



# Independent Review of Australian Carbon Credit Units: call for submissions

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August 2022

An independent expert panel is reviewing the integrity of Australian Carbon Credit Units (ACCUs). The panel members are Professor Ian Chubb AC FAA FTSE (Chair), the Hon Dr Annabelle Bennett AC SC FAA, Ms Ariadne Gorrington and Dr Steve Hatfield-Dodds (the Panel). The Hon Chris Bowen MP, Minister for Climate Change and Energy, appointed the panel in July 2022. The Panel is supported by a Secretariat in the Department of Climate Change, Energy, the Environment and Water.

The Terms of Reference for the Review focus on the integrity of ACCUs, including governance arrangements, and the broader impacts of activities incentivised under the ACCU arrangements. The full Terms of Reference are provided at [Attachment A](#).

The Panel is consulting widely across the full range of stakeholders, and invites submissions from interested stakeholders, including academics and other experts, First Nations groups, project proponents, aggregators, industry and consumer groups, business, the community, and relevant Commonwealth, State and Territory government agencies.

## Context and purpose of the Review

Australia has committed to an emissions reduction target of 43 per cent from 2005 levels by 2030, and net zero emissions by 2050.

Carbon markets are a well-established part of Australia's response. The purpose of the Review is to ensure that ACCUs and Australia's carbon crediting framework are strong and credible and will be supported by participants, purchasers and the broader community.

The Review will help ensure the integrity of the system in contributing to Australia's emissions reduction targets, strengthen the carbon market, and support reforms to the Safeguard Mechanism. The Review will consider how the system contributes to regional economies and the broader community; and whether appropriate processes are in place to avoid adverse impacts.

The Panel will provide a report to the government with recommendations by 31 December 2022.

## Australia's Carbon Crediting framework

The Emissions Reduction Fund (ERF), administered by the Clean Energy Regulator, was established in 2014 by the *Carbon Credits (Carbon Farming Initiative) Act 2011* (the CFI Act) and is further enabled by the Carbon Credits (Carbon Farming Initiative) Rule 2015 (the CFI Rule).

The objective of the ERF is to avoid the release of greenhouse gasses into the atmosphere, or to remove and sequester carbon from the atmosphere.

The ERF is a voluntary scheme. Its objectives are met by providing incentives for a range of organisations and individuals to adopt new practices and technologies - implementing eligible offsets

projects, which earn ACCUs for every tonne of carbon dioxide equivalent (tCO<sub>2</sub>-e) sequestered, or emissions avoided.

ACCUs may be held or sold to generate income, to the Australian Government through a carbon abatement contract, to companies and other private buyers, and on the secondary market. For example, ACCUs may be used:

- by state, territory and local governments to meet policies and commitments to offset emissions,
- by businesses and corporations to voluntarily offset all or part of their operational or supply chain emissions (e.g. carbon neutral commitments, Climate Active certification), or
- to reduce an industrial facility's net emissions number below that facility's emissions limit (known as its baseline), to comply with the [Safeguard Mechanism](#).

When using an ACCU to make a carbon neutral claim, that unit must be retired to avoid it being sold again and the carbon abatement being double counted.

Information about the administration and governance of the Emissions Reduction Fund is at **Attachment B**.

### **Eligible activities for creating ACCUs**

Participants can earn ACCUs through projects associated with: vegetation and land management; agriculture; energy consumption; waste; transport; coal and gas production; and industrial processes. Eligible activities could involve: new technology; upgrading equipment; changing business practices to improve productivity or energy use; and changing the way land is managed to store more carbon. More than 1300 projects are registered under the scheme. Over 115 million ACCUs have been issued through the scheme.

ERF projects follow methods that meet the Offsets Integrity Standards in section 133 of the CFI Act.

ERF projects must:

- be new (not have begun to be implemented)
- go beyond business-as-usual activities
- not be required by law
- not be receiving financial support from specified government programs, such as New South Wales and Victorian Government energy efficiency schemes
- follow an approved ERF method, which sets out the rules for carrying out the project and estimating emissions reductions
- meet the eligibility criteria and not be an excluded activity listed in Division 2 of the CFI Rule.

### **Transparency of information**

The Clean Energy Regulator is required to publish certain information about ERF projects and ACCUs through the [ERF Project Register](#), the Australian National Registry of Emissions Units (ANREU)<sup>1</sup> and also publishes quarterly carbon market reports.

Advice provided to the Minister by the Emissions Reduction Assurance Committee (ERAC) is published on the [Department of Climate Change, Energy, the Environment and Water](#)

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<sup>1</sup> The Australian National Registry of Emissions Units (ANREU) is a secure electronic system designed to track the location and ownership of ACCUs issued under the ERF.

[website](#) (current and previous consultations on methods) and the Clean Energy Regulator's [method consultation](#) page.

### **Climate Active certification requirements**

Climate Active certifies businesses that have credibly reached a state of carbon neutrality by measuring, reducing and offsetting their carbon emissions against the requirements of the Climate Active Carbon Neutral Standard.

Currently under Climate Active, all carbon neutral certifications will be required to use a minimum of 20% ACCUs, with this requirement to take effect:

- from 1 July 2023 for new and ongoing certifications equal to or greater than 1,000 tonnes of CO<sub>2</sub>-e; and
- from 1 July 2024 for certifications less than 1,000 tonnes of CO<sub>2</sub>-e.

More information about Climate Active and this requirement is at **Attachment C**.

# Submissions

The Panel will use submissions to inform its thinking and shape the recommendations that are provided in their report to government. The Panel is keen to hear from a diverse range of participants and to hear about lived experience with the scheme.

The Panel welcomes short and concise submissions. If you make a submission of over 4 pages, please provide a summary and use appendices. Please provide supporting evidence for your views (this may include examples from your own experiences).

The Panel wants to hear your suggestions on how the scheme might be improved, including practical, relevant examples from other schemes or policy areas.

Submissions will be published on the Department of Climate Change, Energy, the Environment and Water website. You can choose for your name or organisation to appear with your submission; or for your response to be displayed on the website as “Anonymous”; or for your submission not to be published on the website.

Portions of a submission that contain commercial-in-confidence information should be clearly identifiable so they can be redacted prior to publishing.

The Department is bound by the Australian Privacy Principles in Schedule 1 of the *Privacy Act 1988*. The Privacy Act regulates how the Department may collect, use, disclose and store personal information. The Department also holds personal information in accordance with the *Archives Act 1983*.

The Panel would prefer written submissions but will accept video and audio submissions.

Written submissions should be uploaded via the [consultation hub](#).

If you are providing a video or audio submission please send it to the ACCU Review Secretariat:

By email: [ACCUReview@dceew.gov.au](mailto:ACCUReview@dceew.gov.au)

By post: ACCU Review Secretariat  
Department of Climate Change, Energy, the Environment and Water  
GPO Box 3090  
Canberra ACT 2601

If you have any questions, please contact the ACCU Review Secretariat at [ACCUReview@dceew.gov.au](mailto:ACCUReview@dceew.gov.au)

**Closing date for submissions is 26 September 2022.**

# Guiding questions

*These questions are intended as a guide only. Please use this opportunity to raise any issues relevant to the Terms of Reference ([Attachment A](#)).*

## Your experience with the ERF scheme

Are you able to get sufficient information about the scheme, its purpose and application?

What is the result of your participation in the scheme? What has worked well? What has not worked well?

How have you or your community benefited from the scheme? In what ways?

Has the scheme been detrimental to you or your community? In what ways?

Have you chosen not to participate in the scheme? Why?

What adverse or unintended consequences have resulted from carbon abatement projects? What examples or evidence are you aware of?

How might negative impacts of carbon abatement projects be avoided or reduced?

## Governance of the ERF

Information about the governance of the scheme is at [Attachment B](#).

Are governance arrangements for the scheme sound and appropriate?

Do they provide confidence to stakeholders, including project proponents, investors, purchasers, and communities? How could governance be improved?

What are your views about the roles and responsibilities of the Department, the Clean Energy Regulator, the Emissions Reduction Assurance Committee and the Climate Change Authority? Could the roles and responsibilities be refined to improve scheme integrity?

Is the legislative framework for the scheme fit-for-purpose? How might it be improved?

What are your views on the Offsets Integrity Standards?

## Rigour and integrity of ERF methods and projects

Is there a sufficiently robust process for determining ACCUs and their allocation? What aspects should be maintained? What should be improved?

Could improvements be made to the transparency of:

- information used to support method development and review? How?
- crediting of ACCUs? How?
- decision making? How?

There are a lot of technical rules and requirements for participants in the scheme.

- Are these requirements sufficiently robust to have confidence in the integrity of carbon abatement?

- Do these processes create excessive or avoidable barriers to participation?
- How might processes be changed to better fulfil the objectives of the scheme?

Could improvements be made to existing approaches:

- for project reporting, auditing, monitoring, compliance, or enforcement?
- for developing, approving, and reviewing methods?

## Co-benefits and other impacts

The ERF framework is designed to deliver lowest-cost abatement.

However, in addition to carbon abatement, many projects deliver environmental, economic, social and cultural benefits – often referred to as *co-benefits*. Projects generating ACCUs with co-benefits can offer additional value to suppliers, purchasers and communities.

- What is your experience with co-benefits from carbon abatement projects?
- What are the opportunities to increase co-benefits from carbon abatement projects?
- How should co-benefits be recognised and measured?

It is possible that ACCU projects may have negative impacts, including projects that provide co-benefits.

- What is your experience in relation to projects that have had negative impacts?
- Do you consider these negative impacts outweigh the abatement and potential co-benefits of these projects?
- Are current arrangements to manage potential adverse impacts reasonable and appropriate? How might these arrangements be improved?

## Relationship to voluntary Climate Active certification

At present, all Climate Active carbon neutral certifications will be required to use a minimum of 20% ACCUs from 1 July 2023 for new and ongoing certifications equal to or greater than 1,000 t CO<sub>2</sub>-e and from 1 July 2024 for certifications less than 1,000 t CO<sub>2</sub>-e.

- What are your views on this requirement?
- Do the merits of this requirement outweigh any costs or disadvantages?
- Are there any issues with market access to ACCUs?
- Is there an alternative?

## Future

Australia has committed to achieving net zero emissions by 2050. Many stakeholders and experts consider that there will be increasing demand for ACCUs and other carbon credits over time.

- Is the current carbon crediting framework, including the offsets integrity standards, adequate and suitable for future needs and opportunities?
- What changes could be made to improve the scheme so that it provides appropriate abatement and other benefits into the future?
- What arrangements or changes might be implemented now to help ensure that the scheme remains appropriate and fit for purpose over the decades ahead?

# Terms of Reference

The terms of reference for the independent panel are provided below. Please take into consideration these terms of reference along with the guiding questions above when preparing your written submission.

## Independent Review of Australian Carbon Credit Units

### Terms of Reference

The Government supports reductions in Australia's greenhouse gas emissions by crediting Australian carbon credit units (ACCUs) issued under the *Carbon Credits (Carbon Farming Initiative) Act 2011*, and purchasing ACCUs through the Emissions Reduction Fund (ERF). These reductions help meet Australia's emissions reductions targets. The Government will continue to invest in ACCUs to support voluntary action on emissions reduction. Maintaining the integrity of this carbon crediting system will also ensure a reliable supply of high quality domestic offsets is available to support the reduction of Safeguard Mechanism baselines over time.

In addition to helping meet Australia's climate change goals, many carbon projects have benefits for agricultural productivity, Indigenous communities and the environment. Managed well, the framework for carbon crediting will continue to make a significant and enhanced contribution to the broader community, particularly in regional Australia where many of the projects take place.

The purpose of this review is to ensure that ACCUs and the carbon crediting framework maintain a strong and credible reputation supported by participants, purchasers and the broader community. To achieve this, the independent, expert panel will provide advice to the Minister for Climate Change and Energy about the framework for ACCU generation and trade to ensure its integrity, consistency with agricultural and other objectives, and contribution to environmental, economic and other benefits like biodiversity.

The independent panel will evaluate and advise on:

1. The integrity of ACCUs issued under the *Carbon Credits (Carbon Farming Initiative) Act 2011*, with specific reference to:
  - a. Whether scheme governance is appropriate, including:
    - (i) whether the scheme's governance structure is fit for purpose including the allocation and operation of roles and responsibilities between and within relevant agencies, including management of conflicts of interest
    - (ii) whether the scheme's settings and legislative requirements are appropriate to ensure good governance and confidence in scheme integrity
    - (iii) whether the scheme has appropriate transparency including whether and how reporting and publication of data could be improved.
  - b. Whether the methods by which ACCUs are generated meet the offsets integrity standards, including:
    - (i) consideration of recent claims raised about the Human Induced Regeneration, Carbon Capture and Storage, Avoided Deforestation, and Landfill Waste Gas methods
    - (ii) whether method development and review processes are appropriate and effective.
  - c. Any other matters the panel considers relevant to the integrity of ACCUs.

2. The broader impacts of activities incentivised under Australia’s carbon crediting framework including:
  - a. whether the current processes and requirements are appropriate to manage negative social, economic and environmental impacts, including on agricultural productivity and regional communities
  - b. the extent to which carbon projects are currently supporting positive environmental, social and economic outcomes including for biodiversity and the participation of First Nations people
  - c. opportunities to maximise non-carbon benefits of projects
  - d. requirements for the use of ACCUs under Climate Active.

The review will include public consultation seeking written submissions as well as meetings including with relevant academics and experts, First Nations groups, project proponents, aggregators, industry and consumer groups, business, the community, and relevant Commonwealth and State and Territory government agencies.

A final report with findings and recommendations to address any identified issues will be delivered within 6 months of commencement.



## **ACCU scheme - Responsibilities and Governance**

### **Department of Climate Change, Energy, the Environment and Water**

The Department of Climate Change, Energy, the Environment and Water is responsible for overseeing the Emissions Reduction Fund (ERF). This includes:

- ERF policy development
- the legislation, *Carbon Credits (Carbon Farming Initiative) Act 2011* and the [Carbon Credits \(Carbon Farming Initiative\) Rule 2015](#)
- advising the Minister for Climate Change and Energy (the Minister) on making the technical rules (methods).

### **Clean Energy Regulator**

The Clean Energy Regulator, established on 2 April 2012 by the [Clean Energy Regulator Act 2011](#) (CER Act), is the independent statutory authority responsible for key administrative tasks under the ERF including:

- registering projects
- project monitoring and compliance
- managing carbon abatement contracts
- issuing Australian carbon credit units on achievement of emissions reductions
- developing ERF methods (the technical rules for carrying out an ERF project) through a [co-design process](#) as well as rules and guidelines for project participants
- Secretariat to the Emissions Reduction Assurance Committee (ERAC)
- making emissions reduction purchases on behalf of the Australian Government.

The Clean Energy Regulator agency is governed by the Regulator Board, a decision-making body that consists of a [Chair and 2-4 other members](#) appointed by the Minister. The Chair holds office full-time whereas other members may hold office on either a full or part-time basis, for up to 5 years.

The Regulator Board is responsible for determining the agency's strategic objectives and policies which underpin its operation and performance to ensure it functions effectively. Members are required to have substantial experience or knowledge in fields relevant to the agency.

The Clean Energy Regulator is bound by secrecy and disclosure provisions of the CER Act with regard to information collected in the course of scheme administration, as well as the *Privacy Act 1988* with regard to personal information. For example, these provisions prevent the Clean Energy Regulator from publishing carbon estimation area (CEA) locations because CEAs fall under the definition of *protected information* covered by Part 3 of the CER Act. In contrast, project areas are not subject to the same secrecy provisions because there is a specific provision under section 168 of the CFI Act that requires this data to be published.

### **Australian Government carbon abatement purchasing**

Under section 20(G)(3) of the *Carbon Credits (Carbon Farming Initiative) Act 2011*, the Clean Energy Regulator must follow the following principles for conduct of purchasing carbon abatement on behalf of the Australian Government:

The principles for conducting a carbon abatement purchasing process are that the process should:

- a) facilitate the Commonwealth purchasing carbon abatement at the least cost; and
- b) maximise the amount of carbon abatement that the Commonwealth can purchase; and
- c) be conducted in a manner that ensures that administrative costs are reasonable; and
- d) be conducted in a manner that ensures the integrity of the process; and
- e) encourage competition; and
- f) provide for fair and ethical treatment of all participants in the process.

## Emissions Reduction Assurance Committee (ERAC)

[ERAC](#) is an independent statutory committee established under the *Carbon Credits (Carbon Farming Initiative) Act 2011*. The ERAC:

- assesses method determinations to ensure they comply with the Offsets Integrity Standards in section 133 of the CFI Act
- advises the Minister on whether to make, vary or revoke methods based on their assessment of their compliance with the Offsets Integrity Standards
- undertakes periodic reviews and crediting period extension reviews of methods
- considers feedback from public consultation on methods
- undertakes public consultation on periodic and crediting period extension reviews
- advises the Minister and the department Secretary on the outcomes of reviews and method assessments.

ERAC consists of a Chair and 4-8 other members appointed by the Minister. Each member must have substantial experience or knowledge and significant standing in at least one field of expertise relevant to ERAC functions.

## The Minister

The Minister for Climate Change and Energy (the Minister) determines what ERF methods are approved, varied or revoked. The Minister determines priorities for new method development.

The Minister appoints members of ERAC and the Regulator Board.

## Climate Change Authority

The Climate Change Authority (CCA) is an independent statutory body, established under the [Climate Change Authority Act 2011](#) (the CCA Act), that provides expert advice to the Australian Government on climate change.

The Climate Change Authority is required under the *Carbon Credits (Carbon Farming Initiative) Act 2011* to review the ERF every 3 years. The most recent review of the ERF was in [2020](#).

The Minister for Climate Change and Energy or the Australian Parliament can ask the Authority to conduct special reviews on climate change matters. Recently, the CCA provided [advice on the use of international carbon offsets](#), particularly for the Australian Government's Climate Active program and Indo-Pacific Carbon Offsets Scheme, in the context of the Paris Agreement.

## Climate Active

[Climate Active](#) is a unique partnership between the Australian Government and Australian businesses that enables voluntary climate action. Climate Active certifies businesses that have credibly reached a state of carbon neutrality by measuring, reducing and offsetting their carbon emissions against the requirements of the Climate Active Carbon Neutral Standard. Certification is available for organisations (business operations), products and services, buildings, events and precincts.

Once certified, businesses can use the Climate Active certification trademark (CTM) to support their carbon neutral claim. The CTM provides 'at a glance' proof to consumers that the carbon neutral claim has been certified by Climate Active against the requirements of the Carbon Neutral Standard. Climate Active certification sends a clear signal that a business is serious about addressing climate change.

Members can choose offset units from a list of eligible offset schemes. These include Australian Carbon Credit Units (ACCUs), most Certified Emissions Reductions (CERs), Removal Units (RMUs), most Verified Emissions Reductions (VERs) and Verified Carbon Units (VCUs). Many members choose to adopt a portfolio approach, supporting a combination of domestic units (ACCUs) alongside other international units. A mix of units provides flexibility to meet a Carbon Neutral claim. Through the purchase and retirement of these certificates, members can choose to support specific projects for which specific certificates are created.

All units eligible for use under Climate Active have been assessed as meeting best practice offset integrity principles. These principles require that offset units are additional (unlikely to occur in the ordinary course of events), permanent, measurable, transparent, address leakage (account for material increases elsewhere that nullify the offset claimed), independently audited and registered.

The use of ACCUs by Climate Active members is increasing. From 2019, around 8% of units used to support certifications are ACCUs, compared to around 5% over the life of the program.

Climate Active also provides recognition to members who have purchased only ACCUs to offset their emissions. This information is reflected on each company's Climate Active webpage profile.

Members who have purchased 100 per cent ACCUs can also use an 'add-on' to the CTM which states '100% Australian Offsets. Supporting Australian projects'.

In December 2021, it was announced that all carbon neutral certifications must use a minimum of 20% ACCUs.

This requirement is calculated on the certification's total emissions liability (scope 1, 2 and 3).

This requirement takes effect:

- from 1 July 2023 for new and ongoing certifications equal to or greater than 1,000 tonnes of CO<sub>2</sub>-e; and
- from 1 July 2024 for certifications less than 1,000 tonnes of CO<sub>2</sub>-e.

The minimum ACCU requirement applies to the start of a business's reporting period.

- For certifications equal to or greater than 1,000 tonnes of CO<sub>2</sub>-e, evidence of ACCU retirement is required at the time of submission of the 2023/24 financial year or 2024 calendar year report (and all subsequent reporting year reports).
- For certifications less than 1,000 tonnes of CO<sub>2</sub>-e, evidence of ACCU retirement is required at the time of submission of the 2024/25 financial year or 2025 calendar year report (and all subsequent reporting year reports).