

Issues Paper:

Enhancing the ACCU Scheme to support Australia's 2035 emissions reduction target



The Climate Change Authority (the Authority) is an independent statutory body established to provide expert advice on climate change policy issues.

The Authority is seeking your input to inform our review of the [Carbon Credits \(Carbon Farming Initiative\) Act 2011](#) (CFI Act), which enables the Australian Carbon Credit Unit (ACCU) Scheme. The review must be given to the Minister for Climate Change and Energy by the end of 2026. We will publish the report on our website shortly after. The Government must respond to the Authority's recommendations.

We want to hear from you

We welcome all submissions and invite you to focus on the questions below. You may answer as many or as few of these questions as you wish and raise other matters of concern to you.

We also invite you to refer us to relevant submissions you have made to other consultation processes, or any relevant research and data.

You can make a submission via our Consultation Hub until **17:00 AEDT, 8 December 2025**.

Contacts

Should you require further information about making a submission, please contact the Authority via free call **1800 475 869** or email consultation@climatechangeauthority.gov.au.

Background to this consultation

The Authority is doing its fifth review of the [Carbon Credits \(Carbon Farming Initiative\) Act 2011](#).

The review is being conducted in the context of:

- Australia's new 2035 emissions reduction target
- Changes to the Safeguard Mechanism in 2023, which shifted the main purchaser of ACCUs from the Government to liable Safeguard entities
- Progress on Article 6 arrangements under the Paris Agreement about the international trading of offsets.

The Authority's review of the ACCU Scheme will explore whether the ACCU Scheme is abating enough emissions to meet the needs of a decarbonising economy.

The aim of the review is to make recommendations that, if implemented, will:

- Improve the operation of the scheme
- Support public confidence in the scheme
- Ensure the scheme is effectively contributing to achieving Australia’s emissions reduction goals.

1. Introduction

Australia’s commitment to reduce greenhouse gas emissions by 62–70% below 2005 levels by 2035 represents a significant step toward achieving net zero by 2050. An important part of this journey is the Australian Carbon Credit Unit (ACCU) Scheme. The ACCU Scheme incentivises emissions reductions and carbon sequestration.

The ACCU Scheme enables eligible projects to generate carbon credits – known as ACCUs – by undertaking activities that either reduce emissions or store carbon, removing it from the atmosphere. Each ACCU represents one tonne of carbon dioxide equivalent (t CO₂-e) sequestered or avoided. These units can be sold to entities with emissions reduction compliance obligations, for example under the Safeguard Mechanism, or to voluntary buyers looking to offset their emissions. The Clean Energy Regulator administers the ACCU Scheme, with methodologies endorsed by the Emissions Reduction Assurance Committee and approved by the Minister for Climate Change and Energy.

The Climate Change Authority plays a legislated role in reviewing the ACCU Scheme under section 306 of the [Carbon Credits \(Carbon Farming Initiative\) Act 2011](#) (CFI Act). The Authority is required to review the operation of the Act, the regulations, and other associated instruments every 3 years. The Authority is preparing its fifth review of the ACCU Scheme, which it must deliver by the end of 2026. The ACCU Scheme operates under the CFI Act and its supporting instruments, including the *Carbon Credits (Carbon Farming Initiative) Rule 2015* (CFI Rule) and methodology determinations (ACCU Scheme methods).

The 2026 review of the ACCU Scheme is the first such review since commencement of the Safeguard Mechanism reforms. The Authority is conducting the 2026 review as the Government continues to implement recommendations from the Chubb review and the Authority’s 2023 review. This review will build on these earlier reviews and assess if implementation of agreed recommendations is delivering the intended outcomes.

The Act requires the Authority to make provision for public consultation.

This Issues Paper forms part of our ongoing review process, focusing on the critical question: *How can the ACCU Scheme deliver enough abatement to support Australia to meet its 2030 and 2035 emissions reduction targets?* The paper explores two focus areas:

- **Methodologies – new and existing:** governance and resourcing of method development and refinement to produce equitable and efficient methods that incentivise the creation of ACCUs. Despite several attempts to address them, concerns about the pace of method development have persisted since the initial methods were put in place when the CFI commenced in 2012.
- **ACCU market dynamics:** market dynamics and policy settings that influence supply, demand, and investment in ACCU projects while not limiting or hindering onsite emissions reductions at industrial facilities.

The ACCU Scheme is a high-integrity, high-impact tool in Australia’s climate policy toolkit. Recommendations from recent reviews of the ACCU Scheme have focused on improving integrity, which remains an ongoing focus for the Authority. Through this consultation, the Authority is seeking stakeholder input to inform its recommendations to the Government.

This review is mandatory and, while not due until December 2026, will report in August 2026 to avoid overlapping with the Authority’s 2026 Annual Progress Report and COP31. The Authority encourages you to discuss areas of concern with the scheme’s operation and to propose reforms that balance integrity, effectiveness, and accessibility.

2. The role of the ACCU Scheme in meeting the 2035 target

Ambitious and urgent cuts to emissions are the priority, and the ACCU Scheme can help incentivise abatement activities.

Under the Safeguard Mechanism, ACCUs are used to offset emissions and smooth the transition for industrial emitters that need to make major capital investments. The link between these schemes also provides a flow of finance from industrial emitters to landholders, businesses, and communities that undertake ACCU Scheme projects, in line with the ‘polluter pays’ principle. It helps equalise the marginal cost of abatement across sectors, which is the condition for cost-efficient emissions reductions.

3. Focus area 1: Methodologies – new and existing

Current landscape

There are [14 methods available](#) a project under the ACCU Scheme include soil carbon sequestration, savanna fire management, plantation forestry, reforestation by environmental or mallee plantings, energy efficiency upgrades, and conversion of landfill gas for electricity generation.

Methods expire 10 years after they are approved. A number of methods expired in 2025, with more due to expire in early 2026. Projects registered under these methods will continue to operate until the end of their crediting period, but no new projects can be registered under an expired method.

There are 4 methods currently under development by the Department of Climate Change, Energy, the Environment and Water. Additionally, 4 methods have been prioritised for development under the new proponent-led method development process.

Challenges and opportunities

The ACCU Scheme faces several challenges in ensuring its methodologies stay fit for purpose. Integrity and transparency are paramount, and the Climate Change Authority has recommended more frequent reviews and updates to methodologies to strengthen integrity with more transparency.

Scalability is another key issue. While some methods, for example soil carbon and environmental plantings, have significant potential for large-scale deployment, projects and proponents often face barriers related to approval processes, monitoring complexity, and cost.

At the same time, innovation presents a major opportunity. New methodologies like the Integrated Farm and Land Management (IFLM) are under development and could unlock substantial abatement potential if supported by streamlined governance and technical guidance.

Key questions

- How can the development and approval of high-integrity, scalable methodologies be accelerated?
- What are the current barriers to method development and how could they be overcome?
- What additional resources may be required to deliver the methods faster? How can transparency of method development and projects be improved?
- What potential new methods or refinements to existing methods could unlock significant new abatement?
- Do the rules on permanence and crediting periods get the balance right between integrity and project viability?

4. Focus area 2: ACCU market dynamics

Current landscape

ACCU prices are influenced by compliance demand (e.g. Safeguard Mechanism and state and territory licence requirements), voluntary corporate commitments, and buyer preferences. Some analysts predict prices will peak around 2031, driven by increased demand from industrial emitters. This peak is not expected to exceed the price of ACCUs in the cost containment measure (CCM). For 2025/26, the CCM price is \$82.68. This will increase each year by CPI plus 2%. Current spot market ACCU prices are less than half the cost containment price.

ACCU prices are one way to value carbon. Others include the social cost of carbon (a dollar value estimate of the long-term economic damage of emitting one tonne of carbon), and the Target-Consistent Carbon Value (an estimate of the implied carbon price needed, at a point in time, to meet Australia's emissions targets).

Challenges and opportunities

The ACCU market is evolving rapidly, with several important dynamics shaping its future. One notable trend is price differentiation. While each ACCU is one tonne of CO₂e sequestered or avoided, ACCUs are not homogenous. Units generated from methodologies with environmental or social co-benefits – such as soil carbon, savanna fire management or environmental plantings – often attract premium prices.

The voluntary market has grown steadily in recent years from around 500,000 ACCUs surrendered in 2020 to over 1 million in 2024. Driven by corporate net zero commitments and consumer expectations, some market commentators expect voluntary demand to exceed 7 million units annually by the late 2030s.

International frameworks including Article 6 agreements can help accelerate private ambition, providing the global voluntary market with a supply of high-quality offsets. Some international units are already available for use in voluntary programs in Australia, including Climate Active.

Meanwhile, some entities covered by the Safeguard Mechanism will rely heavily on ACCUs to meet their compliance obligations in the near term, as physical decarbonisation options are limited or costly. A well-functioning market that supports investment in high-quality abatement will be essential to meet this demand.

As buyer demand has shifted to safeguard entities, the role of government in the demand for ACCUs is changing. Historically, the Australian Government was the primary purchaser of ACCUs through carbon abatement contracts. Carbon abatement contracts helped to de-risk investment in ACCU projects and help drive a supply of least cost abatement.

Key questions

- How can the right price signals be established to incentivise high-quality abatement?
- How do you decide which ACCUs to buy? How much is your ACCU purchase impacted by factors such as cost per unit, and the social, environmental or economic co-benefits involved?
- What role, if any, should the Government play in ACCU purchasing? Are there any approaches, besides direct purchase, the Government should consider to support an orderly transition for businesses?
- Are there particular attributes (for example biodiversity, durability or socioeconomic benefits) that should be prioritised in any future government purchasing?

5. Conclusion

Recent reviews of the ACCU Scheme have found the scheme to be of high integrity and essentially sound. However, both the Chubb review and the Authority's 2023 review made recommendations to improve access to the scheme's benefits. This includes access for First Nations, rural and regional communities, and other scheme participants.

To meet the 2035 emissions reduction target, the ACCU Scheme must continue to evolve to deliver high quality, high integrity and durable units at scale to meet the demands of the market. By enhancing methodologies and supporting a dynamic pricing environment, the scheme can remain a critical part of Australia's climate policy.

Key questions

- How fair and accessible is the scheme, considering the treatment of different sectors, barriers to participation and access to benefits?
- Are there any other ways that the ACCU Scheme could be improved?