

To: Department of Climate Change, Energy, the Environment and Water

Re: ACCU Review Discussion Paper

5 October 2023

Introduction

AMEC appreciates the opportunity to provide a submission to the Department of Climate Change, Energy, the Environment and Water (DCCEEW)'s latest consultation on the Australian Carbon Credit Unit (ACCU) scheme, the ACCU Review Discussion Paper. This submission is in addition to the previous and ongoing feedback AMEC has provided regarding the Commonwealth Government's climate change regulatory reforms.

About AMEC

The Association of Mining and Exploration Companies (AMEC) is a national industry association representing over 560 member companies across Australia. Our members are mineral explorers, emerging miners, producers, and a wide range of businesses working in and for the industry. Collectively, AMEC's member companies account for over \$100 billion of the mineral exploration and mining sector's capital value.

Mineral exploration and mining make a critical contribution to Australia's economy, directly employing over 274,000 people. In 2021/22 Industry generated a record high \$413 billion in resources exports, invested \$3.86 billion in exploration expenditure to discover the mines of the future, and collectively paid over \$63 billion in royalties and taxes.

ACCU Review Discussion Paper

General Comments

Australian companies and many jurisdictions are rapidly progressing towards net zero commitments and trajectories. It is important for companies and governments that they can rely on the ACCU as a transparent and reliable unit of measurement that is delivered through a mechanism that has transparent governance.

These review reforms achieve that outcome. AMEC has provided feedback on some of the discussion topics outlined in the paper, below.

1. Are the proposed principles fit for purpose and how should they be applied to improve ACCU Scheme governance and integrity?

AMEC considers the six principles an opportunity to address duplication that exists between current Commonwealth legislation and principles. The wording of the principles should clearly outline the outcome they are seeking to influence, and transparently define how they will be applied in assessments. For example, there is opportunity to bolster the information provided on how data is

intended to be used, under principle 1. Standardising the entry of data will lead to more consistency across all industries, and enrich the analysis and outputs from this data.

When discussing the potential for requests for more data, it is important industry has a clear understanding of the purpose of the data and its intended use. This will ensure appropriate and contextual information can be provided, to enrich the understanding of stakeholders engaging with the data. It is considered the current Emissions Reduction Fund project data requirements are reasonably comprehensive, and a balance must be maintained to ensure data is collected and utilised efficiently.

2. Is there other information that could be published or collected to improve the transparency of the ACCU Scheme?

It is not currently clear when data is required, in relation to when ACCUs from each project will be available. The potential misalignment in reporting periods and data availability is likely to create confusion and inconsistencies. There is also room to clarify the use of the term ‘permanency’ of the carbon project and ACCUs issued, as when carbon projects are registered, the Register contains examples of ACCUs being issued ahead of the permanency period. Clarifying these points in time will be important to ensuring that Safeguard facilities’ carbon abatement management strategies can support their obligations under both schemes.

Industry considers the identification of Carbon Service Providers a sound addition, and welcomes further guidance to ensure the information required to be provided aligns with expectations.

3. What information should be published about ACCU holdings that delivers greater transparency in the market?

The more information that is provided ahead of time to proponents, that has been subject to extensive consultation and development, the better. The requirements under Safeguard and ACCU will introduce reporting requirements beyond what is customary to a large proportion of industry that has limited experience in compiling detailed information of this nature. It will require extensive engagement and support to ensure expectations are understood, and subject to regular review, providing opportunities for lessons learnt and refinements following transitional phases.

Subject to commercial sensitivities and market obligations, information about ACCU holdings that could provide greater transparency include:

- Detailing the number of ACCUs collected by methodology.
- Project name (where possible)
- Location
- Developer
- Project proponent
- Audit history
- Exemptions and/or special conditions granted to specific projects, and
- Co-benefits attached to each ACCU (including any audits that have been completed to verify).

Detailed information on where ACCUs are being held by industry, for example mining, energy, manufacturing, industrial, financial, would also be welcome.

This information must be managed in a manner that ensures it is not subject to misuse and aligns with due diligence and commercial sensitivity disclosure obligations.

4. What are the risks to the market from publishing information about ACCU holdings?

It is important that careful steps are taken to protect published information from a potential bifurcation of the market which may arise from perceived quality and integrity differentials between ACCUs. A bifurcation in the market may lead to speculative purchasing of assets by financial institutions and arbitrage.

AMEC considers there should be limited circumstances where information could be withheld. The market needs as much transparency as possible, so only in exceptional circumstances. However, a review of exemptions should be considered in the future, as there may be market information gaps emerging if certain types of information are being withheld.

6. Should the Government continue to focus its purchasing on least cost abatement? If not, what other considerations should it prioritise and why?

The carbon market has continued to grow and is now at a sufficient scale where private demand generates new project interests. In current market conditions, Government intervention to ensure a base level of demand is not required.

Government support would more appropriately be focused on increasing governance, transparency, and consistency of practices across the carbon market for small, medium, and large corporations. Government collaboration with international jurisdictions to create sustainable carbon credit standards at an international level, noting Australia is typically applying retrospective policy approaches and beholden to the development of EU policies; and facilitating the development of a carbon credit exchange, following extensive consultation, to facilitate and support the ongoing transparency and efficiency of carbon markets.

7. Should the pilot exit arrangements for fixed delivery contracts be made permanent? Would requiring a minimum percentage be delivered to Government in each window help strengthen market confidence and reduce risk?

More confidence would exist amongst current and future Scheme users should pilot exit arrangements be made permanent. As the transition and awareness phases of the Scheme become more familiar, Government's role should evolve to supporting industry by developing and facilitating a framework for an efficient and transparent market, rather than continuing to act as a market participant.

To provide stability to the carbon price, the pilot exit should be undertaken in a phased, coordinated and transparent manner. Market participants could be provided with a forward-looking schedule, outlining the volume of ACCUs being added back to the market.

21. Does the proposed approach for reviewing and maintaining methods properly balance the need for integrity with the industry need for certainty?

Given the length of commercial life span of minerals projects, AMEC would prefer greater weight is placed on certainty as it is needed to finance the projects and enable realistic project planning. A

dynamic system could create greater uncertainty than fixed crediting periods, subject to mechanisms for adjustment if required, can address.

If progressed, clarity is required on the requirements proposed, and who is anticipated to review the crediting period on an as needs basis. Transparency for timings, rationale and outcomes of decisions is required to provide consistency. There will be a balance between an 'as needed' basis and 'evidence-based' discretion.

22. What are the risks and benefits from providing for legislative rules to compel existing projects to be carried out in accordance with varied or new method requirements?

The term 'baselines' is creating uncertainty due to its varying interpretations across different frameworks. While it is a useful statistical term, a different choice of language may improve understanding.

The publication of guidance specific to this Scheme, is required. AMEC seeks to understand if 'baselines' is being used in relation to proposed ACCU method calculations from FULLCAM or the Safeguard Mechanism Facility baseline?

Reducing administrative burden should be a policy development goal from the outset. There is concern that this method may create additional unnecessary burden associated with monitoring multiple method variations for the same or similar types of projects.

Well-outlined, robust transition arrangements should be consulted on and articulated prior to finalisation. Their comprehensiveness will underpin the success of the rollout.

Has DCCEE determined if project proponents will have the discretion to select which method it will choose to adopt, or once there is a method, will they be required to utilise it? It is important discretion is maintained, and the chosen method is disclosed and discussed with the Regulator to align expectations. A blanket mandated methodology will pose substantial risk and burden to proponents and investors, and will not allow for continuous developments for fear of constant changes.

23. Should the Integrity Committee explicitly consider transitional arrangements as part of making new methods or method variations?

A transitional arrangement should always be considered by the Integrity Committee with the introduction of a new method.

As proponents should always have access to a time limited transitional arrangements, particularly for existing project proponents shifting to a new methodology. Transitions should allow sufficient time for auditors, regulators, and companies to correctly adopt principles and apply them to the individual circumstances.

A method variation should also attract an explicit transitional period; however, the length of transition should depend on the significance of the variation, as a nonmaterial change should not demand a multiple year implementation.

24. Does the proposed scope of the Integrity Committee’s role compromise its primary role as an independent ACCU Scheme assurer?

The Committee’s success measures for assurance processes are unclear. Whilst the goal and approach are clear, it is uncertain how the Committee will measure and confirm if a goal has been achieved or not.

25. Should the ACCU Scheme allow for a preliminary form of EIH consent to be given by a registered Native Title body corporate to allow a project to be registered by agreement? If yes, what form should or could that preliminary consent take?

There is currently no indication of time limits to gather eligible interest holder consent. Timeframes should be introduced as that would minimise lengthy processes and delays arising from consultation and negotiation processes. It should be noted that the requirement to gain consent from the previous conditional to unconditional approach, and involvement, will add additional time.

Final Comment

AMEC welcomes continued engagement as DCCEEW progresses ACCU Scheme developments and consultations, as Australia rapidly progresses towards net zero targets. We welcome ongoing opportunities to participate.

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