10 October 2023

ACCU Scheme
By email: ACCUScheme@dcceew.gov.au

Dear ACCU Engagement and Implementation Team,

Submission to ACCU Engagement and Implementation Team

Climate Friendly welcomes the Albanese Government's commitment to a high integrity carbon crediting framework. We are confident in the integrity of the carbon farming projects we support, and welcome measures to continuously improve Australia's carbon market and carbon farming project governance. This will provide an important contribution towards the delivery of Australia's emissions reduction targets, accelerating the transition to net-zero and negative emissions required to limit global warming to 1.5C.

Our experience with the Australian Carbon Credit Units (ACCUs)

Climate Friendly is a profit-for-purpose organisation that provides carbon farming and nature repair extension services to a variety of land managers around Australia, including partnerships with Traditional Owners, agricultural producers, and conservation organisations. Our vision is for a productive, sustainable land sector that contributes to a zero net emissions & nature positive Australia by 2050. We are working to deliver on this through our mission to establish partnerships, by 2025, that will store 150MT of carbon over their project lifecycle, while repairing nature and supporting reconciliation. We have already supported establishment of over 180 carbon farming projects under seven different land sector methods (human-induced regeneration, avoided deforestation, savanna burning, soil carbon, plantation forestry, environmental plantings and beef herd management).

Attachments A and B provide a detailed response to the discussion paper and appendices. We would welcome the opportunity to discuss our submission and provide any further information that may assist the development of policy responses to implement the recommendations of the Independent ACCU Review and additional changes proposed in the discussion paper.

Kind regards

Skye Glenday

Co-CEO

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Attachment A – Response to Consultation Questions

ACCU Scheme Principles

Recommendation 6

The Offsets Integrity Standards (OIS) should be clearly defined and supplemented with ACCU Scheme Principles to support their consistent application in method development and project implementation and administration.

Recommendation 5

Establish a transparent proponent-led process for developing and modifying methods as soon as practicable, with the Integrity Committee assuring the integrity of methods and the Department providing support for participants who otherwise may not be able to participate:

5.2 The Minister is not obliged to approve any method.

5.2.2 Before making or varying a method, the Minister must be satisfied that it complies with the Offsets Integrity Standards (OIS) and ACCU Scheme Principles

Q1. Are the proposed principles fit for purpose and how should they be applied to improve ACCU Scheme governance and integrity?

In general, Climate Friendly supports the concepts outlined in the proposed principles. However, we are unclear on the benefit of adding a new governance layer called ACCU Scheme Principles, as opposed to updating the Objects of the CFI Act and revising the Offsets Integrity Standards (OIS) to incorporate any missing concepts.

The legislative status of the proposed ACCU Principles is unclear. It is not really clear when they would be used and how they would interact with the Objects and OIS. For example, it may be more appropriate to add Integrity of outcomes, Transparency and accessibility of data (subject to privacy and cultural protections), Respect of First Nations and Equitable access, participation and benefit sharing to the Objects of the Act to the extent they are not covered. Practicality and Environmental and regional sustainability could potentially be added to the OIS to the extent not covered in the Objects or existing OIS.

Two additional important principles appear to be missing. These include Integration and Consistency. These apply both within the carbon farming framework and across other related initiatives, such as the proposed Nature Repair Bill and Native Title and other First Nations policy frameworks. Integration would support more holistic outcomes and be Paris-aligned with a landscape accounting approach, and Consistency would ensure practical and administrative alignment across frameworks to improve accessibility.

While we suggest a different approach to incorporating the proposed principles, we do support development of further guidance which shows how in practices the Objects and OIS and any new principles can be applied and interpreted in practical contexts. There should be consultation on this proposed guidance once drafted.

We also suggest that it is important to re-name the Offsets Integrity Standards to the “ACCU Integrity Standards”. This is to reflect that ACCUs are verified units for one tonne of avoided or sequestered carbon. They are not necessarily used as “offsets”, but may be used as insets or towards net negative / carbon positive aspirations. As such, the nomenclature is inaccurate and leading to misconceptions about the ACCU Scheme purpose.

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Maximising ACCU Scheme transparency

Recommendation 4

Provisions in the governing legislation should be amended to maximise transparency, data access and data sharing, while enabling protection of privacy and commercial-in-confidence information, to support greater public trust and confidence in scheme arrangements.

4.1 The default should be that data be made public, including carbon estimation areas (CEAs).

Recommendation 5

Establish a transparent proponent-led process for developing and modifying methods as soon as practicable, with the Integrity Committee assuring the integrity of methods and the Department providing support for participants who otherwise may not be able to participate:

5.4 The Minister and the Integrity Committee must publish reasons for recommendations and decisions.

Recommendation 8

Project administration for the human-induced regeneration (HIR) method should ensure that all HIR projects conform to its current intent: that it is reasonable to expect that the project area will become native forest, attain forest cover, and permanently store carbon as a direct result of project management actions:

8.3 The Clean Energy Regulator should include nominated suppression mechanism(s) and eligible HIR activities for new and existing projects on the project register, as soon as feasible, and routinely publish project assessment data and results

Q2. Is there other information that could be published or collected to improve the transparency of the ACCU Scheme?

Q5. Are there other grounds or circumstances where information should be withheld, for example, an exemption for existing projects?

It is important to keep in mind the rationale for publication of data to ensure that what data is published and how it is published if fit for purpose. From our participation in the thematic workshop on data, it is clear that many stakeholders are not aware of existing data that has been published either under ACCU Scheme regulatory framework by the Clean Energy Regulator or voluntarily as part of supplementary data releases by project proponents. This suggests that existing data publications are not user-friendly and that more education and improved accessibility of existing data is a “quick win” action to improve transparency.

Additionally, it was also clear that different stakeholders are replicating due diligence, audit and regulatory processes as part of ACCU purchasing processes. This suggests that better information about how and when these functions have been undertaken would also improve transparency and reduce the overall scheme transaction costs due to duplication of effort.

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Data sharing infrastructure

In Climate Friendly's experience, the biggest hurdle with data sharing is currently the underlying data infrastructure to enable data sharing. As such, we suggest that design and establishment of a National Environment & Land Data Platform is prioritised as the most important next step to enhance transparency. Without such infrastructure data sharing at scale is challenging and current methods of data publication are not user friendly.

Climate Friendly and our carbon farming partners collect an enormous amount of environmental, carbon and land management data, as part of our rigorous feasibility assessments when planning and implementing a land-based carbon farming project which can span a 35-year period. There is a significant opportunity to share this data to support ongoing research, continuous improvements of national carbon, environmental and agricultural monitoring systems; and to provide information to land managers to aid decisions on managing their property.

In the case of carbon farming projects, some categories of data are tightly linked to privacy laws and the livelihoods of individual land managers. Therefore, there are careful legal, ethical and technological considerations about what levels of access should be provided to some categories of data. Aggregated insights or anonymisation of data sets can balance the need for transparent information which can provide multiple benefits while also protecting confidentiality.

Integrating data collections, with good governance and appropriate access controls, will help to align the public record of abatement and nature claims with private data collections of supporting evidence. The Australian Research Data Commons provide FAIR principles that data should be findable, accessible, interoperable and re-usable. Tracing and verifying the provenance of a dataset created to support abatement and nature claims is important. Using different datasets leads to incongruous results and public uncertainty in scheme performance. Moreover, the provenance of data underpinning carbon and nature projects must be maintained over the lifetime of the claim, likely decades if not centuries.

Advances in data infrastructure technology mean it is now possible to develop a national land data platform with a data discovery portal. This would give access to agreements and usage licenses with private organisations or individuals able to opt-into sharing private and beyond-compliance data sets to achieve multiple environmental, carbon and agricultural benefits. Our proposed structure is to consider an adaptation of the National Water Data Hub[1] design. Figure 1 below outlines a potential structure for such a data sharing system for environmental and land data.

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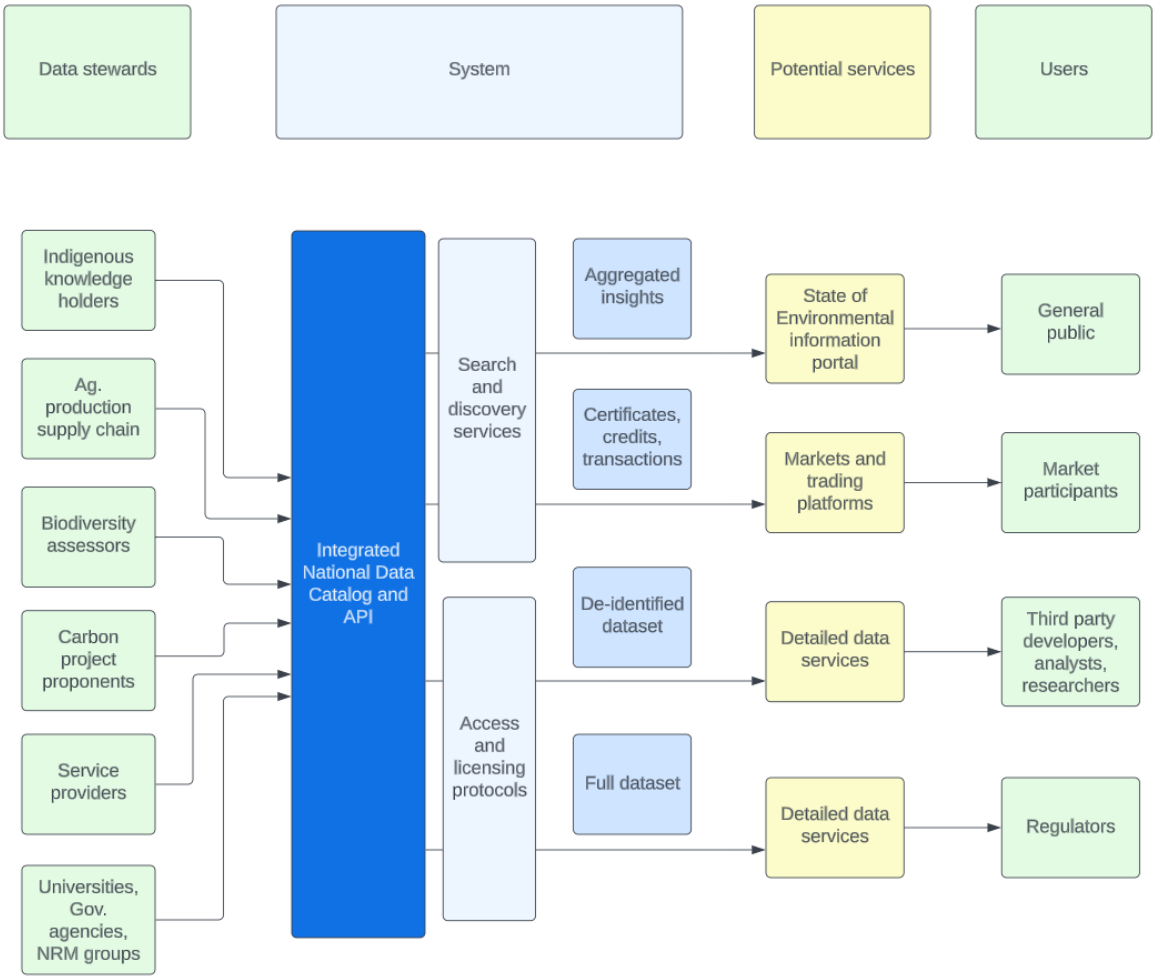
Figure 1: Environment and land information in a Federally coordinated decentralised system.



While previous attempts have been made to create national systems, these have typically relied on traditional data sharing systems and structures which aim to centralise data within a single central location and IT system. Traditional systems have limitations and are unlikely to facilitate data sharing of the exponentially increasing volumes of environmental and land related data sources that are being collected by a wide range of stakeholders, including business, conservation organisations, universities, peak bodies and governments, on carbon, nature repair, water and agriculture production. Modern data sharing systems can be decentralised with data housed on multiple connected IT systems. A decentralised system provides a more flexible way of sharing information across multiple information sources. A decentralised system covering the proposed range of environment and land related information sources would enable information and analysis that could not be achieved within separate disconnected systems or using traditional data sharing approaches.

This short video helps explains how the database could work and how governments, conservation organisations and agricultural producers might all contribute information and obtain benefits.

Centralised governance of data infrastructure

An information supply chain 'Custodian' for environmental data was recommended in the Independent Review of the EPBC Act as well as the Independent ACCU Review. This

Custodian role could set these Federal standards for a common framework and standards for exchanging information and build search and discovery capability. The Custodian could also deliver access and licensing protocols for a variety of common users and use cases. Given similar functions currently performed by the ABS/ABARES, the ABS would be a good candidate to take on this function.

The newly created "Environment Information Australia" entity may appropriately take on this role and fit within the Australian Bureau of Statistics functions, with support from Office of the Australian Information Commissioner. Administration of this function requires an agency that has powers to coordinate across line agencies and functions, including coordinating across the following portfolios:

- Climate Change & Energy
- Environment & Water
- Indigenous Australians
- Agriculture, Fisheries & Forestry
- Various other economic and regional development portfolios.

Climate Friendly is not in a position to assess the costs of developing or administering the proposed data sharing approach at a national scale. We do however note that the recent Federal Budget included over $150 million for delivery of programs that include relevant data system improvements:

- Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) - $38.3 million over 4 years from 2023-24 and $7.6 million per year ongoing from 2027-28 to strengthen the Department of Agriculture, Fisheries and Forestry's capability, particularly through the ABARES.
- Bureau Of Meteorology - $32.7 million to support strong, efficient and transparent water market
- National Greenhouse Accounts - $21.8 million has been committed to enhancing the emissions-tracking capability of the National Greenhouse Accounts
- Environment Information Australia - $51.5 million towards up-to-date and reliable environmental data to support the Nature Positive Plan.

We believe that if coordinated, the more than $150 million included in these budget allocations, along with other related budget allocations across various agencies, present the opportunity to develop the proposed environment and land data system that Climate Friendly has outlined above.

Additional project information

As noted above, we believe additional project information would be more user-friendly if published via a decentralised national data platform, as opposed to a proliferation of excel fields and embedded document links in various registers.

Regarding the publication of CEA, we note that as per our submission of 2 March 2023 to the Senate Inquiry on the Safeguard Mechanism (Crediting) Amendment Bill 2022, the recent data publication of CEA by the Clean Energy Regulator was merely the publication of CEA boundary lines, and that a national environmental data platform is required to facilitate the publication of the complete set of CEA data, which includes processed geospatial data that is validated to pass rigorous map accuracy assessments with a statistical threshold of 85% and above. These spatial datasets are very large and hence are not readily transferred without a database. Refer to Attachment C – Submission 32 Climate Friendly for full details.

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We note that many project proponents have opted to voluntarily release the below categories of information (currently embedded as links in column N of the ERF Project Register, and we are generally of the view that transparency of this information would be helpful, albeit accessibility would be enhanced if released via more appropriate data sharing infrastructure, including:

- Project crediting period start date
- Model commencement date (where applicable)
- Carbon abatement model (where applicable)
- Management changes associated with carbon project
- Data sources
- Baseline scenario
- Key abatement modelling parameters.

Other suggestions around publications of project plans require more careful consideration and consultation on any specific proposals. For example, if any plans were to be published, it would be important that these were in an approved format with a consistent template and level of information across the scheme. Further, careful consideration would need to be given to any private information contained in such plans, as many projects are family run operations and the plans may currently disclose a level of information that may be appropriate for audit or regulation purposes, but that involve personal disclosures that are not suitable for a wider public audience. Other management information falls in the same category, typically containing financial and other personal information related to property history. Any disclosure of this information should be carefully considered in the context of current reviews of privacy laws and with regard to the Australian Privacy Principles.

We do not believe it is appropriate to list organisations that provide agency or other services to a project proponent. This is akin to publishing which firm acts as accountant or lawyer or any other form of agent or adviser to an individual or organisation. This would be a highly irregular disclosure of confidential commercial and advisory relationships. Instead, we are supportive of all service providers and agents being accredited, as per Recommendation 12 of the Independent ACCU Review, and having a register of accredited individuals or organisations, similar to the NGERs Auditor Register. Only accredited service providers should be able to be listed as agent on a project with the Clean Energy Regulator,

Publication of a register of method proposals & development status

Climate Friendly recommends that the Australian Government establish and maintain a carbon farming method register that details method proposals, methods in development, active methods, methods under review and sunset methods. The register should provide information on why method proposals did or did not proceed, and information about their current status. Organisations who made proposals could be identified on a voluntary basis. We believe that this would facilitate improved method development and collaboration between interested stakeholders. It would also avoid administrative burden of processing proposals which have already been made in the past and help ensure that ideas were only resubmitted once information gaps that prevented them from proceeding in the past were addressed.

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Q3. What information should be published about ACCU holdings that delivers greater transparency in the market?

Q4. What are the risks to the market from publishing information about ACCU holdings?

Climate Friendly generally supports increased transparency of ACCU holdings, with some limitations given the large number of individual, family level or First Nations enterprises that participate in the ACCU Scheme. Any sharing of data needs to be cognisant of privacy requirements.

The publication of holdings of Large Scale Generation Certificates (LGC) under the Renewable Energy Target has proven helpful to market operation. While there are parallels between the ACCU and LCG market, there is a key difference. The LGC market consists of corporate participants, while the ACCU market includes a mixture of corporate participants and individuals, family level or First Nations enterprises. As it would be inappropriate to publish personal income and taxation information of individuals, the same applies to small holdings of ACCUs.

Instead, Climate Friendly believes ACCU holdings could be published for the following categories:

1. any corporation that meets the Group 3 Treasury threshold corporate reporting thresholds (https://treasury.gov.au/consultation/c2022-314397)
2. any enterprise operating under an Australian Financial Services License (AFSL)
3. entities required to report under Chapter 2M of the Corporations Act that are a 'controlling corporation' under the NGER Act
4. Any accounts holdings over 500,000 ACCUs.

The following information could potentially be published, either as part of a quarterly statement or as part of a live registry system: quantity of ACCU holdings by methodology, state and territory of origin, and vintage. We do not support the publication of ACCU holdings that identify individual projects, as this would indirectly provide information on individual, farm level or First Nations ACCU sales.

In addition, there is still a need for market level summarised disclosure on a quarterly level on market holdings by group. This information should include projections of supply, demand and ACCU price for at least 2-3 years into the future to enable a fully informed market. The 2-3 year period is proposed as a minimum, as material supply through new project development is unlikely to occur in a shorter timeframe. It typically takes at minimum 3-6 months feasibility, 3 months to register with CER, 6-12 months post registration for the first reporting period, 3 months to audit and 3 months for ACCU issuance by CER. As such, new supply cannot respond to market signals of demand or price within shorter timeframes due to the complexity of project development and time required to sequester carbon for ACCU generation.

Climate Friendly believes there should be a period of notification to the market before publication occurs. The rules should apply to all projects, rather than having an exemption for existing projects, as such an exemption would render the information disclosure insufficient to improve market operation within a reasonable timeframe. We also believe that the ACCU Exchange which is currently under development will further assist with market transparency, alongside increased information on ACCU Holdings.

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Australian Government purchasing of ACCUs

Recommendation 3

The CER be responsible for project monitoring, compliance and enforcement, and providing transparent project and scheme information:

3.3 Responsibility for Australian Government purchasing of ACCUs should be moved out of the CER and into another Australian Government body to avoid actual or perceived conflicts of interest.

Q6. Should the government continue to focus its purchasing on least cost abatement? If not, what other considerations should it prioritise and why?

Given the market is now more mature with the private sector as they key buyer, it's important to have a clear purpose for government purchasing. They may include:

1. Purpose 1 – Building a bank of ACCUs to use as a 'strategic reserve' to buy and sell to reduce market price volatility to increase private sector price certainty for investment.
2. Purpose 2 – fostering supply in new regions or methods and delivering other public good benefits and outcomes. For example, high biodiversity, fostering First Nations economic, social, cultural and other outcomes, increased method and regional diversity.

Different purposes may lead to different purchasing strategies. These should be determined by an independent purchasing agency. Once the intended outcome of government intervention is clear, then a decision can be made on whether lowest cost, 'banded' purchasing or other approaches are fit for purpose. For example, if the aim is to build a 'strategic reserve' to stabilise price variation, then lowest cost abatement makes sense, while if the intent is to deliver other benefits (Purpose 2) then variable price purchasing is likely to be more fit for purpose.

Q7. 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?

Firstly, Climate Friendly notes that there is currently significant market uncertainty about whether exit arrangements are continuing for open carbon abatement contract milestones which are due for delivery before the end 2023. While we understand the Australian Government is consulting on a longer-term policy approach, we recommend providing certainty for the remainder of 2023 with some urgency so that project proponents can continue with pilot arrangements while any further updates to the policy are developed. Providing notice to the market of changes will be important to enable project proponents to manage their obligations, meet other decarbonisation goals and manage cash flows.

Regarding longer term continuation or changes to exit arrangements from 2024 onwards, it is first important to define what the government is trying to achieve through varied arrangements. It is unclear if the purpose is to meet Australian Government targets, build up a strategic reserve or manage other market risks and supply-demand balance.

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Understanding the driver for a change in policy would better enable comment on whether the change to policy is warranted and will be effective.

More broadly, Climate Friendly does not support changing all fixed contracts to optional contracts. This risks market distortions based on positions that different market participants took at various ERF Auctions. It may be appropriate for the Australian Government to consider whether there should be concessional arrangements for not-for-profit project proponents, including Aboriginal Corporations, but otherwise we recommend continued requirements for exit payments in lieu of buyers-market damages obligations for any instances where contract holders exit contract milestones.

Climate Friendly is open to considering a proportional delivery arrangement as part of exit arrangements, but this should be informed by some supply-demand market analytics to determine how such a change would impact market dynamics. It may also be appropriate for this to be a proportion of the total contracted abatement, as opposed to each individual milestone. The current proposal is not sufficiently detailed to assess whether this will provide greater market certainty, or merely add additional uncertainty and administrative burden for the Australian Government entity that is responsible for oversight of CAC management.

Separately, we note that the Australian Government proposal to manage a cost containment reserve. If the Australian Government purchases project ACCUs to put in this reserve, we suggest that the project specific ACCUs which are linked to unique serial numbers associated with a particular project are cancelled and separate “Strategic Reserve ACCUs” are issued. Otherwise, the Australian Government will be on-selling ACCUs linked to a specific project to Safeguard Entities. The project proponent is not a party to that transaction, but if serial numbers are identified in Safeguard Reports then their project may be associated with a Safeguard Entity to whom they have not elected to sell.

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Proponent-led Method Development Framework and Integrity Committee Functions

Recommendation 5

Establish a transparent proponent-led process for developing and modifying methods as soon as practicable, with the CAIC assuring the integrity of methods and the Department providing support for participants who otherwise may not be able to participate:

5.1 Replace current priority setting process with an open EOI process, with the CAIC involved in setting priorities for method endorsement and approval. The Minister may nominate priorities but is not required to do so.

5.2 The Minister is not obliged to approve any method.

5.2.1 The Minister may only make or vary methods which have been endorsed by the CAIC.

5.2.2 Before making or varying a method, the Minister must be satisfied that it complies with the Offsets Integrity Standards (OIS) and ACCU Scheme Principles.

5.3 The CAIC must only endorse a method if it is satisfied that it complies with the OIS.

5.4 The Minister and the CAIC must publish reasons for recommendations and for decisions.

5.5 The Department should support method development, including supporting community and NGO participation. Support could include allocation of staff resources, grants and other mechanisms.

5.6 The proposed process should apply to methods currently in development.

5.7 Until the CAIC is established, the Department should develop a framework for proponents to follow when proposing and developing methods and modifications."

Climate Friendly supports a transition to modular methods, which would enable carbon projects to be aligned to each land manager's and property's unique circumstances. Modular methods can also reduce transaction costs, by enabling multiple carbon farming activities on one property with a single audit.

Climate Friendly broadly supports the method EOI process articulated in the discussion paper, subject to some recommendations provided below. Firstly, we recommend changing the title from "proponent-led" to a name that better reflects the participatory co-design process that is articulated in the Independent ACCU Review recommendations. "Proponent" is being misinterpreted and associated with "carbon farming project proponents" which is not the intent of the review recommendation. Rather, the intent appears to have been for non-government stakeholders to have the ability to contribute ideas and resources to drive and accelerate method development processes. We are very supportive of this intent, but note that some key functions should remain the remit of government to ensure that the method development processes are transparent and accessible. These include oversight of stakeholder consultation processes and legislative drafting. We believe that non-government organisations can make strong contributions in developing new ideas through the submission of EOIs and supporting piloting and technical drafting of methods. Combined, we believe this is aligned with the intent of the Independent ACCU Review Recommendation 5, delivering a more collaborative third party-driven co-design approach between the Department and other stakeholders, drawing on aspects of the co-design approach adopted by the Clean Energy Regulator in 2021. Under this collaborative model, carbon methods deliver a public good, and different stakeholders with diverse perspectives and expertise are

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incentivised to work together to develop methods that are technically robust, informed by science and implementation-ready.

In addition to nomenclature of the method co-design process, we also suggest that there is some confusion in terminology regarding what constitutes a “module”. The term module under the Integrated Farm and Land Management method which is in co-design was used to refer to activity modules, such as regeneration, environmental plantings, plantation forestry, avoided clearing etc. In the consultation paper, the term module appears to refer to a carbon accounting approach. Previously in methods, such as the recent soil carbon method, different carbon accounting approaches were referred to as “schedules”. Clarity on this terminology will be important, as it may have implications as to whether it should be led by Government or non-government stakeholders, and whether it must form part of the legislative instrument, in which case it should be subject to review by the CAIC.

In summary, Climate Friendly supports a collaborative co-design approach to method development as follows:

- The CAIC should be responsible for triaging and recommending methods for development, and reviewing/approving methods once drafted.
- The Department should be responsible for facilitating the method co-design process, running the method consultations, and drafting the legislative version of the method, including the method determination, modules and schedules, and any associated formal technical guidance.
- The Department should be subject to a time-bound KPI for method development, such as 12 – 18 months.
- Non-government participants should be encouraged to engage with other stakeholders to: provide input on method priorities; pilot and undertake foundational research on prospective methods; draft and submit EOIs; actively engage with the Department on method co-design as part of technical working groups and formal consultations.

Q8. What assistance or guidance would proponents need to effectively participate in the EOI process?

In general, we do not believe that assistance in developing EOIs should be a priority for the Australian Government. The possible exception to this is assistance for First Nations stakeholders who may wish to develop First-Nations led proposals. Otherwise, we believe that assistance could better be targeted to support research and piloting of innovative ideas which need to be tested in order to gather a sufficient information base to develop an EOI, and assistance for groups such as First Nations to participation in co-design processes.

Q9. Does the proposed content of an EOI submission balance the need to deliver enough detail to enable a robust assessment, while limiting the upfront investment to a reasonable level?

Climate Friendly welcomes greater transparency in the EOI process for nomination of new methods for development, including prioritisation of methods by the CAIC rather than the Minister, and efforts to standardise the EOI template.

However, we are concerned that some of the technical requirements proposed for inclusion in the EOI template are too onerous, such as requirement to "*detail how the abatement will be quantified, including the technology used to measure abatement, any new emission*

factors required, or whether new or existing models or tools will be required." We are concerned that this may place an excessive technical burden at the EOI stage. We suggest the technical requirements in the EOI could be limited to the requirement for a literature review to demonstrate the abatement potential for the proposed activity. Where available, emissions factors or technical data may be submitted at this stage, but this could be variable depending on the proposed activity.

In addition, the inclusion of EOI assessment criteria such as '*the proponent's skills and expertise*' is likely to stifle innovation and restrict participation to those with prior expertise in the carbon market or method development. While this would benefit companies such as Climate Friendly, we do not believe this is in the interests of the carbon market as a whole. In addition, this appears to conflict with one of the intents behind Chubb Recommendation 5, which was to ensure method development is '*sufficiently transparent and accessible to all groups'*.

We also note that 'diverse and widespread stakeholder support' (or similar) does not appear to be included as an assessment criteria during the EOI phase. Climate Friendly believes the breadth of support is critical to ensure a method is able to deliver abatement at scale. The proposal in the discussion paper appears to delay consultation to the end of the method development process. We suggest including evidence of widespread stakeholder support upfront as an EOI assessment criteria. This will ensure that proposed methods are in demand and are likely to have broad uptake. It is possible that industry groups such as the Carbon Market Institute, Indigenous Carbon Industry Group, Meat and Livestock Australia (or its subsidiary bodies), National Farmers Federation or other agricultural industry groups and university partners may help to coordinate stakeholder engagement, and where feasible develop consensus positions on priorities for method development and technical issues within method frameworks. The Department could potentially provide assistance and funding to support these stakeholder engagement functions.

Q10. Will the proposed approach to triaging EOIs promote participation and efficiency?

The proposed register of method proposals and status may also assist with streamlining and triaging of ideas and reduce duplication of proposals. In general, we agree with the principle of the CAIC attempting to reduce method proliferation. To reduce administrative costs, help standardise the market and maintain integrity of the scheme, we believe there should only be one applicable method for a given activity. We also believe that the slight amendments we have proposed above to the co-design process mean that the Government would lead consultation and legislative drafting, and as such, while stakeholder coordination should be encouraged, this co-design process would also enable different organisations to independently participate and contribute throughout the co-design process.

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Q11. Are there any matters not addressed appropriately by the proposed EOI process?

As mentioned above, we suggest that the EOI triage process should include some indication of 'widespread industry support'. In addition, we think a requirement to provide real-world case studies or summaries of prior research trials would help assessors better understand how the proposed abatement activity could be implemented. A basic economic analysis of what price of carbon might be needed to incentivise the behaviour change envisioned under the method may also be useful (as an indication of likely method uptake), although such an analysis may also be prohibitive at the EOI stage, so it could be listed as an optional inclusion.

Q12. Are the proposed areas where the department could provide assistance during method development the right areas or skill gaps to focus on?

The Department should be responsible for facilitating the method co-design process, running the method consultation, and drafting the legislative version of the method. This process should be subject to a time-bound KPI, such as 12 months.

Q13. Is the proposed approach to deal with newness appropriate to support participation in research, trials and demonstration projects needed to support method development?

Climate Friendly supports the proposals outlined in the discussion paper for protecting newness of trial or research activities occurring in advance of method legislation. That is, we support the inclusion of '*newness in lieu'* provisions in methods where trials are commonplace prior to widespread rollout; and we support the proposal to reintroduce a formal 'expression of interest' or 'notice of intent' process within the Legislative Rules or CFI Act, allowing newness to be benchmarked to a date prior to method legislation. This removes the disincentive to implement trial activities in advance of method legislation, which are often needed to inform method development, and to provide confidence in the viability of the abatement activity and future carbon project.

Q14. Does the proposed modular approach ensure the method development process is adaptive to changing circumstances while ensuring there continues to be an appropriate level of Ministerial oversight to preserve integrity? If so, what kind of variations should be permitted as part of a module?

As stated above, Climate Friendly supports the adoption of a modular approach. A modular approach should make methods a more nimble policy instrument, with specific modules able to be updated more readily, based on contemporary research and management practices.

However, we are concerned there is some confusion about the difference between 'Schedules' and 'Modules', as noted above. In the 2021 soil method, the term 'Schedule' is used to denote different measurement approaches (I.e. Schedule 1 is measurement only, Schedule 2 is Measure-Model-Measure). By contrast, the 2022 Plantation Forestry method uses the term 'Schedule' to denote different management activities (i.e. Schedule 1 is new plantation forestry, Schedule 2 is conversion from short to long plantations etc). To maximise

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flexibility of methods, we feel that both Schedules (related to measurement approaches) and Modules (related to management activities) should both be a feature of new methods.

Methods should create an overarching framework and broad method architecture, including overarching equations and principles of activity types and how they interact, with modules detailing activity-specific requirements and schedules detailing measurement and/or modelling approaches. This will enable new modules or schedules to be added over time as appropriate.

Q15. Are there any concerns with the proposed approach for discontinuing method development?

It seems sensible to have a process for method development processes to be discontinued if they no longer have widespread support.

Q16. Will the proposed process for dealing with confidential data in consultation submissions balance the desire to ensure the ACCU Scheme is transparent while encouraging commercially sensitive data and information to be provided?

Climate Friendly agrees that organisations should be able to submit confidential data, which is not disclosed, unless it can be aggregated and anonymised. We note that where relevant and appropriate, organisations may also be invited to contribute data to the planned National Environmental Data Platform, noting that this would also have the appropriate licensing and privacy protection frameworks.

Q17. How should proponents demonstrate that feedback was appropriately considered?

We note that under our proposed approach the Australian Government coordinates consultations, and as such this is not a concern.

Q18. Should modules be subject to the same public consultation processes that new methods are subject to? If not, what should public consultation for modules look like

Yes, modules, schedules, and variations to any modules & schedules should be subject to the same public consultation process as methods. However. we note that simple variations should be able to be fast tracked in the co-design process.

Q19. Are the proposed timeframes reasonable? Could they be shorter?

Q20. Should there be a mandated requirement to complete method development within a set timeframe?

To date, method development processes have on average taken 4-6 years. This pace is not aligned with the timing and ambition of Australian Government emission reduction targets, or indeed the timelines needed to achieve net zero. We note that under our proposal, the government should facilitate consultation and legislative drafting, and as such, we recommend the Department is given a 12 month method development timeframe to ensure that all layers of Government are aligned on the same goal and its timing, and are held publicly accountable for the result.

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Q21. Does the proposed approach for reviewing and maintaining methods properly balance the need for integrity with the industry need for certainty?

We are supportive of continuing the approach to crediting period, periodic and pre-sunset method reviews.

Q22. What are the risks and benefits of providing for legislative rules to compel existing projects to be carried out in accordance with varied or new method requirements?

A survey of carbon farming funded by Agrifutures in 2019 found that 'risk of rule changes' was the second most important barrier impacting farmers willingness to sign up to a carbon project (behind 'low carbon prices').[1] Agrifutures has recently funded another study of landholder views on carbon farming in South East Queensland,[2] which identified four main land manager concerns related to the carbon farming system design. These were:

- Conflicting and complex information – not enough accurate, useful, relatable and trustworthy information for landholders to make a decision about carbon farming.
- Mistrust of carbon methodology – including the scheme itself, government, scientists and carbon agents, and these parties' lack of on-ground knowledge.
- Uncertain future and nature of carbon – high level of uncertainty about the future of the scheme and the non-tangible nature of carbon.
- Lack of transparency – transparency in carbon farming agreements affects the availability of case studies and sharing of information among peers.

The results of these two studies demonstrate how changes to rules can disincentivise participation in carbon farming by creating market uncertainty. Stability of rules is particularly important for carbon farming, given the long-term nature of carbon farming commitments. Mandatory transition to a new method could substantially change the nature of long-term carbon farming contracts that were agreed based on best available information and in good faith at the commencement of a project. For this reason, Climate Friendly recommends that transition to new methods should be optional, not mandatory.

If the Government has the ability to compel projects to move to new methods, this creates significant uncertainty, meaning the potential carbon returns will have to be substantially discounted when making investment decisions. This will likely result in lower uptake and lower ACCU supply.

Climate Friendly also notes that the CCA Review process is considering this issue in more depth. We propose that the CCA process be completed and relevant submissions considered prior to considering any changes to the method transition framework.

[1] Macintosh, A., Roberts, G. and Buchan, S. (2019). Improving Carbon Markets to Increase Farmer Participation. AgriFutures Australia Publication No. 19-026. Available at: https://agrifutures.com.au/wp-content/uploads/2019/07/19-026-Digital-1.pdf

[2] Curry, P., Friesen, L. Masden, R, McKenzie, I. and Thorpe, J. (2022). Carbon farming perceptions among landholders and local governments of Southern Queensland. Publication no. 23-118 Project no. PRO-013298. Available at: https://agrifutures.com.au/wp-content/uploads/2023/08/23-118.pdf

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Q23. Should the Integrity Committee explicitly consider transitional arrangements as part of making new methods or method variations?

Yes. While we do not support mandatory transition, many project proponents may want to transition to newer methods for a wide variety of reasons. As such, clear transitional arrangements are of critical importance.

Q24. Does the proposed scope of the Integrity Committee's role compromise its primary role as an independent ACCU Scheme assurer?

The proposed functions to triage EOIs, publish guidance on interpretation of principles, including the Objects and OIS, review methods and recommend new methods / modules / schedules seem appropriate functions. However, we note that the Integrity Committee will need to be supported by a diverse group of experts in order to perform these functions across the breadth of methods covered by the scheme. As such, we recommend establishing a standing panel of experts so that appropriately skilled experts can be bought in with the right expertise to comment on specific components and methods.

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Native Title consent

Recommendation 11

The CFI Act should be amended to remove the option to conditionally register ACCU projects on Native Title lands (as defined in the CFI Act) prior to obtaining consent, in alignment with the principles of Free, Prior and Informed Consent (FPIC):
11.1 The Australian Government should support Native Title Representative Bodies and other relevant bodies to ensure consistent standards in the application of FPIC.

Before answering the questions in relation to native title consent, Climate Friendly would like to set out some thoughts based on our experience negotiating native title consents under the ACCU Scheme.

Climate Friendly has negotiated 19 consent agreements with pastoral lessees and 5 different native title groups, and is currently negotiating several more. We have significant experience negotiating native title consents under the Scheme and our staff also have experience in other Indigenous consent contexts in Australia and overseas.

Our overriding experience is:

- Consent is a continuous process, not just a “set and forget” activity at the start of the project, and;
- Engaging and learning by doing has led to stronger relationships and better outcomes over time.

While a good framework is important, we caution that enduring relationships and outcomes cannot simply be legislated through standards and created at the outset. To best achieve results, any framework needs to be balanced to ensure it also encourages non-Indigenous parties into the relationship journey – if the framework leans too far in favour of stronger rights, pastoral lessees and others will not feel invited to the table to start their journeys. This is especially the case considering that many carbon projects are modest projects run by family farmers, compared to large developments by state governments or mining companies.

To highlight this through example, we recently assisted a native title group to purchase land underpinned by carbon farming revenue. This land acquisition would not have been possible if we had not been building a relationship over several years. The real benefits from our partnerships come from many years of building collaboration and open dialogue, and are not directly related to the legislative requirements in the CFI Act or any formal obligations under a consent agreement.

The consent provisions in the CFI Act provide a clearer path than some other native title land interests that stem from the Native Title Act alone. For example, native title holders have stronger and clearer rights for carbon farming under the CFI Act than they do for mining under the Native Title Act. Under the CFI Act native title holders gain a generational opportunity to be partners in pastoral activities, which in many instances is a first since settlement. While we believe the current legislation is a good starting point, we note there are opportunities for improvements, which we detail in response to the specific questions. This includes an opportunity for further guidance on how to conduct best practice consent and relationship building processes. Many of the problems we have observed occur when native title holders are engaged too late in the process and do not feel like genuine partners. Separately, we have also observed problems when native title holders are engaged but the

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process drifts on for years without any clear timelines or processes which can leave all parties in limbo.

We therefore support balanced changes as set out below to:

- Improve the consent framework into a two-step process which encourages continuous consent, and
- Include some process steps to provide more certainty to all parties.

Overall, we support a culture of free, prior, informed and continuous consent (FPICC) with emphasis on continuous. Obtaining consent for a project is just the starting point to formalise the beginning of a relationship.

Q25. 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?

Climate Friendly supports:

- the approach in the Native Repair Market Bill 2023 allowing for a two-step process of registration consent and project consent, and
- aligning the approach across environmental markets.

In our experience, having a preliminary process to agree that all parties are interested in collaborating on a project is an important part of the relationship building and project development pathway. At this stage, the pastoral lessee is generally making a business decision to change land management practices which has commercial implications. The native title holders are generally building an understanding of the project, ensuring the proposed change does not impact their broader native title rights, and then they want time to consider the detailed partnership and contractual arrangements as a next step. Consent to register would balance needs and is a first step. Consent for the project confirms that the right contractual arrangements are in place for benefit sharing prior to ACCU issuance. The alternative to a two-step process may involve putting sharper timeframes on the project consent process. For example, for mining under the NTA, parties can apply for a determination by the National Native Title Tribunal after 6 months. However, this may not truly align with the goals of FPICC, and hence we recommend a two-step process.

Q26. How could the preliminary agreement be withdrawn and what guidance or processes could be provided, noting the competing interests involved? Is a dispute resolution mechanism needed?

Climate Friendly agrees with native title holders having the right to “withdraw” its registration consent. This is consistent with FPICC. To balance this right, we do support the right being regulated by some reasonable process steps suggested as follows:

- Native title group to notify the CER of its intention to withdraw registration consent
- The native title group must discuss in good faith with the (proposed) project proponent their intent to withdraw registration consent and participate in a mediation if this is requested by the (proposed) project proponent.
- If no alternative position is put to the CER within 6 months of the intent to withdraw registration consent, the CER must revoke the project / not proceed with registration.

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Therefore, this would provide a 'cooling off' period for the parties to discuss the situation. This is appropriate given the amount of effort to develop the project to this point. While a good faith dispute resolution provision is appropriate, we do not consider it appropriate for the CER to oversee a dispute resolution process with respect to native title in the same way as the National Native Title Tribunal over some native title processes.

Q27. How should eligible interest in land be defined for the purposes of the ACCU Scheme that ensures First Nations interests are appropriately respected? Are there other ways of recognising interests that fall short of a Native Title determination through benefit sharing arrangements, and how might this work?

Climate Friendly acknowledges that all land around Australia has First Nations Traditional Owners. Where possible, we seek to enter into collaborations with different categories of First Nations Australians, not just native title holders. While we recognise these diverse First Nations interests, it is unclear that these can or should be appropriately legislated as opposed to incentivised through other frameworks that verify core benefits, such as First Nations partnerships, including financial and non-financial benefits.

Climate Friendly proposes that project proponents have an obligation to notify native title applicants of an intent to apply for project registration. While there is some merit in aligning applicant and determined native title rights, there are also some different challenges associated with this, given many applicant groups have very limited capacity, are yet to form a formal representative body with governance processes and approval protocols and are typically very focused on their native title application process. We note that the Australian Carbon Industry Code of Conduct (Code of Conduct) has other best practice standards to advance the interests of native title applicants.

Q28. What support and resources do First Nations eligible interest holders, project proponents and communities need when considering or providing consent?

Climate Friendly recommends that it could be beneficial to have more streamlined processes to provide funding and other advisory support to native title parties, for example, through National Indigenous Australians Agency, Indigenous Land and Sea Corporation and/or the states. While we provide funding support to prospective native title partners so that they can consider project proposals, the desire to embed a strong FPICC process and the fact that many carbon projects are modest in size and run by family farmers means that resourcing can become and issue and make projects cost prohibitive.

In our experience, native title service providers (NTSPs) treat carbon project proposals in a similar way to other development proposals (such as mining developments), and it can be hard to balance the process proportionately with the size of the project and the parties' resources.

Our experience is that NTSPs are not generally funded for carbon farming work out of existing government allocations, so the onus is on the project proponent and project service providers to fund the consent process. This puts more pressure on the process. In our

experience, parties can spend well in excess of $150,000 for consent on a single project – this might be justified for a larger carbon project, but many carbon projects that are more modest in size cannot cover this transaction cost. If there is a genuine intent to uplift the FPICC standards and ensure that projects are not languishing in the consent phase, resourcing support will be essential to assist this goal.

In addition to the provisions in the CFI Act, there are currently overlapping best practice guidelines in the CER native title guidance, Indigenous Carbon Industry Network (**ICIN**) best practice guidelines and the Code of Conduct. It would assist all participants if the best practice guidelines could be streamlined into one document.

Other issues could appropriately be dealt with in best practice guidelines rather than the CFI legislation:

- Process steps – as above, there are no process steps outlined in the CFI Act while there are in the ICIN guidelines. Establishing agreed standard process steps will make the process easier to follow.
- Time period – there are currently no time constraints except the 5-year maximum length of the reporting period once the project has started (i.e. the registration consent phase). There are over 70 registered projects that appear to be pending native title consent and have been registered for 3-5 years already. Providing timing guidance in best practice guidelines would assist parties to have realistic expectations on achieving an FPICC process. For example, a period of 1-2 years might be a reasonable balance (or faster where native title groups and project service providers or proponents may have an existing relationship).
- Standard agreements terms – one of the problems in framing the benefits in agreements is that the agreements are long term – usually the length of the project at 25 years. Building some standard terms, either in an example agreement or a clause toolbox, would assist overcoming some problems. Examples of helpful standard terms include a good faith periodic review clause and a property sale clause.

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Attachment B – Summary of Non-ACCU Review policy positions requiring legislative change

Many of the proposed policy changes in the appendices have significant implications of the same stature as many of those proposed by the Independent ACCU Review. As a consequence, we suggest they may warrant greater direct consultation on these proposals, as opposed to inclusion in an appendix. The inclusion as an appendix does not give the appropriate weight to the changes, and it may mean they have not been given adequate consideration in responses to the consultation process.

1. Replace all references to the "Emissions Reduction Fund" to the "Australian Carbon Credit Unit (ACCU) Scheme" in the CFI Act

The nomenclature used for the Australia's carbon crediting scheme is being changed to reflect the government's new climate policies and establishment of the Powering the Regions Fund. References to the Emissions Reduction Fund (ERF) in the legislation should be updated to refer to the ACCU Scheme.

Supported.

Climate Friendly would also suggest all references to 'offsets' be removed from legislation or government materials and replaced with ACCUs. This is because ACCUs are actually not always generated for offsetting purposes. For example, the "Offsets Integrity Standards" would become the "ACCU Integrity Standards", "Offsets Project" would become "ACCU Project" and "Offsets Report" would become "ACCU Report".

2. Add new relinquishment provision for abatement that is not achieved

Provides additional regulatory tools to maintain the permanence and the integrity of carbon abatement supported by the ACCU Scheme. Like the power under s88 of the CFI Act, 'Requirement to relinquish false or misleading information', this would enable the Clean Energy Regulator to 'claw back' credits from projects where it is found that abatement was not achieved. This would only apply if the applicable method specified that it was necessary for ACCU Scheme integrity and in the circumstances set out in the method.

While Climate Friendly supports the premise of a clawback mechanism due to non-delivered abatement, we feel this should only be adopted with:

- the removal of the risk of reversal buffer, or it to be refunded at the end of the crediting period for projects that have not have a reversal.
- the ability of the project to have a second 25-year crediting period to 'recover' the undelivered abatement.

In essence, there is not a need for both a scheme level risk buffer, along with project level claw back mechanisms. One mechanism needs to be chosen, with adequate risk controls.

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Otherwise, there is a clear risk of 'double dipping' of risk controls through both clawback and the 5% risk of reversal buffer.

3. Enable flexibility to change the start time of a project more than once

Enabling project proponents to apply to change the start time of a project more than once, providing more flexibility for new projects to enter the Scheme and not risk exclusion due to newness or additionality requirements.

Supported.

There are multiple circumstances where project start dates may change due to unexpected circumstances. For example, a nursery may not have adequate capacity to provide tube stock, an El Nino event may arise making plantings that year unviable without watering which cannot be achieved. Alternatively, multiple floods may occur impacting access of machinery. A property may be sold, or a key person or partner may become ill or may pass away. Or a global pandemic may arise which causes disruption to movement of people or materials. These are actual tangible examples of extenuating circumstances that have occurred on Climate Friendly supported projects in the previous 3 years, while not all impacted project start dates, these are real circumstances that have the potential to impact start dates and there is no clear rationale for the current restriction to only change the date once.

4. Enable the ability to report and apply for ACCUs up to 9 months after the end of a reporting period

Extend the general time limit, from 6 to 9 months, for participants to submit offsets reports after the end of a reporting period. This would enable more thorough reporting by Scheme participants.

Supported.

5. Allow for Scheme participants to transition from 25 to 100-year permanence periods

Allow projects to switch between permanence periods and allow project proponents to receive a portion of the credits they otherwise would have received if they had originally signed up for a 100-year permanence period.

This would remove a barrier to Scheme participation stakeholders have suggested given proponents are familiar with the Scheme, they may be more willing to extend projects to a longer crediting period.

Supported.

This could provide incentive to increase sequestration and reduce risks of reversal over time.

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Additionally, we suggest that projects should be able to transition from 100 years to 25 years if they make good on buffer deductions. While generally we seek to encourage longer permanence periods, we note that there are some instances where project proponents wish to register for 100 years and have later found out that banks or Crown Lands have concerns over granting consent for that timeframe. As such, enabling the transition from 100 to 25 years seems sensible so that projects are not impacted by administrative barriers to uptake.

6. Clarify that exclusive possession Native Title Torrens system landholders do not require the consent from State, Territory and Commonwealth Ministers to participate in the Commonwealth ACCU Scheme

Aims to provide clarity to Scheme participants and align with feedback from First Nations peoples. This would remove administrative barriers for proponents and reduce business risks for all entering the Scheme, such as delayed land approvals, thereby assisting Scheme participation.

Supported.

7. Clarify consent requirements for area-based emissions avoidance projects such as savanna fire management projects

Clarify consent obligations for area-based emissions avoidance projects by retaining any Native Title consent but removing the need to obtain consent from other eligible interest holders, such as banks with a mortgage over the property. The change would aim to assist Scheme participation by reducing the burden of unnecessary consent approvals needed to deliver a project.

Supported.

8. Facilitate transfers between avoidance and sequestration savanna fire management project types

Enable a project to transfer from one method to the other if the project:

- *satisfies the definitions of each project type, and*
- *can satisfy the requirement of the methodology they are moving onto.*

Enabling movement between projects should help to improve participation in savanna fire management projects.

Supported, as long as there are clear and appropriate timeframes for transition.

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9. Amend definition to clarify that a project to avoid emissions by the storage of captured greenhouse gases can be an emissions avoidance project

Enable developing of methods that may involve storage of carbon emissions, as per the IPCC's recommendations that carbon dioxide (CO2) removal will be necessary to achieve net-negative CO2 emissions (IPCC, 2023: Summary for Policymakers). This may include direct air capture where it is eligible carbon abatement under the Act.

Supported.

10. Extend permanence obligation to the end of crediting period if the crediting period is longer than permanence period and add the project's crediting period to the project register.

Address the current anomaly where a crediting period may be longer than the permanence period applicable to the project, and also ensures the end date of a project's crediting period would be listed in the register of projects. This would assist to resolve transparency and reporting issues.

Supported.

11. Clarify that Scheme participants are not required to report or monitor projects after both their permanence and crediting periods have expired

Clarify that the project reporting requirements do not extend beyond permanence and crediting periods. This would remove unnecessary obligations previously implied by the wording of the CFI Act and reduces unnecessary reporting by participants. This could help increase Scheme participation.

Supported.

Climate Friendly also suggests the legislation provides clarity on monitoring and reporting expectations between the end of the crediting period and the end of the permanence period.

12. Amend the fit and proper person test so that insolvency is a consideration, but does not prohibit crediting

Amend the fit and proper person test for individuals so that insolvency is a consideration but is not a prohibiting factor for crediting of projects. This would help in circumstances where a proponent could become solvent again by the issuance of credits.
Currently, an individual can only be a fit and proper person if they are not insolvent under administration .

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13. Clarify the application of permanence obligations

Make a technical amendment to clarify the original intent of permanence obligations in the CFI Act being that the requirement to relinquish (hand back) ACCUs to the Clean Energy Regulator if carbon stores are lost applies to sequestration projects meant to both store carbon and avoid emissions, such as savanna sequestration and blue carbon projects.

Supported.

14. Extend crediting periods for emissions avoidance projects

Currently, the Minister must not vary a method to extend its crediting period for the eligible offsets projects covered by the method unless certain criteria are met.
There is a need to facilitate circumstances where an emissions-avoidance offsets project wants to move onto a new or varied method after its crediting period or any extended accounting period has expired, such as where the relevant method's crediting period is extended after a project's crediting period has expired. This could help to increase participation and continue emissions reduction projects for activities found as continuing to meet the OIS.

Supported.

Climate Friendly believes the amendment should enable the Minister to vary the crediting period for both emissions avoidance and sequestration projects. There may be future circumstances where crediting periods for sequestration projects may need to be extended to increase sequestration and reduce scheme level risk.

15. Adjust the timing of relinquishment ensuring the test is applied when the Regulator decides on the application, not when the application is made

Ensure that credits from revoked projects are not relinquished until the Clean Energy Regulator accepts the revocation application. This would help to improve Scheme administration.

Supported.

16. Clarify variations to, and removal of, carbon maintenance obligations

Address uncertainty regarding how carbon maintenance obligations would be applied and administered in relation to obtaining eligible interest holder consent to carbon storage projects, particularly for projects on pastoral leases in Western Australia. This change was requested by states and territories, and seeks to remove a barrier to participation in the Scheme and improve administration. It would allow ACCUs to be relinquished to remove part of a carbon maintenance obligation, without impacting the obligation outside of that area.

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Climate Friendly believes that greater clarity is required on when a CMO would be issued in relation to force majeure events. In particular, when a land manager has followed the obligations outlined in their permanence plan. We also recommend clarity on how risk buffers will be used in such circumstances. We understand that this is currently being reviewed by the Climate Change Authority, but we suggest that force majeure events are one event that the permanence buffers were intended to cover.

Climate Friendly supports a change to clarify that CMOs do not apply to native title holders. This would remove a concern of native title holders and one uncertainty as to whether carbon projects are future acts under the Native Title Act.

17. Clarify the concept of 'net total number' where both emissions avoidance and sequestration credits are issued

Remove the obligation for proponents to relinquish ACCUs for avoided emissions not subject to permanence obligations.

This change seeks to enable projects to trial the savanna fire management – emissions avoidance and sequestration method, and be able to discontinue without needing to return both emissions avoidance and sequestration credits.

Stakeholders have provided feedback that is an impediment to the uptake of the savanna fire management – emissions avoidance and sequestration method and Scheme participation.

The current definition of 'net total number' of credits issued to a project includes credits issued for both sequestration and emissions avoidance under the savanna emissions avoidance and sequestration, and the blue carbon methods.

Supported.

18. Change the newness test timeframe

Allow a project to begin implementation after an application for its registration has been made, but before the Clean Energy Regulator's declaration of an eligible offsets project is made. This means that the assessment of the 'newness' requirement would be determined at the time of the application.

This change is to provide flexibility for project proponents and enable carbon abatement activities to be brought forward, should the administrative process to register projects take some time. As recommended by the CCA in 2020.

Supported.

This change is critical to unlocking broad uptake of environmental plantings projects in particular, where seasonal requirements related to land preparation and nursery activities cannot be easily adjusted. Climate Friendly also believes that the Minister should have the power to specify a period of time that 'Notices of Intent' can be issued during method development processes.

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19. Allow the Minister to extend a crediting period, based on advice from the ERAC (soon to be the Carbon Abatement Integrity Committee (the Integrity Committee) regardless of previous advice against an extension

Enable crediting periods to be based on the most up to date information by allowing the Minister to decide to extend the project's crediting period, providing the ERAC/Integrity Committee have advised that the crediting period should be extended regardless of previous advice or variations. This would help remove unnecessary complications for Scheme administration.

The government recognises the important role that the ERAC/Integrity Committee plays in ensuring that ACCU methods, which includes any extensions to their crediting periods, meet the OIS and support additional abatement. As recommended by the CCA in 2020.

Supported.

This is particularly important as methods such as IFLM are released where credits are only issued on measured abatement, rather than projected abatement. Longer crediting periods have the potential to unlock projects in regions such as the Great Western Woodland where sequestration is expected to occur over a 100 year period due to the ecological features of the habitat.

20. Replace requirement that ACCU Scheme participants must state whether area-based projects are consistent with Natural Resource Management plans with a requirement that participants consult with Natural Resource Management (NRM) bodies

Require project proponents to demonstrate engagement with the NRM body at the point of project registration, with the aim of assisting to identify the potential for projects to deliver additional benefits (i.e. local vegetation type for improved biodiversity) and avoid unintended impacts.

Requiring potential Scheme participants to notify relevant NRM bodies of their proposed projects informs the bodies in advance about anticipated landscape level changes in their area. This would help to improve linkages to broader regional planning, agricultural impacts and biodiversity outcomes. As recommended by the CCA in 2017.

Not supported.

While NRM bodies do great work, there is significant variation in funding models for NRM bodies between states and not all NRM bodies are resourced to engage in this way. This proposal would add another barrier to scheme entry and would be a burden on NRM bodies. Instead, Climate Friendly proposes that NRM bodies must be notified of the project prior to an application to register a project. The NRM groups would then be able to raise concerns directly with the project proponent and/or with the Clean Energy Regulator if the project was not consistent with NRM plans.

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21. Extend fit and proper person requirements to designated agents

Extend the 'fit and proper person test' to agents to ensure agents are covered by the same requirements as other participants with equally significant roles in the Scheme.
Agents may include persons, of a kind specified in the CFI Rules, that wholly or substantially prepare the relevant application or the offsets report accompanying the application. This amendment governs the behaviours of proponents acting on behalf of others and would help ensure integrity. As recommended by the CCA in 2017.

Supported, although we note that this requirement should be considered in the context of recommendation 12 in the Independent ACCU Review which proposed accreditation of agents and services providers to ensure the requirement is not duplicative.

We also note that in general, most agents would already satisfy this requirement, for example if they either have a business model where they are the project proponent or they hold an ANREU account which is already subject to such requirements.

22. Allow the Clean Energy Regulator to issue infringement notices

Allow the Clean Energy Regulator to issue penalty infringement notices like fines for lower-level infringements, rather than seeking remedies in the courts. This aims to encourage Scheme compliance and improves cost-effective administration of the Scheme. As recommended by the CCA in 2017.

Supported.

Infringement notices are a traditional regulatory tool that should be within the CFI Act compliance and enforcement toolbox.

23. Clarify the Clean Energy Regulator's powers to reverse decisions based on false and misleading information

Make it explicit that the Clean Energy Regulator can review and reverse decisions that a delegate has made where the original information relied on is found to be false or misleading. This would enable remaking of decisions that should not have been made due to incorrect information and speaks to the integrity of the Scheme. As recommended by the CCA in 2017.

Supported.

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