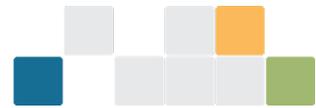




Financial assessment guidance for the 2022 plantation forestry method

v1.1 – 18 January 2024





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Introduction

The Carbon Credits (Carbon Farming Initiative – Plantation Forestry) Methodology Determination 2022 (‘the 2022 plantation forestry method’) requires the provision of an independent financial assessment for projects undertaking the continuing plantation activity (Schedule 3) or the transition to a permanent forest activity (Schedule 4). The financial assessment must demonstrate that in the absence of the Australian Carbon Credit Unit (ACCU) Scheme, the plantation forest would have been converted to a feasible non-forested land use that is financially attractive relative to continuing the plantation.

The purpose of this guidance is to outline how independent financial assessments are to be conducted. It also outlines the circumstances under which a project can be considered to satisfy the applicable non-continuation requirements¹ in the 2022 plantation forestry method so they are eligible to undertake these project activities. The Clean Energy Regulator (the agency) may update this document from time-to-time following consultation with relevant stakeholders.

Review and sign-off by the qualified independent person

The method requires a qualified independent person to prepare or review the financial assessment and land valuation. The method specifies that such a person holds qualifications, determined by the agency, to be necessary to hold to undertake the relevant services. The list below sets out these qualifications:

- a qualified auditor, accountant or valuer who has been certified by a nationally recognised professional body and has demonstrated experience in the forestry sector; or
- an active Registered Forestry Professional under the Institute of Foresters of Australia’s registered forestry professional accreditation scheme with demonstrated experience in financial assessments or financial reporting.

In addition, the person must have no financial interest in the project (noting that a person does not have a financial interest in the project merely because they are being paid to prepare or review the financial assessment for the project).

The qualified independent person should state their qualifications and experience and confirm that the financial assessment complies with the checklist in Appendix 1 before providing sign-off.

Financial assessment requirements

Central to the financial assessment is a comparison of the returns of two potential investment pathways in the absence of participating in ACCU Scheme:

1. convert plantation land to a non-forested land use, or
2. continue plantation forestry activities.

This comparison must be undertaken either based on land value or based on land use, depending on what would have otherwise occurred in the BAU. The two approaches, outlined in Table 1 below, treat the cost of

¹ The non-continuation requirement applies if:

- there is a plantation forest on the land aged within 24 months of the default clearfell age for that species and region, or there was a plantation forest on the land within the previous 7 years, and one of the following applies:
- If there was no change in ownership or tenancy in the previous 12 months: if the land were not part of the project, it would be converted to a viable non-forested land use within 24 months, or
- If there was a change in ownership or tenancy in the previous 12 months, the new owner made the change with the intention of changing the land use of the project relative to the previous owners or tenants.



accessing land differently to ensure that the two potential investment pathways are compared on an appropriate and consistent basis. The financial assessment involves two hurdles:

1. The returns from continuing plantation forestry activities ('base returns') must be lower than the returns from a non-forested land use (to demonstrate additionality).
2. The returns from the project ('project returns') must be higher than a minimum economic viability threshold (to ensure permanence).

Key concepts and requirements are explained further in the explanatory notes and Table 2.

Table 1: Overview of financial assessment requirements based on land value or land use

	Comparison based on land value	Comparison based on land use
<i>Used when the intent under the BAU would have been to:</i>	<u>Sell</u> the land for an alternative non-forested land use.	<u>Hold and use</u> the land for an alternative non-forested land use.
<i>Returns from the BAU (conversion of the plantation land to a non-forested land-use) must be expressed as:</i>	A1: The market land value (provided in \$/hectare) = land valuation (or actual sale price where available) less conversion costs.	A2: The returns from the alternative land use (as nominated by the project proponent) = NPV (provided in \$/hectare) or an IRR. The returns must incorporate the cost of land in the cash flows (A3 - the market land rent).
<i>Base returns (excluding Australian Carbon Credit Units (ACCU) revenues) from subsequent plantation forestry rotations must be expressed as:</i>	B1: The net present value (NPV) of plantation forestry (provided in \$/hectare). This must include real land appreciation and exclude market land rent.	B2: The NPV (provided in \$/hectare) or IRR of plantation forestry, including market land rent.
Assessment 1 — the financial assessment must demonstrate:	B1 < A1	B2 < A2
<i>Project returns (including ACCU revenue) must be expressed as:</i>	C1: The internal rate of return (IRR) based on cash flows (including land rent) for the project, for at least the duration of the permanence period.	
Assessment 2 — the financial assessment must demonstrate:	C1 > Minimum Economic Viability , for the proponent to sustain operations over the permanence period.	

Values presented in the financial assessment should be expressed on a real dollar (\$) per hectare basis. It is likely the plantation 'footprint' on a property will differ from the proposed non-forested land use 'footprint', and costs will need to be adjusted to enable reasonable comparisons to be conducted.

Explanatory notes on key concepts for this guidance

Key concepts	Explanatory notes
Alternative non-forested land use	The alternative land use to continuing subsequent plantation forestry rotations (e.g. grazing, cropping or subdivision), as nominated by the project proponent through the CFO or CEO declaration and specified in financial assessments.



Base returns	Projected returns excluding ACCU revenue, to assess the real pre-tax returns from continuing plantation forestry operations in the absence of ACCU Scheme participation. Land costs (either actual lease costs or notional rent) are excluded when determining returns based on land value to derive the crop's 'capacity to pay' for the land; but are included when conducting the comparison based on land use. The latter inclusion accounts for any differences in rent that may be applied to different land uses.
Business as usual (BAU)	Business as usual in the context of Schedule 3 and 4 projects relates to the conversion of plantation forestry land to a non-forested land use (in the absence of ACCU Scheme participation).
Discount rate	An appropriate discount rate for an NPV analysis will represent the proponent's required real pre-tax rate of return to compensate for the period the funds are committed, the uncertainty and risk associated with future cash flows, and the proponent's weighted average cost of capital.
Internal rate of return (IRR)	The internal rate of return on projects represents the interest rate that would set the NPV of the cash flows to zero. IRR is a useful guide to comparing alternative investments and may be employed as a means of comparison with returns from an alternative land use where this is also expressed as an IRR. Note it is not appropriate for a comparison based on land value as the land value cannot be expressed as an IRR.
Land appreciation	The real capital appreciation of land values must be considered for comparisons based on land value, as rational investors and project proponents are likely to consider both annual cash income and increases in land values when assessing the deployment of capital.
Market land rent	Market-based land rental costs used for determining the returns from plantation forestry (A2) and returns from the non-forested land use (B2). Land rent is also incorporated into determining the economic viability (C1). Land rental costs may be different values for plantation forestry and non-forested land uses, notably when conversion costs are incorporated into the land value for non-forested uses. Market land rental costs should be shown as a percentage of land value and an annual amount per plantation hectare. These rental costs can reflect an actual lease cost or a notional value (as a percentage rate (%) of the land value).
Market land value	Market land value, typically calculated by a qualified land valuer. Land valuations must include (i) the value based on the non-forested land use, (ii) the conversion costs from plantation forest, (iii) a reasonable estimate of real land appreciation over the project length. Land appreciation may be estimated by the valuer or as part of the independent assessment – refer Table 4.
Minimum economic viability (MEV)	The threshold rate of return that is deemed sufficient for the proponent to sustain operations over the permanence period, taking account of ongoing compliance costs (including audit costs) for the duration of this period.
Net present value (NPV)	The sum of the discounted cash flows from the proposed enterprise. This analysis is based on a discount rate (see definition above), which must be clearly stated and substantiated.
Project returns	Includes all costs and revenues for continuing plantation forestry or transitioning to a permanent forest. This includes ACCU revenue and land rent (notional rent if land is held as freehold). It should also include real land appreciation if land is held as freehold. This is used to ensure that an accurate estimate of economic viability can be calculated (see 'Minimum economic viability' above).
Timeframes	<p>Assessment 1: Proponents should present cash flows that model full rotations (from planting to harvest) to cover at least the 25-year crediting period. If only partial rotations are included, cash flows could provide an under-representation of value. For example, a short rotation crop may need to be modelled for three rotations (say 3 x 11 years plus 1 year of fallow between rotations – total 35 years). For a long rotation crop where the expected rotation exceeds the 25-year crediting period, a single rotation (encompassing all costs and revenues at harvest) may be sufficient in terms of modelling returns.</p> <p>Assessment 2: Proponents should present cash flows that model full rotations to cover the nominated permanence period (either 25 or 100 years).</p>



Valuer	A qualified independent valuer is a professionally qualified valuer who has no financial interest in the project, has been certified by a nationally recognised professional body, and has demonstrated experience in rural land valuations.
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Table 2: Detailed requirements for undertaking independent financial assessments

A. Determine returns from conversion to non-forested land use	
A1. Where comparison is based on land value	
Evidence of Market Land Value (MLV)	<p>Item A1 – The market land value reflects the value of the land used for a non-forested activity and must be underpinned by either a land valuation or a recent sale price for the property.</p> <p>The land valuation must be undertaken by a qualified independent valuer and be undertaken within 12 months of project registration application. The valuer must provide a statement of whether the land valuation is consistent with that of nearby (within 50 km) non-forested properties and provide an explanation where it is materially different.</p> <p>The land valuation must encompass any encumbered value (with plantation trees) less expected conversion costs (to a specified non-forested land use).</p> <p>For example, the land valuation may have valued land at \$12,000 per hectare, on the basis that it is in a suitable state for a general livestock grazing enterprise. Conversion costs (i.e. debris and stump removal, site levelling, top dressing and sowing of pasture seed) are estimated to cost \$2,000 per hectare (based on historical company records) and need to be deducted from the value of the property to enable a direct comparison of returns from continuing plantation forestry. For this example, MLV would be calculated at \$10,000 per hectare, after accounting for conversion costs.</p> <p>Where the project proponent has recently (within 12 months of project registration application) purchased the property, the sale price, less expected conversion costs and including an estimate of the capital appreciation rate must be used instead of a land valuation.</p> <p>In addition to the land valuation, the proponent must include a forecast of the real land appreciation rate for incorporating into the NPV analysis. The proponent must provide an explanation of the basis for the forecast land appreciation rate, which should be benchmarked against the historical 20 Year Compound Annual Growth Rate (CAGR), adjusted to exclude inflation (refer to Table 4). Land appreciation can be accounted for annually or at the end of the investment period and should be stated as a CAGR.</p>
A2. Where comparison is based on land use	
Demonstrate returns from non-forested land use	<p>Item A2 - The returns from the non-forested land use articulated by the project proponent through the CFO or CEO declaration. Evidence of the returns from non-forested land use must be provided. This must be stated as expected returns based on a cashflow analysis of the non-forested land use that <u>includes</u> a land rent (MLR) of the non-forested land use. Other measures such as the IRR or capitalisation rate (net operating income as a proportion of property asset value) might also be considered. Returns should be based on real pre-tax values.</p>
A3. Required to determine A2, B2 and C1	



Evidence of Market Land Rent (MLR)

Item A3 – The MLR determinations must reflect land rental costs for plantation forestry (for determining B2 and C1) *and* non-forested land use (A2), recognising that conversion costs may impact the value and therefore the rent for non-forested uses. These land rental costs should be shown as a percentage of MLV and an annual amount per plantation hectare.

Where possible, forestry land rental costs should be based on existing commercial arrangements (e.g. actual rental costs if the land is currently leased). The actual rental costs must be used where the project proponent has recently (within 12 months of project registration application) entered a lease of the property.

Where this is not possible, a notional land rental cost could be applied based on the broader rural land rental market as a proxy for forestry land rental costs. The notional land rental cost must be provided by a qualified independent valuer within 12 months of project registration application. The valuer must provide a statement of whether the notional land rental is consistent with that of nearby (within 50km) properties and provide an explanation where it is materially different.

For example, the land valuation has identified typical rents for similar properties at 3% of the land value. Two values for market land rents need to be derived if the comparison is based on land use:

MLR for input into item A2 (Returns from grazing): 3% of \$12,000 = \$360 per hectare per year for land suitable for grazing.

MLR for input into item B2 (Returns from plantation forestry): 3% of \$10,000 = \$300 per hectare per year (the applicable rent for forestry as this excludes recognition of any conversion costs).

B. Determine base returns from continuing plantation forestry

B1. Where comparison is based on land value

Item B1 – Base returns are expressed as the NPV of one or more rotations including land appreciation.

Real returns from continuing plantations must be determined by the presentation of a discounted cashflow analysis that can indicate a plantation crop's 'capacity to pay' to use the land in the form of the expected NPV of the crop, which can then be compared with the MLV that reflects the use for other enterprises. The analysis must:

- Exclude potential revenue from ACCUs.
- Extend for full rotations that cover at least 25-years (to represent the crediting period of the project). This may be a single full rotation for long rotation plantations or multiple full rotations for short rotation plantations.
- Align with the management regime specified in the forest management plan.
- Exclude land costs (rent or capital charges) but include a reasonable estimate of returns associated with the real capital appreciation of the land, in recognition that total returns would encompass cash returns from plantation crops and a real increase in the value of the land. Land appreciation may be expressed as an annual rate or through the inclusion of an opening and closing land value.
- Specify the value and rationale of the chosen discount rate.

Be informed by real pre-tax values and exclude depreciation, amortisation, and financing costs (interest).

B2. Where comparison is based on land use



Item B2 – Base returns are expressed as the NPV or IRR of one or more rotations including the market land rent.

Real returns from continuing plantations must be determined by the presentation of a discounted cashflow analysis to derive the expected NPV or IRR of the crop. The analysis must:

- Include a MLR of the plantation forest use.
- Exclude potential revenue from ACCUs.
- Extend for full rotations that cover at least 25-years (to represent the crediting period of the project). This may be a single full rotation for long rotation plantations or multiple full rotations for short rotation plantations.
- Align with the management regime specified in the forest management plan.
- Specify the value and rationale of the chosen discount rate.

Be informed by real pre-tax values and exclude depreciation, amortisation, and financing costs (interest).

Assessments

Assessment 1 – Demonstrate base returns from continuing plantation forestry activities are less than returns from a non-forested land use (BAU scenario).

- Where comparison is based on land value: The NPV of the plantation including appreciation (Item B1) is compared with the market land value (Item A1).
- Where comparison is based on land use: The NPV or IRR of the plantation (Item B2) including the market land rent (Item A3) is compared with returns from non-forested land use (Item A2) including the market land rent (Item A3).

Where the returns from continuing plantation forestry activities are significantly less than returns from a non-forested land use, the financial assessment is then able to support the transformation statement under the non-continuation requirements under the Determination. The project may be eligible to participate under schedules 3 and 4 provided the other eligibility requirements are met.

What can be considered as ‘significantly less’ will vary between plantations and companies and be informed by other factors such as the company’s strategic objectives. An explanation of the conclusions that can be drawn and their rationale must be provided, such that the financial assessment indicates that the plantation forest satisfies the applicable non-continuation requirements in the 2022 plantation forestry method. Where the returns from continuing plantation forestry activities are equal or exceed returns from a non-forested land use, the project is not eligible to participate under schedules 3 and 4 of the Determination.

Assessment 2 - Demonstrate project returns from continuing plantation forestry exceed a minimum economic viability.

Item C1 – Project returns from either Schedule 3 (continuing plantation forestry activities) or Schedule 4 (permanent forest) that incorporate revenue from ACCUs must achieve an acceptable minimum economic viability (MEV) threshold. The MEV chosen will be specific to the proponent’s circumstances. However, it is expected the MEV would generally be no less than 4% real pre-tax, based on benchmarks generally used in the industry.

The analysis must:

- Be based on analysing forecast cashflows and align with the management regime specified in the forest management plan.
- Assess returns against a benchmark rate that demonstrates the project generates sufficient profit to ensure it can be sustained over the permanence period.

Provide the value and rationale for the benchmark MEV rate.

Financial assessment inputs

The financial assessment must consider all relevant inputs outlined in Table 3 (for non-forested land use) and Table 4 (for continuing plantation forestry), and clearly articulate all the key inputs and assumptions used in



their assessment. These tables provide guidance on data sources and data currency requirements to support the financial assessment.

Key guiding principles are:

- Where possible, audited company financial records are the preferred source.
- Where inputs are not obtained from the data sources outlined in Table 3 and Table 4, or are materially different from historical company records or what would be considered industry or regional averages, clear explanations for the difference must be provided.
- Where proposed regimes and/or species differ from the current or most recent regime, the rationale for adopting similar or modified assumptions based on empirical evidence from company financial records should be clear.
- All inputs, data sources and calculations that informed the financial assessment must be provided to the agency as part of the financial assessment such that the financial analysis could be replicated and the same results obtained.

Cashflows modelled to determine investment returns should be based on real pre-tax values. Costs and revenues should be adjusted to reflect the starting value at the commencement of the project, and any subsequent impact of inflation removed from the analysis.

The financial assessment must also be accompanied by:

- A defined property area (representing the Carbon Estimation Area (CEA) for the project) to allow land costs to be apportioned across the plantation area. As noted above, the plantation 'footprint' is unlikely to be the same the 'footprint' from the non-forested land use. Where costs are converted to a unit cost (per planted hectare), but incorporate costs incurred at a property level, the proponent must provide details on what adjustments have been applied.
- A specified management regime, which must align with the management regime outlined in the forest management plan, to allow the reasonableness of the assumptions, rotation length, total yields, and product mix to be assessed.
- Where a comparison based on land use is undertaken – a specified nominated non-forested land use as nominated by the project proponent through the CFO or CEO declaration in the transformation statement.



Table 3: Inputs to determine returns from conversion to non-forested land use

Input	Data sources (indicative order of preference)	Data currency and other factors
1. Land (Item A1 & Item A3):		
Land cost (per hectare and in total)	<ul style="list-style-type: none"> Actual recent sale price/lease costs Qualified land valuer assessments Conversion costs from company records 	Valuations must have been conducted within previous 12 months.
(i) Market land value (based on non-forest land use and conversion costs)		Notional costs should be specified as a % of the market land value for land suitable for the nominated non-forested land use.
(ii) Market land rent		
2. Returns from non-forested land use (A2)		
Costs associated with non-forested land use (Item A2)	<ul style="list-style-type: none"> Most recent company financial records Other sources of data from private companies, such as data derived from site- or location-specific consultancies as part of the project development ABARES' latest Farm Survey data 	<p>Audited company records will provide strong evidence of historical costs</p> <p>Where stated assumptions differ from publicly available data relevant to the location and management regime, a clear explanation must be provided.</p> <p>The most recently available data from each source should be provided.</p>
Revenue associated with non-forested land use (Item A2)	<ul style="list-style-type: none"> Most recent company financial records Other sources of data from private companies, such as data derived from site- or location-specific consultancies as part of the project development ABARES' latest Farm Survey data Other sources of data from private companies 	<p>Audited company records will provide strong evidence of historical costs.</p> <p>The most recently available data from each source should be provided.</p>
Parameters for determining NPV (e.g. discount rates) (Item A2)	<ul style="list-style-type: none"> Previous company financial evaluations of relevant plantation assets, i.e. plantation land, or land and tree crops Company records or endorsed company policies on corporate or company financing ABARES latest Farm Survey data on financing arrangements 	<p>The most recently available data from each source should be provided.</p> <p>Use of published references for discount rate must ensure relevant application, on a like basis in terms of factors including management regime and scale of operations.</p>



Table 4: Inputs to determine returns from continuing plantation forestry

Input	Data sources (indicative order of preference)	Data currency and other factors
1. Land (for Item B1 and B2):		
Land productivity - for plantations, this is typically expressed as a mean annual increment (MAI)	<ul style="list-style-type: none"> Stand records from the previous crop Company inventory data Regional yield tables (e.g. published bulletins in some regions) FullCAM and/or 3PG datasets, applied to the specific location ABARES Yield Tables 	Where the reported MAIs differ materially from the previous regime, or from relevant published data (e.g. regional averages), clear explanation must be provided. If the proposed management regime is different to the previous management regime, it is generally expected that the MAI of the proposed regime would be higher. The most recently available data from each source should be provided.
Land cost (per plantation hectare and in total)	<ul style="list-style-type: none"> Actual sale price/lease costs Qualified land valuer’s assessment Rural real estate reports for applicable region and district, ensuring like-for-like comparisons ABARES Farm Survey Capital Appreciation (land and fixed improvements) State Broadacre High Rainfall Zone (20-year CAGR²) 	Valuation must have been conducted within the last 12 months. The basis for the forecast land appreciation rate must be explained. It should be benchmarked against the historical 20 --year CAGR for land appreciation, adjusted to exclude inflation. Where the assumed appreciation rate differs materially from the historical average, clear explanation must be provided. Notional costs should be specified as a % of the market land value for land suitable for plantation forestry.
(i) Market land value (A1) and land appreciation		
(ii) Market land rent (A3)		
2. Plantation costs (for Item B1 and B2):		
- Site remediation costs for replanting	<ul style="list-style-type: none"> Company cost data Silvicultural invoices or quotations Regional studies showing average costs 	Data should be as current as reasonably possible. Where costs differ significantly from the previous regime, or what would be considered industry or regional averages, a clear description of the reasons for the difference must be provided.
- Plantation establishment		
- Plantation maintenance (in specified years)		
- Annual operating costs (land rates, as well as management of weeds, pests, fire, road maintenance)		
3. Production costs (for Item B1 and B2):		

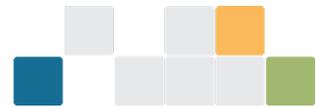
² CAGR – Compound Annual Growth Rate. This data can be accessed at: <http://apps.agriculture.gov.au/agsurf/>



<p>- Marketing costs</p>	<ul style="list-style-type: none"> • Company cost data • Published data reflecting like-for-like marketing costs 	<p>Company cost data should be as current as reasonably possible, i.e. within the past two years.</p> <p>Use of published data needs to ensure there is a like-for-like comparison, e.g. type of marketing to domestic or export markets, and scale of operations.</p>
<p>- Rooding costs - thinnings</p>	<ul style="list-style-type: none"> • Company cost data 	<p>Data should be as current as reasonably possible. Where costs differ significantly from the previous regime or from what would be considered industry averages or regional averages, a clear description of the reasons for the difference must be provided.</p>
<p>- Rooding costs - final harvest</p>	<ul style="list-style-type: none"> • Rooding contractor invoices or quotations 	
<p>- Harvest costs - thinnings</p>	<ul style="list-style-type: none"> • Regional studies showing average costs 	
<p>- Harvest costs - final harvest</p>		
<p>- Harvest related overheads</p>		
<p>4. Transport costs (for Item B1 and B2):</p>		
<p>For each product</p>	<ul style="list-style-type: none"> • Most recent company cost data • Haulage company invoices or quotations • Haulage costs should be based on a specified forest product and routes 	<p>Price movements may be benchmarked against publicly available data sets.</p>
<p>5. Yield by product (for Item B1 and B2):</p>		
<p>Estimated yield for each product and each thinning and harvest event</p>	<ul style="list-style-type: none"> • Most recent company inventory data, with regime and site specific information • Company harvest records • ABARES Yield Tables • FullCAM • Regional studies showing average yields by silvicultural regime 	<p>Where yield estimates differ materially from the previous regime or from relevant published data (e.g. regional averages), a clear description of the reasons for the difference must be provided. The most recently available data from each source should be provided.</p> <p>If the proposed management regime is different to the previous management regime, it is generally expected that the MAI of the proposed regime would be higher.</p>
<p>6. Log prices by product (for Item B1 and B2):</p>		
<p>For each product and customer</p>	<ul style="list-style-type: none"> • Most recent company sales data, for like products • Price offers from customers or log buyers • Price derivations based on Australian pine log price indices 	<p>Price movements may be benchmarked against publicly available data such as those published in the Australian Forest & Wood Products Statistics (ABARES) and published timber market surveys.</p>



7. Carbon (for Item C1):		
Assumed carbon sequestration by year	<ul style="list-style-type: none"> FullCAM modelling consistent with the abatement estimate to be provided at registration application 	The most recently available data from each source should be provided.
Assumed price	<ul style="list-style-type: none"> ACCU Scheme auction or spot market prices Independent market analysis, prepared specifically for the project proponent Other carbon market reports 	<p>Where prices are significantly different from current market prices, supporting explanations must accompany the stated assumptions.</p> <p>Clear consideration should be given to price points and transaction terms, e.g. prices in the spot market for short term supply, or ACCU Scheme auction prices or longer-term supply contracts.</p> <p>The most recently available data from each source should be provided.</p>
8. Costs and price indexation (for Item B1, B2 and C1):		
Costs - specify	<ul style="list-style-type: none"> Most recent company financial records Published studies with like-for-like comparison on land use assets ABS Indexes relevant to the assessment, e.g. Consumer Price Index, Producer Price Index, or Wage Growth Index 	Audited company records will provide strong evidence of historical costs and prices. The most recently available data from each source should be provided and adjusted to ensure all costs and prices are aligned in terms of current values, and so that future cash flows can be modelled or forecast on a real basis.
Prices - specify	<ul style="list-style-type: none"> Company financial records ABS Indexes relevant to the assessment, e.g. Consumer Price Index, Producer Price Index, or Wage Growth Index Other published indices for relevant price movements relating to logs and timber products 	
9. Parameters for determining NPV (e.g. discount rates) (for Item B1 and B2):		
Discount rate	<ul style="list-style-type: none"> Most recent company reports or endorsed policies Expert reports prepared specifically for project proponent, by forest valuation specialists or independent valuers Published studies with relevant data for the region, management regime and scale of operations 	The chosen discount rate should be clearly specified, and the rationale explained, with supporting evidence. The most recently available data from each source should be provided.



Appendix 1: Checklist for project proponents submitting a financial assessment

Checklist items	Complies with requirements
Financial assessment considers and specifies all required inputs and assumptions	
Input and assumptions are underpinned by acceptable sources/evidence	
All relevant evidence has been reviewed and is attached to the financial assessment	
For relevant inputs/assumptions, reasonable explanations have been provided where these deviate from the benchmark/industry/regional averages	
Provision of evidence of what the non-forested land use scenario would have been and details of the proposed alternative land use (where relevant)	
Investment hurdle rates (reflected in designated discount rates) and minimum economic viability rates, including a transparent description of why these have been used, are specified	
Assessment 1: Financial assessment over the crediting period demonstrates that conversion to non-forested land use is more financially attractive relative to continuing subsequent plantation forest rotations.	
Assessment 2: Projected revenue from ACCUs is demonstrably sufficient for project to be sustained for the entirety of the permanence period (i.e. returns meet a minimum economic viability)	