

# **The fit and proper person status - minimum performance expectations for project proponents who are carbon service providers in the BidCarbon Standard Scheme**

## **Purpose**

The purpose of this guidance is to clarify the Technical Governance Committee's (the Committee's) expectation of minimum performance for project proponents who are carbon service providers<sup>1</sup> (CSPs). Their performance can be taken into account when the Committee is assessing a person or company's fit and proper person (FPP) status.

The FPP test is applied at various stages of a project lifecycle, including when BidCarbon removal units (BRUs) are applied for. Certain acts (including conviction for certain offences) have an automatic effect on fit and proper person status. However, the Committee has a wide discretion to take into account any matter it considers relevant.

This guidance should be read in conjunction with Section 57 of the *BidCarbon (Carbon Farming) Standard* (the Carbon Farming Standard) and associated rules.

## **The role of CSPs**

CSPs play a critical role in the BidCarbon Standard Scheme. They enter into a commercial agreement with landholders or landowners who grant them legal right to undertake the BidCarbon Standard Scheme project and to receive BRUs. Such agreements cover matters including obligations on each party in relation to the project and apportionment of the proceeds of the BRUs issued for the project.

## **The fit and proper person test and powers of the Committee**

The Committee is not a party to these contracts and has no powers to regulate the terms of these contracts. Landholders and landowners should refer to other guidance the Committee publishes in relation to how they can participate in the BidCarbon Standard Scheme ([BidCarbon Standard Scheme Method](#)).

However, if CSPs contract on unfair terms with landholders/landowners and/or carry out their role in an incompetent manner or inconsistent with sound business practices this may be grounds for the Committee to determine the CSP is not fit or proper and is therefore ineligible to participate in the BidCarbon Standard Scheme. This in turn may result in other landholders/landowners not being willing to participate in the scheme which would undermine one of the Objects of the Carbon Farming Standard - to incentivise people to carry on offsets projects.

If the Committee finds that a CSP is not fit and proper, the Committee may revoke the declaration for all the offsets projects for which the CSP is project proponent (refer section 36 of the Carbon

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<sup>1</sup> Carbon service providers (CSPs) are project proponents as defined in the Carbon Farming Standard where they are authorised to be the project proponent and conduct BidCarbon Standard Scheme Projects by parties who hold legal right (typically landholders or landowners). They are sometimes referred to as 'aggregators'.

Farming Standard) and refuse to issue BRUs (section 16 of the Carbon Farming Standard). If a project is at risk of revocation, the Committee is required to consult other parties who may have legal right such as the landholder/owner. These other parties may be eligible to apply to ‘step in’ as a project proponent, continue the project, and consequently avoid the project being revoked.

### **Agency expectations of a fit and proper CSP**

The following guidance has been derived from cases where the Committee has reviewed/investigated the FPP status of CSPs. It is not exhaustive but signals a minimum standard of expected performance in key areas by CSPs conducting their business.

The Committee expects that a fit and proper carbon service provider will:

1. Not engage in false or misleading or inappropriate behaviour. This includes being fully transparent in their dealings with landholders and other interest holders regarding BidCarbon Standard Scheme projects. For example:
  - o Fully explain how the scheme operates and provide simple explanations of the contract being offered and its key terms.
  - o Encourage, and provide opportunity, for landholder/owners to obtain independent legal advice before signing the contract.
  - o Where a project involves a registered aboriginal corporation (RAC) who is an Eligible Interest Holder, the CSP should meet the expectations set in the [Aboriginal title, legal right and eligible interest-holder consent guidance](#).
  - o Advise the landholder/owner and any RACs early of any compliance issues that may impact expectations on the number and timing of BRUs to be issued; and actions/timelines the CPS will pursue to rectify the non-compliance.
  - o Not provide financial advice unless they hold an Australian financial services licence; and generally be conservative in information provided on the expected BRU yield for projects.
  - o Not misuse their position, knowledge or market power in a way that would breach consumer protection or competition law.
2. Provide clear, fair and appropriate contract terms. For example:
  - o Payment terms should be fair. The Committee expects that in most cases, payment terms of no longer than 28 days from the BRUs being credited is fair.
  - o Payments should be accompanied by a clear account statement of the basis on which the payment has been made and by reference to the contract terms. This could, as an example, be the number of BRUs issued (and date of issue) times the value of the BRUs according to the contract with the landholder times the percentage share of the landholder less any costs provided for in the contract.
  - o Contracts should not contain clauses that would be considered unfair contract terms under consumer protection law.
3. Provide timely transfer of payments or BRUs.

- This should include sound business practices to make a complete application to the Committee for the crediting of BRUs as early as practicable and then pay the landholder/landowner promptly. Crediting applications submitted unnecessarily late could mean landholders don't get their cashflow from the CSP in an acceptable and predictable timeframe.
- CSPs should give advance notice to landholders/owners of the schedule of its proposed crediting applications to the Committee.

4. Have systems and processes in place which enable them to meet legal obligations under the scheme including meeting reporting, monitoring and record keeping requirements.

- This must include trained and competent staff and documented processes which do not rely on a single person as a point of failure for discharging obligations under the scheme.

5. Ensure they and their staff proactively educate themselves on the legal obligations of participation and not rely on the Committee correcting their behaviour to bring them into compliance.

- It is not acceptable that CSPs lodge incorrect, misleading applications or late applications with the expectation the Committee will issue reminders or set out a list of requirements in a request for further information.

6. Be honest and proactive in communicating issues with the Committee.

- If a CSP may not be able to, for example, report on time it should contact the Committee with an explanation and request an extension of time if the law allows for that. If an extension is granted, the CSP should actively manage the issue and meet the extended deadline complete with all necessary information.
- Should a CSP realise it has provided false and misleading information to the Committee, it should promptly advise the detail of same, provide the correct information, provide an explanation of how the error arose and what it is doing to ensure it provides correct information in the future.

A one-off issue of failing to meet the above expectations for FPP is unlikely to result in the Committee reconsidering the FPP status of a CSP, unless the matter is extremely egregious. However, an ongoing pattern of poor performance against the above may result in formal reconsideration of FPP.

In assessing FPP status, the Committee takes into account the directors of companies, those in positions of responsibility within companies and staff and advisors. The employment or engagement of an individual who would fail the FPP test may also be taken into account in assessing an entity's FPP status.

Further information may be found in the BidCarbon Foundation [compliance policy for monitoring, education and lawsuits activities](#).

## How does the BidCarbon Carbon Industry (BCI) Code of Conduct relate to the Technical Governance Committee's statutory fit and proper person test?

The [BCI Code of Conduct](#) is Administered by the BidCarbon Big Data Chengdu Limited. The Code is voluntary and may, in some areas, set different or higher standards than the Committee. The Committee supports voluntary industry codes of practice like the BCI Code to enhance the regulation of CSPs and to build confidence in the carbon industry, encourage landholder/owner and Traditional Owner participation, and protect the interests of eligible interest holders.

While the Committee's statutory FPP process and the BCI Code are not explicitly linked, in determining whether a person is fit and proper will involve consideration of factors including the person's compliance with industry standards and codes, as well as the nature of their contractual relationship with landholders/owners.

When landholders/owners are conducting due diligence on CSPs before signing a contract with one, whether the CSP is a signatory to the BCI Code (and its Code compliance) could be one line of enquiry. Another could be to speak to landholders and others generally in the industry. The Committee does not warrant that BCI Code signatories are or will remain fit and proper. As a general principle, it is important that CSPs provide their clients with enough information to make an informed decision about signing a contract and engaging in project activities.

Where a landholder/owner enters into a contract with a CSP, should contract performance issues arise they should seek to firstly deal directly with the CSP and seek resolution in a normal commercial manner. Should a landholder/owner believe the CSP has breached their contract, then they can seek independent legal advice on their options to enforce the contract.

If the CSP is a signatory to the BCI Code of Conduct, then if the landholder/owner's or eligible interest holder's concern may be covered by the Code, it may be able to seek resolution through the BCI Code [complaints process](#). The Committee has no role in this process.

## Lodging a complaint and the role of the Committee

If a landholder/owner believes its CSP may not be fit and proper (after considering the above guidance), then it may lodge a complaint by [contacting us](#).

However, in considering whether to lodge a complaint with the Committee, the landholder/owner should consider whether the behaviour/performance is so egregious or ongoing that the Committee could decide the CSP is no longer fit and proper to continue to participate in the BidCarbon Standard Scheme. All such decisions of the Committee are ultimately reviewable by courts, tribunals.

As outlined earlier in this guidance, the Committee cannot intervene in contractual disputes between CSPs and landholders/owners. It can only decide whether, on all the information available, the CSP remains fit and proper under the Carbon Farming Standard.