

6 October 2023

Department of Climate Change, Energy, the Environment and Water
Via Consultation Hub

Dear Sir/Madam,

ACCU Review Discussion Paper

About ACSI

Established in 2001, ACSI exists to provide a strong voice on financially material environmental, social and governance (ESG) issues. Our members are Australian and international asset owners and institutional investors with over AU\$1 trillion in funds under management.

Through research, engagement, advocacy and voting recommendations, ACSI supports members in managing ESG investment risk and exercising active ownership to strengthen investment outcomes. Active ownership, including the management of climate related risk, allows institutional investors to enhance the long-term value of retirement savings entrusted to them to manage.

This submission draws on ACSI's long-standing practice of detailed engagement with listed companies in relation to their management of climate-related risks and opportunities, as well as detailed research into market practices. Our expertise is primarily in respect of Australian listed equities, with a focus on the ASX300, and our comments reflect that section of the market.

Summary of ACSI's position

ACSI welcomes the release of the Australian Carbon Credit Unit (ACCU) Review Discussion Paper ('the Discussion Paper'). The inclusion of transparent disclosure requirements in the ACCU Scheme will be an important element in Australia's transition to a net zero economy and supporting the Paris Agreement goal of limiting warming to 1.5°C.

ACSI welcomes the focus on integrity in the ACCU Scheme Principles, along with the recognition of, and support for, the role of First Nations peoples. We welcome the proposal to increase transparency around ACCU projects and holdings and we set out below some further recommendations to strengthen the disclosure of relevant and useful project information. ACSI considers that Government purchase of ACCUs should prioritise the purchase of higher quality offsets, such as those that represent permanent carbon removal or provide additional benefits.

We do, however, consider that the consent process proposed in the Discussion Paper does not provide enough detail to enable a thorough assessment of its suitability. A Native Title consent process should be the subject of robust consultation where First Nations people are provided with sufficient information and time to support in-depth feedback. We also note that many Traditional Owners have a connection to the land that is not recognised under the Native Title regime. Where this is the case, better practice would be for proponents to engage with and seek consent from Traditional Owners.

ACSI notes that the ACCU Scheme is part of a broader intersecting set of policy initiatives that have been, or are likely to be implemented, including the Safeguard Mechanism and the Nature Repair Market. It will be important to support coordination between the policies so that their processes, objectives and outcomes do not conflict but rather support each other. Consistent, aligned and ambitious whole of economy policies are required to support the net zero transition if we are to reach the Paris Agreement goal of limiting warming to 1.5°C.

Our positions are outlined in detail below.

ACCU Scheme Principles

ACSI welcomes the proposed ACCU Scheme Principles and has a number of recommendations to further improve these principles. We support the inclusion of an environmental and regional sustainability principle and recommend that it specifically mention the importance of avoiding adverse impacts to nature and biodiversity. ACSI strongly supports the inclusion of principles that address integrity, transparency and encourage the inclusion, consideration and respect for First Nations peoples and their cultural heritage in the ACCU program.

The 'Respect for First Nations' principle acknowledges the important expertise held by First Nations people, which should be incorporated in the ACCU administration process. For projects that impact First Nations peoples, we suggest the principle explicitly advocate for a partnership approach, whereby proponents have a long-term commitment to support the self-determination of First Nations peoples and their involvement from the beginning of projects. Providing expertise and undertaking work to actively protect rights and interests can impose a time and resource burden as well as a cultural load on First Nations people. Therefore, ACSI recommends that Government consider ensuring that First Nations peoples are sufficiently resourced and compensated to undertake this work as part of the scheme. Fully informed consent from First Nations people is an important element of the Scheme, and this will require First Nations people to draw on their expertise and time. It is therefore important that First Nations people are adequately resourced to be able to provide Free Prior and Informed Consent (FPIC).

ACSI also suggests discussing the concept of 'quality' in the ACCU Scheme principle of Integrity. While we acknowledge that the integrity of methodologies will be assessed before they are an approved part of the ACCU Scheme, the difference in methodologies will nonetheless allow for a spectrum of quality in offsets produced. For example, better quality offsets will remove (rather than avoid or reduce) emissions with limited risk of reversal or emission leakage. While elements of high-quality offsets, such as additionality, are recognised in the OIS and the *Carbon Credits (Carbon Farming Initiative) Act 2011*, it would be helpful to include an overall concept of quality in the Integrity principle to encourage improvements in outcomes across the market. Assessment of quality is an established and accepted aspect of other initiatives: the Oxford Offsetting Principles encourage the transition away from emissions reductions to carbon removals¹. Where ASX listed companies are using offsets, investors will be encouraging them to use the highest quality offsets possible. We therefore recommend that the ACCU Scheme recognises the importance of quality and facilitates ongoing improvement in practices across the market.

ACSI further notes that the Discussion Paper does not include the principle that emissions reduction should be prioritised and offsets should be used as a last resort after all efforts to decarbonise have been exhausted. As we stated in our [submission](#) to the latest round of consultation on the Safeguard Mechanism, offsets will not deliver emissions reduction and their use should be carefully considered in policies designed to support Australia's transition to net zero. We recommend that the principle of prioritising emissions reduction with offsets used as a last resort should be incorporated into the Australian regulatory environment governing the production and use of offsets.

Importance of transparency around ACCUs

We welcome the proposal to increase the disclosure of ACCU project information. As more companies rely on the use of offsets to meet their emission reduction targets, transition plans, and regulatory obligations (such as compliance with Safeguard Mechanism baseline requirements), investors will need transparent information to support their assessment of the offsets used. At present, ASX200 disclosure about the use of offsets is limited.² The increased transparency proposal in the Discussion Paper is one tool to improve disclosure in this area.

Investors expect companies to disclose a range of information about their use of offsets, including the types of offset (for example, the method, such as carbon capture and storage) and how the credibility of the offsets was assessed.³ The suggested additional information to be disclosed, listed on pages 11-12 of the Discussion

¹ [The Oxford Principles for Net Zero Aligned Carbon Offsetting 2020](#)

² [Promises-Pathways-Performance-Climate-reporting-in-the-ASX200-August-2023.pdf \(acsi.org.au\)](#)

³ [IGCC-corporate-transition-plan-investor-expectations.pdf](#)

Paper, should improve the transparency of the ACCU Scheme and support investor information needs. In addition to the proposed information, it would be useful to consider disclosing any risks associated with the underlying project, such as risk of reversal or any threat of emission leakage. These risks should be disclosed as a part of the project's permanence plan.

To facilitate greater understanding across the market, it is important that any information published by the Integrity Committee, or the Climate Energy Regulator should be accessible to those without specialised technical knowledge. To aid understanding of the ACCU Scheme disclosures by a non-technical audience, it would be appropriate to include a classification system that identifies the key features of offset projects, such as whether the project is nature or technology based, whether emissions will be avoided or removed and further to that, whether or not emissions will be permanently removed.

Publishing ACCU holding information

ACSI welcomes the proposal to publish unit holdings. Access to information on entities' ACCU holdings will support investors' assessment of their net zero transition plans and targets. We consider it appropriate to publish information aligned with systems in other carbon markets particularly transactions, information about the project types, auction participants and outcomes. As such, we support an approach where all information about unit holdings is disclosed.

As publishing ACCU holdings information is designed to increase the transparency of ACCUs, we do not support the proposal for publishing only de-identified information or restricting publication based on the size of holdings. Data on an ACCU's source or provenance will be important information in assessing ASX companies' use of offsets. In addition, de-identifying the source of ACCUs conflicts with the ACCU Scheme principle of transparency. ACSI considers that to support the transparency of the ACCU Scheme, it would be appropriate to disclose holdings of any size.

We note that information on ACCU Holdings may be withheld on privacy grounds or for other reasons, including cultural or ecological sensitivity. While we consider this appropriate, we recommend clear processes and boundaries around non-disclosure allowances are published. Clear reasoning and justification on eligible grounds should be provided and approved before information can be withheld.

Australian Government purchasing of ACCUs

ACSI considers that Government purchases of ACCUs should support broader policy objectives, including decarbonisation and protecting biodiversity. Consequently, it would be appropriate for Government to prioritise purchase of higher quality offsets, such as those that provide permanent removal of carbon or that offer additional benefits such as protecting biodiversity or developing new technologies. This prioritisation of Government ACCU purchases will contribute to permanent carbon removals, contribute to other policy outcomes, such as biodiversity, and support scaling of new technologies at the early commercialisation stage.

Native Title consent

We welcome the consultation on an appropriate consent process for First Nations peoples. It is important that the consent process be designed in partnership with First Nations people. Native Title consent is a complex issue and agreeing on an optimal process to support fully informed consent should be the subject of robust consultation. The consultation should include the detail of the proposed consent process and allow First Nations peoples the time to fully consider the proposal and how it would work in practice. We encourage the Government to undertake further robust consultation with First Nations people to ensure that the consent process meets their expectations and aligns with international standards of FPIC.

As noted above, it is important that First Nations peoples are sufficiently well-resourced and compensated for the time, effort and expertise they invest in the consent process. Better practice would include engagement with First Nations peoples to understand what specific support and resources they might need to be able to equitably engage in the process. For example, this may include procurement of expert advice as well as financial support for ongoing involvement in the project. Government should consider their role in funding, or complementing funding from project proponents for these activities, particularly given the need in many cases for independent advice and/or expertise.

Native Title does not encompass all First Nations peoples' interests in land. Many First Nations groups have a connection to, and interest in, land that is unrecognised under the Native Title regime. Therefore, where there is no recognised Native Title, but Traditional Owners have interests and connection to the land, better practice would be to engage with and seek consent from those Traditional Owners. We would encourage reflection on an appropriate process to facilitate this (for example, establishing a process to determine the representative Traditional Owners for the land in question). Such a process should be co-designed with First Nations people.

I trust our comments are of assistance. Please contact me or Kate Griffiths, Executive Manager – Policy and Research (kgriffiths@acsi.org.au), should you require any further information.

Yours faithfully



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