33  |
| Equation 1.2: Total REC entitlement calculation for the simulated system over 15 years. Source: (Office of the Renewable Energy Regulator 2010)                                    | 36  |
| Equation 2.1: The definition of vulnerability. Source: (Swart and Raes 2007).  | 52  |
| Equation 2.2: The definition of risk. Source: (Swart and Raes 2007; Australian Greenhouse Office 2006).  | 53  |
| Equation 4.1: The adaptation potential.  | 116 |
| Equation 4.2: The relationship between NPV and DCF approximations.   | 130 |
| Equation 4.3: Approximating instantaneous discounted cash flow over an interval.   | 130 |
| Equation 4.4: Net Present Value (NPV). Where, C = cash flow, z = time of the cash flow, d = the discount rate, n = the year number of the project (between 0 and 15 in this case). | 131 |
| Equation 4.5: Discounted cash flow (DCF).  | 131 |
| Equation 5.1: Nominal interest rate.   | 158 |
| Equation 5.2: Real interest rate.  | 158 |
| Equation 7.1: Total modelled sequestration ( $\text{tCO}_2\text{-e ha}^{-1}$ ) over the 15 years.  | 347 |

## List of Acronyms

|                    |  |
|--------------------|--|
| CBA                | Cost-benefit analysis                                |
| CCIAV              | Climate Change Impacts, Adaptation and Vulnerability |
| CO <sub>2</sub>    | Carbon dioxide                                       |
| CO <sub>2</sub> -e | Carbon dioxide equivalent                            |
| COMAP              | Comprehensive Mitigation Assessment Process          |
| COP                | Conference of the Parties                            |
| DSM                | Demand side management                               |
| DCF                | Discounted cash flow analysis                        |
| ENSO               | El Niño / Southern Oscillation Index                 |
| GDP                | Gross Domestic Product                               |
| GSP                | Gross State Product                                  |
| Gt                 | Gigatonne  |
| GWP                | Global Warming Potential                             |
| Ha                 | Hectare  |
| IAM                | Integrated Assessment Model                          |
| IPCC               | Intergovernmental Panel on Climate Change            |
| IRR                | Internal rate of return                              |
| kJ                 | Kilojoule  |
| KP                 | Kyoto Protocol                                       |
| kW                 | Kilowatt   |
| kWh                | Kilowatthour   |
| MC                 | Marginal cost  |
| MJ                 | Megajoule  |
| MW                 | Megawatt   |
| MWh                | Megawatthour   |
| MP                 | Marginal price                                       |
| NPC                | Net present cost                                     |
| NPV                | Net present value                                    |
| RDC                | Research and Development Corporation                 |
| REC                | Renewable Energy Certificate                         |
| R&D                | Research and development                             |
| RD&E               | Research, development and extension                  |

|                     |   |
|---------------------|---|
| SGU                 | Small generating unit                                 |
| SRES                | Special Report on Emission Scenarios                  |
| SW                  | Southwest   |
| SWIS                | Southwest Interconnected System                       |
| tC                  | Tonne of carbon                                       |
| tCO <sub>2</sub>    | Tonne of carbon dioxide                               |
| tCO <sub>2</sub> -e | Tonne of carbon dioxide equivalent                    |
| UNFCCC              | United Nations Framework Convention on Climate Change |
| WA                  | Western Australia                                     |

## Glossary

**Adaptation:** initiatives and measures to reduce the vulnerability of natural and human systems against actual or expected climate change effects. The various types of adaptation include: anticipatory and reactive; private and public; and, autonomous and planned (Intergovernmental Panel on Climate Change 2007).

**Adaptation benefits:** the avoided damage costs of the accrued benefits following the adoption and implementation of adaptation measures (Intergovernmental Panel on Climate Change 2007).

**Adaptation costs:** costs of planning, preparing for, facilitating, and implementing adaptation measures, including transition costs (Intergovernmental Panel on Climate Change 2007).

**Adaptive capacity:** the whole of capabilities, resources and institutions of a country or region to implement effective adaptation measures (Intergovernmental Panel on Climate Change 2007).

**Afforestation:** planting of new forests on lands that historically have not contained forests (for at least 50 years).

**Barrier:** any obstacle to reaching a goal, adaptation or mitigation potential that can be overcome or attenuated by a policy, programme, or measure (Intergovernmental Panel on Climate Change 2007).

**Barrier removal:** includes correcting market failures directly or reducing transaction costs in the public and private sectors by e.g. improving institutional capacity, reducing risk and uncertainty, facilitating market transactions, and enforcing regulatory policies (Intergovernmental Panel on Climate Change 2007).

**Baseline:** reference for measurable quantities for which an alternative outcome can be measured (Intergovernmental Panel on Climate Change 2007).

**Biomass:** the total mass of living organisms in a given area or volume; recently dead plant material is often included as dead biomass. The quantity of biomass is expressed as a dry weight of as the energy, carbon, or nitrogen content (Intergovernmental Panel on Climate Change 2007).

**Climate change:** refers to a change in the state of the climate that can be identified (e.g., by using statistical tests) by changes in the mean and/or the variability of its properties, and that persists for an extended period, typically decades or longer. The United Nations Framework Convention on Climate Change (UNFCCC) defines climate changes as a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods (Intergovernmental Panel on Climate Change 2007).



**Co-benefits:** the benefits of policies implemented for various reasons at the same time, acknowledging that most policies designed to address greenhouse gas mitigation have other, often at least equally important, rationales (Intergovernmental Panel on Climate Change 2007).

**Complementarity:** the inter-relationship of adaptation and mitigation whereby the outcome of one supplements or depends on the outcome of the other (Klein et al. 2007).

**Deforestation:** conversion of forest to non-forest (Intergovernmental Panel on Climate Change 2007).

**Discounting:** a mathematical operation making monetary (or other) amounts received or expended at different points in time (often years) comparable across time. The operator uses a fixed or possibly a time-varying discount rate ( $>0$ ) from year to year that makes future value worth less today (Intergovernmental Panel on Climate Change 2007).

**Fossil fuels:** carbon based fuels from fossil hydrocarbon deposits, including coal, peat, oil and natural gas (Intergovernmental Panel on Climate Change 2007).

**Greenhouse gas:** those gaseous constituents of the atmosphere, both natural and anthropogenic, that absorb and emit radiation at specific wavelengths within the spectrum of thermal infrared radiation emitted by the Earth's surface, the atmosphere itself, and by clouds. This property causes the greenhouse effect (Intergovernmental Panel on Climate Change 2007).

**Gross Domestic Product (GDP):** is the monetary value of all goods and services produced within a nation (Intergovernmental Panel on Climate Change 2007).

**Implementation:** describes the actions taken to meet commitments under a treaty and encompasses legal and effective phases. Legal implementation refers to legislation, regulation, judicial decrees, including other actions such as efforts to administer progress which governments take to translate international accords into domestic law and policy. Effective implementation needs policies and programmes that induce changes in the behaviour and decisions of target groups. Target groups then take effective measures of mitigation and adaptation (Intergovernmental Panel on Climate Change 2007).

**Kyoto Protocol:** the Kyoto Protocol to the United Nations Framework Convention on Climate Change (UNFCCC) was adopted in 1997 in Kyoto, Japan, at the Third Session of the Conference of the Parties (COP) to the UNFCCC. It contains legally binding commitments, in addition to those included in the UNFCCC. Countries included in Annex B of the Protocol agreed to reduce their anthropogenic greenhouse gas emissions by at least 5% below 1990 levels in the commitment period 2008 to 2012. The Kyoto Protocol entered into force on 16 February 2005 (Intergovernmental Panel on Climate Change 2007).

**Land-use:** refers to the total of arrangements, activities and inputs undertaken in a certain land cover type (a set of human actions). The term land use is also used in the sense of the social and economic purposes for which land is managed (e.g., grazing, timber extraction, and conservation, etc.) (Intergovernmental Panel on Climate Change 2007).

**Land-use change:** refers to a change in the use or management of land by humans, which may lead to a change in land cover. Land cover and land-use may have an impact on the surface albedo, evapotranspiration, sources, and sinks of greenhouse gases, or other properties of the climate system and may thus have a radiative forcing and/or other impacts on climate, locally or globally (Intergovernmental Panel on Climate Change 2007).

**Mainstreaming:** the integration of policies and measures to address climate change in ongoing sectoral and development planning and decision-making, aimed at ensuring the sustainability of investments and at reducing the sensitivity of development activities to current and future climate conditions (Klein, Schipper, and Dessai 2005), as cited by (Klein et al. 2007).

**Measures:** technologies, processes and practices that reduce greenhouse gas emissions below anticipated future levels. Examples of measures are renewable energy technologies, waste minimisation processes, and public transport commuting practices, etc. (Intergovernmental Panel on Climate Change 2007).

**Mitigation:** technological change and substitution that reduce resource inputs and emissions per unit of output. Although several societal, economic and technological policies would produce an emissions reduction, with respect to climate change, mitigation means implementing policies to reduce greenhouse gas emissions and enhance sinks (Intergovernmental Panel on Climate Change 2007).

**Mitigation Potential:** the amount of mitigation that could be – but is not yet – realised over time (Intergovernmental Panel on Climate Change 2007). Studies of market potential can be used to inform policymakers about mitigation potential with existing policies and barriers, while studies of economic potential show what might be achieved if appropriate new and additional policies were put into place to remove barriers and include social costs and benefits. The economic potential is therefore generally greater than the market potential (Intergovernmental Panel on Climate Change 2007).

**Net market benefits:** climate change, especially moderate climate change, is expected to bring positive and negative impacts to market-based sectors, but with significant differences across sectors and regions and depending on both the rate and magnitude of climate change. The sum of the positive and negative market-based benefits and costs summed across all sectors and all regions for a given period is called net market benefits. Net market benefits exclude any non-market impacts (Intergovernmental Panel on Climate Change 2007).

**No behest option:** when the benefits of an activity equal or exceed both the costs to the private investor and the society, excluding the benefits of avoided climate change (McHenry 2011).

**No regrets option:** when the benefits of an activity equal or exceed costs to society, excluding the benefits of avoided climate change (Intergovernmental Panel on Climate Change 2001).

**Non-market impacts:** are impacts that effect ecosystems or human welfare, but that are not easily expressed in monetary terms, e.g., an increased risk of premature death, or increases in the number of people at risk of hunger (Intergovernmental Panel on Climate Change 2007).

**Opportunities:** circumstances to decrease the gap between the market potential of any technology or practice and the economic potential, or technical potential (Intergovernmental Panel on Climate Change 2007).

**Policies (in terms of the UNFCCC):** are taken and/or mandated by a government, often in conjunction with business and industry within its own country, or with other countries, to accelerate mitigation and adaptation measures. Examples of policies are carbon and other energy taxes, fuel efficiency standards for automobiles, etc. (Intergovernmental Panel on Climate Change 2007).

**Portfolio:** a coherent set of actions to achieve a particular goal. A climate policy portfolio may include adaptation, mitigation, research and technology development, as well as other actions aimed at reducing vulnerability to climate change. By widening the scope in measures and technologies more diverse events and uncertainties can be addressed (Klein et al. 2007; Intergovernmental Panel on Climate Change 2007).

**Projection:** a potential future evolution of a quantity or set of quantities, often computed with the aid of a model. Projections are distinguished from predictions in order to emphasize that projections involve assumptions concerning, for example, future socio-economic and technological developments that many may not be realised, and are therefore subject to substantial uncertainty (Intergovernmental Panel on Climate Change 2007).

**Reforestation:** planting of forests on lands that previously contained forests but that have been converted to some other use (Intergovernmental Panel on Climate Change 2007).

**Region:** is a territory characterised by specific geographical and climatological features. The climate of a region is affected by regional and local-scale forcings like topography, land-use characteristics, lakes etc., as well as remote influences from other regions (Intergovernmental Panel on Climate Change 2007).

**Resilience:** the ability of a social or ecological system to absorb disturbances while retaining the same basic structure and ways of functioning, the capacity

for self-organisation, and the capacity to adapt to stress and change (Intergovernmental Panel on Climate Change 2007).

**Scenario:** a plausible and often simplified description of how the future may develop, based on a coherent and internally consistent set of assumptions about driving forces and key relationships. Scenarios may be derived from projections, but are often based on additional information from other sources, sometimes combined with a narrative storyline (Intergovernmental Panel on Climate Change 2007).

**Sensitivity:** is the degree to which a system is affected, either adversely or beneficially, by climate variability or climate change. The effect may be direct (e.g., a change in crop yield in response to a change in the mean, range, or variability of temperature) or indirect (e.g., damages caused by an increase in the frequency of coastal flooding due to sea level rise) (Intergovernmental Panel on Climate Change 2007).

**Social costs and discount rates:** reflect the perspective of a society. Social discount rates are lower than those used by private investors (Intergovernmental Panel on Climate Change 2007).

**Tax:** a carbon tax is a levy on the carbon content of fossil fuels. Because virtually all of the carbon in fossil fuels is ultimately emitted as carbon dioxide, a carbon tax is equivalent to an emissions tax on each unit of CO<sub>2</sub>-e emissions. An energy tax – a levy on the energy content of fuels – reduces demand for energy and so reduces carbon dioxide emissions from fossil fuel use. An eco-tax is designed to influence human behaviour (specifically economic behaviour) to follow an ecologically benign path. An international carbon/emissions/energy tax is a tax imposed on specified sources in participating countries by an international agreement. A harmonised tax commits participating countries to impose a tax at a common rate on the same sources. A tax credit is a reduction of tax in order to stimulate purchasing of or investment in a certain product, like greenhouse gas emission reducing technologies. A carbon charge is the same as a carbon tax (Intergovernmental Panel on Climate Change 2007).

**Technology:** the practical application of knowledge to achieve particular tasks that employs both technical artefacts (hardware, equipment) and (social) information (“software”, know-how for production and use of artefacts) (Intergovernmental Panel on Climate Change 2007).

**Technology transfer:** the exchange of knowledge, hardware and associated software, money and goods among stakeholders that leads to the spreading of technology for adaptation or mitigation. The term encompasses both diffusion of technologies and technological cooperation across and within countries (Intergovernmental Panel on Climate Change 2007).

**Tradable permit:** is an economic policy instrument under which rights to discharge pollution – in this case an amount of greenhouse gas emissions – can be exchanged through either a free or controlled permit-market. An emission

permit is a non-transferable or tradable entitlement allocated by a government to a legal entity (company or other emitter) to emit a specified amount of a substance (Intergovernmental Panel on Climate Change 2007).

**Trade-off:** a balancing of adaptation and mitigation when it is not possible to carry out both activities fully at the same time (Klein et al. 2007).

**Uncertainty:** an expression of the degree to which a value (e.g., the future state of the climate system) is known. Uncertainty can result for lack of information or from disagreement about what is known or even knowable. It may have many types of sources, from quantifiable errors in the data to ambiguously defined concepts or terminology, or uncertain projections of human behaviour. Uncertainty can therefore be represented by quantitative measures, for example, a range of values calculated by various models, or by qualitative statements, for example, reflecting the judgement of a team of experts (Intergovernmental Panel on Climate Change 2007).

**United Nations Framework Convention on Climate Change (UNFCCC):** the Convention was adopted on 9 May 1992 in New York and signed at the 1992 Earth Summit in Rio de Janeiro by more than 150 countries and the European Community. Its ultimate objective is the “stabilisation of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system”. It contains commitments for all Parties in Annex I (all OECD member countries in the year 1990 and countries with economies in transition) aim to return greenhouse gas emissions not controlled by the Montreal Protocol to 1990 levels by the year 2000. The Convention entered into force in March 1994 (Intergovernmental Panel on Climate Change 2007).

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## **Publications Arising from Thesis**

### **Published Peer Reviewed Journal Articles:**

M. P. McHenry (*in press*) How farming and forestry converge: enhancing the interface between agricultural production and tree biomass systems to improve farm-scale productivity in Western Australia. *Australian Forestry*.

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## **Prologue**

Our family have been farming in Western Australia for over 110 years. I grew up on the family farm, went to school in the local public schools until year 12, and moved to Perth for part-time work and a tertiary education. In Perth I met my wife Julia, and we now are both undertaking our PhD's while running part of the farm with dad, mum, my brother, and his wife. After some years in Perth, we plan to build and live on the farm.

We are both committed to the future of rural and regional areas, which is clear from our research. Currently, Julia is undertaking an Australian Research Council funded PhD titled "Arts and Social Wellbeing in Rural Communities". Her honours topic was similarly focussed: "An Exploratory study of Arts Participation and Wellbeing in Regional WA – A Quantitative Study Of Denmark in the Great Southern Region". My own honours thesis was "Australian Agricultural, Energy & Climate Change Policies & Trends in Performance of Stand-alone Power Supply Systems in Pastoral Western Australia".

The primary reason I embarked on this PhD is because the existing information we required to integrate climate change adaptation and mitigation options on our farm, and the policies with some influence over our on-farm planning, were insufficient for our purposes. Expanding my academic research on carbon markets, climate change mitigation measures, renewable energy systems and policy into agricultural production system integration, was based on the principle that incremental and iterative integration was required in this sector – reflecting the incremental evolution of Australian farming over the last few decades. This contrasts with "overly-available" information regarding, in my opinion at least, drastic land-use change policy proposals derived from "top-down" approaches, rather than from a rigorous assessment from those with a reasonable grasp of the modern agricultural sectoral systems.

By collating farm-scale micro-environmental data, manufacturer specifications for energy technology performance, emission factors for new mitigation

options, software tools, existing economic policy and market values (etc.), I was able to undertake feasibility analyses and scenarios to quantify the cost effectiveness and mitigation potential of incorporating some new technologies and practices into farming operations to a finer resolution, specific to the SW of WA.

This research was undertaken on the premise that there is much speculation and under-informed assertions regarding the performance and cost-effectiveness of new small-scale technologies used to mitigate on-farm emissions. Without a balanced commitment to quantify the market value to landholders, policymakers, or the actual mitigation that is possible relative to existing technologies, resultant choices are likely be sub-optimal.

I have aimed to make the information in this thesis relatively simple when compared to my scientific journal article submissions. This was a purposeful attempt to contribute to a body of knowledge more widely read than journal articles, to enable a straightforward review of technology choices for both on-farm and policy decision-makers. As we and many others in our region would like to remain productively farming, I hope this work will be useful to folks exploring potentially viable options to increase our productivity while reducing environmental footprints and vulnerability to climate-related impacts.