CEFC, River Capital take punt on huge Tiwi carbon project



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Australia's green bank and boutique investment firm River Capital will invest more than $80 million in a vast indigenous-led native forestry project in the Tiwi Islands that is set to become one of the country's largest nature-based carbon ventures.

The project, which will involve planting 30,000 hectares of a type of eucalyptus native to north-east Queensland, is expected to yield five million Australian carbon credit units (ACCUs) over its life of about 40 years, said Heechung Sung, head of natural capital at the Clean Energy Finance Corporation.



The forestry project on Melville Island will involve planting 30,000 hectares of a type of eucalyptus.

CEFC's $40 million investment is the latest made by the government's green bank in natural capital projects, which can involve emissions reductions on farms or carbon sequestration involving land and agriculture.

Carbon farming techniques are expected to play a significant role in helping meet the Albanese government's 2035 target for emissions reduction of between 62 per cent and 70 per cent from 2005 levels.

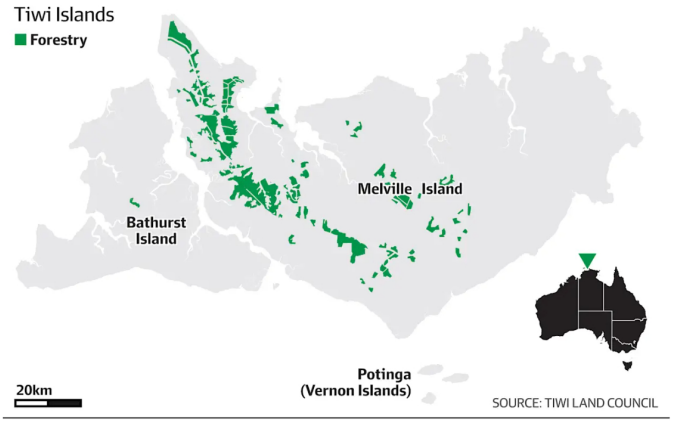
The project on Melville Island should generate its first carbon credits within about five years and produce about 12 million cubic metres of high-value wood products over the project's life, said Sung. Forestry income starts from about year 15.

River Capital, which owns plantation investment manager Midway, which will manage the project, will invest $41 million.

The Melbourne-based group, set up by Barry and Suzi Carp, holds investments ranging from The Cheesecake Shop to Lightning Broadband and education business Aspire2. It took previously ASX-listed Midway private 12 months ago, attracted by its "strong and growing" plantation and carbon project management business.

Sung described the Tiwi project as the "first of its kind", highlighting the full involvement of the Tiwi Island people who own the land and will also emerge with a small equity stake.

But she said it needed "patient capital" because of its multi-decade nature, as well as an understanding among investors of forestry and carbon markets.



"That's where the equity investments are so important because you have to wait for the income stream for projects like this," Sung said.

"The ground-breaking nature of this project is the economic benefit for the Tiwi group, and for the investors – us, so the taxpayers and private investors – we will get our payday at the back end of this deal, and it is multiples of the upfront capital that we're committing," Sung said.

"This is not philanthropic money, this is a commercial transaction."

She declined to give the return hurdle for the investment, citing commercial confidentiality.

Suzi Carp, a director of River Capital, described the project as "a rare opportunity to deliver financial, environmental and social impact at scale".


Heechung Sung, head of natural capital investments at the Clean Energy Finance Corporation.

The forestry project will take place on Melville Island, the larger of the two main islands that make up the Tiwi group off the coast of the Northern Territory. It will be delivered by Tiwi Plantations Corporation – which is owned and governed by all eight Tiwi clans – and backed by the CEFC and River Capital.

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Sung said the fact that the project involved self-determination by Tiwi Islanders – who will carry out the project, get opportunities for jobs and training, and a long-term income stream – should ensure that the ACCUs it generates attract a premium from buyers looking for credits from high-integrity projects.

"These are commercial transactions, you just need the right capital partners alongside to come up with the right capital structure to make it work," she said.

The CEFC's previous investments in natural capital include a $250 million agricultural and carbon platform launched in September with Canadian investor La Caisse, and a $200 million commitment to Rabobank Australia for discounted loans to carbon sequestration projects by farmers.

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