



**PROGRAM DIRECTION
CONSULTATION 2023**

October 2023

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This consultation paper seeks your views on the direction of the Australian Government’s Climate Active program. It sets out the changing environment that Climate Active operates in, the objectives and purpose of Climate Active and establishes principles to guide updates to the program. It then presents proposals to update the program in the context of changing expectations around voluntary climate action.

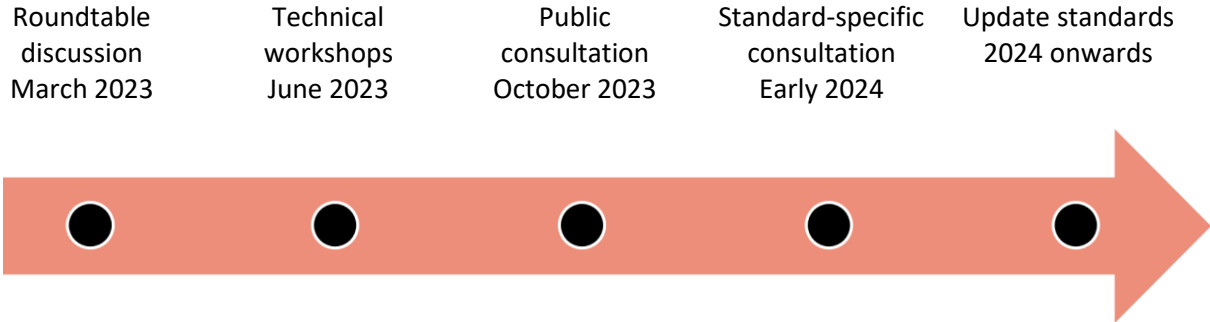
How to make a submission:

Feedback must be submitted to the Department of Climate Change, Energy, the Environment and Water’s (the department) consultation hub, using the instructions provided. The department welcomes your feedback on the specific proposals and questions raised in this paper. Submissions may also provide any other relevant comments. Where you are answering specific questions, please ensure that you number your comment corresponding to the proposal reference number.

Consultation and implementation timeline:

The Climate Active Program Direction Consultation 2023 began with a targeted roundtable discussion in March 2023, followed by 2 technical workshops in June 2023. After public consultation via this paper, the department will continue with standard-specific targeted consultation, followed by implementation through updates to the Climate Active Carbon Neutral Standard and other guidance materials throughout 2024 and onwards.

Figure 1: Consultation and implementation timeline



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OVERVIEW

Climate Active is an Australian Government program that supports national climate policy by driving voluntary climate action (i.e. action by businesses and organisations to avoid, reduce and offset emissions without a legislated requirement to do so).

Climate Active works with businesses and organisations to measure, reduce, offset, and publicly report their emissions. As of October 2023, Climate Active has over 700 certifications. These have been provided to a broad range of entities including local governments, large and small businesses and not for profit organisations.

The climate action landscape has changed

Climate Active was founded in 2010 to provide national consistency and support consumer confidence about voluntary climate claims.

A lot has changed since then.

Over the past decade:

- The Australian community's engagement with climate questions has deepened, and so too has its expectations of the carbon conduct of businesses and organisations.
- An increasing number of businesses and organisations have developed enterprise level climate and sustainability programs (whether in response to investor or supply chain requirements, a desire to capture a share of a growing green market, or corporate responsibility practices). Many of these businesses and organisations want to publicly communicate and market their actions.
- The science on the scale of the climate challenge has continued to evolve. Climate and sustainability professionals have a more granular understanding of the impact of different enterprise level climate actions.
- Public, investor and consumer expectations have shifted to prioritise direct emissions reductions by businesses and organisations that engage in voluntary climate action.

Updates to the Climate Active program over the past decade have not allowed the program to keep pace.

The Australian Government's climate reform agenda

Over the past year the government has raised Australia's climate ambition. It has worked methodically to modernise and reform national climate policy to enable programs to respond to the scale of the challenge we collectively face. This has included:

- legislating robust national emissions targets,
- reforming the Safeguard Mechanism to require reductions from Australia's largest emitters, and
- ensuring the integrity and effectiveness of Australia's Carbon Credit Units (ACCUs).

Reform of the settings for certification of voluntary climate action represents a further step in this process.

A national voluntary certification scheme provides government an opportunity to establish consistent approaches to measuring and reporting on voluntary climate action, establish clarity for consumers, and encourage businesses and organisations to go beyond their current emissions reduction efforts through setting a benchmark for voluntary climate action.

The department has undertaken targeted technical workshops aimed at understanding how to best realise this opportunity [details p. 9 below]. These workshops have assisted in the development of a series of proposed reforms to modernise Climate Active and better equip it to meaningfully contribute to Australia's emissions reductions task.

The Climate Active reform process is informed by other relevant work underway across government. This includes work being undertaken by the Treasury to develop mandatory requirements for disclosure of climate-related financial risks and opportunities by companies, and by the Australian Competition and Consumer Commission to address concerns about greenwashing. This also includes the Commonwealth Climate Risk and Opportunity Management Program, which will enable the Australian Public Sector to manage and disclose climate risks and opportunities across their operations.

A plan for a more ambitious Climate Active program

This paper proposes 8 key reforms to the Climate Active program. These are complementary, and the reform relies on the interactions between these proposals rather than any single element in isolation.

The first tranche of proposed reforms (proposals 1, 2, 3 and 4) would raise the level of climate ambition and action required from members to be certified under the Climate Active program. They would more closely align the program's requirements to the mitigation hierarchy for voluntary climate action (i.e. first avoiding emissions through best-practice design; then reducing emissions through further direct mitigation actions; and finally offsetting any residual emissions).

Climate Active certification at present is based on reaching carbon neutrality (i.e. offsetting any emissions that members do not reduce in other ways). Although Climate Active members are currently required to produce an emissions reduction strategy and set targets, there is no mandatory minimum level of gross emissions reductions (that is, reductions of emissions prior to the use of offsets) required and the program guidelines do not specify any consequences for failing to meet their specified target.

Under the proposed reforms, Climate Active would continue to ask members to achieve carbon neutrality but would also require them to achieve meaningful direct emissions reductions. Proposal 1 would mandate members to produce an emissions reduction strategy that includes a near-term and long-term gross emissions target aligned with (at a minimum) Australia's Nationally Determined Contribution (NDC) [details at p. 11]. Proposal 2 asks members to credibly demonstrate that they are on track to achieving the reductions required by these targets to achieve and maintain their certifications [details at p. 13].

These gross emissions reduction targets would include scope 1, 2 and 3 emissions. Climate Active members are already required to consider scope 3 (indirect) emissions in their carbon accounting but self-assess which categories of scope 3 emissions are relevant to their emissions boundary. Under Proposal 3, Climate Active would provide guidance to support businesses and organisations to establish robust emissions boundaries. This could include mandating inclusion of specific scope 3 emissions sources for particular certification types [details at p. 14].

Proposal 4 would tighten the use of offsets by requiring all eligible international carbon offsets used under the Climate Active program to meet a 5-year rolling vintage requirement [details at p. 16]. This implements a recommendation of the Climate Change Authority's 2022 Review of International Offsets.

The second tranche of proposed reforms (proposals 5 and 6) would better integrate Climate Active with other government climate objectives.

Businesses and organisations that voluntarily source renewable electricity are helping to support grid decarbonisation, however Climate Active members are not currently required to source a minimum amount of renewable electricity. Proposal 5 [details at p. 17] would change this by mandating a minimum percentage of renewable electricity and require the use of the market-based method to set emissions liability.

Historically, abatement from ACCUs voluntarily retired under Climate Active have not been counted towards Australia's national emissions reduction target. Under Proposal 6, in future, abatement from all ACCUs used under Climate Active would count toward meeting Australia's emissions reduction target under the Paris Agreement [details at p. 18].

The third tranche of proposed reforms (proposals 7 and 8) are directed towards the operation of the program.

Climate Active currently allows members to use the term "carbon neutral" to describe their certification.

Proposal 7 would replace "carbon neutral" with a new term that clearly communicates to consumers the meaning of Climate Active certification. This paper asks contributors to consider what term might be appropriate [details at p. 19].

Finally, Proposal 8 would develop a certification pathway to assist current and future members with meeting the new, heightened standards of Climate Active certification [details at p. 20].

Your input

The department welcomes your views on these proposed changes to the program to help shape Climate Active's future direction.

Headline question

Question

Headline question: What value is provided to businesses and organisations, consumers and the climate by the Australian Government operating a program to certify voluntary climate action?

RELEVANT BACKGROUND

The program incentivises voluntary climate action through the Climate Active Carbon Neutral Standard (the Standard). The Standard is adapted from the international Greenhouse Gas Protocol (the GHG Protocol) and the ISO 14000 series and sets a framework for how businesses and organisations measure, reduce, offset, validate and disclose their emissions. Certification is provided to businesses and organisations that achieve ‘carbon neutrality’ by meeting the requirements of the Standard. Certification is available to organisations, products, services, precincts, buildings, and events.

Certification includes independent review processes to ensure carbon neutral achievements are credible and robust such as third-party checks and audits, annual reporting, and public disclosure. The department also provides materials to help businesses and organisations prepare standardised carbon accounts, including technical guidance, an electricity emissions accounting framework (adapted from the GHG Protocol Scope 2 Guidance), and routinely updated calculation tools and emissions factors.

Following certification, businesses and organisations can use a trade mark to promote their certification to the public and consumers. Any proposed use of the trade mark must be pre-approved by the Climate Active program, to help ensure that the trade mark is not misused.

As at October 2023 Climate Active has over 700 certifications. These have been provided to a broad range of entities including local governments, large and small businesses and not for profit organisations.

This consultation provides an opportunity to consider how to best deliver on the key objectives of the Climate Active program going forward. In 2022, the department commissioned a strategic review which helped define a clear vision, mission, and set of objectives for the program based on feedback through broad discussions with stakeholders. See below Climate Active’s vision, mission and objectives going forward.

Climate Active’s vision, mission and objectives

Vision

Australian businesses, organisation and individuals taking ambitious and meaningful action on climate change.

Mission

To accelerate collective climate action by providing Australia’s most trusted and recognised climate action certification.

Objectives

- 1) Set the benchmark for integrity and credibility in Australia’s most trusted and recognised climate action certification.
- 2) Amplify the impact of voluntary climate action across Australian businesses and organisations.
- 3) Enable strong program awareness and understanding throughout our networks.
- 4) Support Australian Government action on climate change.

Guiding principles - how were proposed policy positions determined

In March 2023, the department held a discussion on the role of Climate Active and voluntary climate action with stakeholders. This was followed by 2 technical working group discussions with select program participants and other industry representatives in June 2023. These technical working groups focussed on certification eligibility, emission boundaries, emission reductions, the use of carbon offsets, renewable energy accounting, and claims made under the program.

The key feedback received was that the program should have more ambitious minimum requirements to better align with growing community sentiment for increased climate action. For example, in the context of a voluntary rather than a mandatory scheme, by strengthening emissions reduction requirements ahead of offsetting. However, it was also recognised that different sectors have different decarbonisation pathways, and minimum program requirements should be sensitive to these differences. The program was noted as having a key enabling role to encourage climate action for all types of businesses and organisations, such as through guidance and tools.

The technical working groups suggested a tiered approach to program design to better distinguish between businesses and organisations starting out on their climate journey from those who are leading. This may help navigate the tension between maximising participation and therefore carbon abatement and setting a high bar for best-practice voluntary climate action, which may limit participation. It could do this by reserving certification for participants taking credible climate action while also providing a pathway for businesses and organisations starting out on their climate action journey.

A diverse range of views were presented, but in general centred around a common set of guiding principles:

- *Impactful*: make a measurable difference to reducing global emissions and incentivise action, at least consistent with the goals of the Paris Agreement.
- *Inclusive*: enable voluntary action for all businesses and organisations, regardless of industry sector and where they are on their climate action journey.
- *Robust*: be evidence-based with clear rules based on international best-practice, underpinned by strong governance and independent verification.
- *Trusted*: community, industry and government have confidence in the program, with the program's trade mark seen as proof that a business or organisation has made a genuine impact on reducing global emissions.
- *Transparent*: ensure climate claims made under the program are clear and accessible to the public and allow for comparability.
- *Streamlined*: ensure that program design allows for clear and efficient participation, fits within operating constraints, and minimises complexity in program requirements.

These principles have been used to guide the design and selection of the proposals to change the program presented in this paper. These proposals are complementary and should not be considered in isolation.

DETAILED DISCUSSION OF PROPOSED REFORMS

Emissions reduction

What are the current arrangements under Climate Active?

Climate Active certification at present is based on reaching carbon neutrality (i.e. offsetting any emissions that members do not reduce in other ways). Under existing program requirements, businesses and organisations seeking certification must also develop and maintain an emissions reduction strategy. The strategy must include a quantified and time-bound emissions reduction target with an achievement date set at least 5 years in the future, along with measurable actions to achieve the stated target. However, there is currently no requirement for members to demonstrate a minimum level of gross emissions reduction. Furthermore, the program guidelines do not specify any consequences for failing to meet the target specified by the organisation in their strategy.

What have we heard from stakeholders?

- Public, investor and consumer expectations have shifted to prioritise direct emissions reductions by businesses and organisations that engage in voluntary climate action.
- Where possible, businesses and organisations engaged in voluntary action should prioritise reducing emissions within their own value chains before offsetting.
- Mandatory near- and long-term reduction targets are important to improve accountability, measure progress and raise program emissions reduction ambition.

Proposals 1 and 2

Emissions reduction targets

The first proposal strengthens the emission reduction strategy requirement by requiring all participating businesses and organisations set a near-term (between 2025-2035) and long-term (between 2040 and 2050) gross emissions reduction target aligned with Australia's Nationally Determined Contribution (NDC).

Each target serves a different function: long-term targets signal an organisation's commitment to pursuing continuous emission reductions; near-term targets indicate an organisation's willingness to immediately put direct emissions reduction initiatives into action. Both targets would need to be set relative to the same base year.

These targets would be applicable to the item being certified. For example, an organisation certification would require targets set for the organisation seeking certification, whereas a product certification would require targets set for the product specifically. The targets would need to cover all scope 1, 2 and 3 emissions included in the emissions boundary for the certification. (NB. This paper proposes providing further guidance on the inclusion of scope 3 emissions at Proposal 3 detailed at p. 14).

Australia's NDC corresponds to a 43 per cent reduction in emissions below 2005 levels by 2030. It is proposed that Climate Active's near-term reduction target reflects the average annual emissions reduction required to reach Australia's 2030 target. From the latest National Inventory Report 2021, this corresponds to businesses and organisations reducing total emissions by 2.7 per cent each year to 2030. The near-term reduction target would be reviewed in line with Australia setting new NDCs.

Some Climate Active members may have already achieved significant emissions reductions in the past decade, which already represent alignment with Australia's NDC. The department would work with these members to develop appropriate continued emissions reduction requirements that recognise their historical emissions reduction achievements.

In addition to gross emissions reduction requirements, participants would continue to be required to purchase offsets to reduce the net impact of their emissions to zero.

Questions

Proposal 1: All participants must produce an emissions reduction strategy that includes a near-term and long-term gross emissions target aligned with Australia's NDC (at a minimum) applicable to the item being certified.

1.1 Do you support a requirement for participants to set near-term and long-term gross emissions reduction targets? Why/why not?

1.2 Do you agree with aligning the near-term gross emissions reduction target with Australia's NDC at a minimum? Why/why not?

1.3 Do you agree with how the department proposes to calculate alignment to Australia's NDC (i.e. 2.7 per cent annual reduction from Australia's emissions in 2021 to correspond with the start of the NDC period)? Why/why not?

Emissions reduction achievements

The second proposal limits certification to businesses and organisations that can credibly demonstrate that they are on track to meet their near-term gross emissions reduction targets. This requirement would distinguish businesses and organisations who have achieved progress towards directly reducing their emissions from those who have simply made emissions reduction commitments. It would contribute to the overall robustness of any certified claim.

To remain certified, businesses and organisations would need to demonstrate that they remain on-track averaged over a 3-year period. This timeframe reflects that emissions can fluctuate from year to year, and that reductions may not be realised in a linear trajectory.

Participants could show their direct emissions reduction progress in various ways, such as:

- Disclosure of the percentage of absolute emissions reductions achieved relative to the base year.

- Disclosure of key emissions intensity metrics or indicators that support the participants emissions reduction trajectory.
- Additional commentary about committed emissions reduction projects or initiatives that will take effect in the short-term (e.g. next 3 years).

Emissions reduction progress would need to be regularly independently verified.

Question

Proposal 2: Businesses and organisations must demonstrate that they are on track to meet their near-term gross emissions reduction targets to be certified.

2.1 Do you support limiting certification to businesses and organisations that have demonstrated they are on track to meet their near-term emissions reduction targets? Why/why not?

Emissions boundary and mandatory inclusions

What are the current arrangements under Climate Active?

An emissions boundary is the basis of a Climate Active certified claim. It establishes which emission sources have been measured, reduced, and offset; and which emissions are outside of the claim.

Under existing program requirements, scope 1 and 2 emissions sources must be included in an emissions boundary. This includes all electricity, stationary energy and fuels used under an organisation's operational control.

Businesses and organisations then assess other indirect emissions sources (scope 3) for relevance, using a test adapted from the GHG Protocol. If assessed as relevant, the business or organisation must include this emission source in their emissions boundary.

Participants' determinations of their emissions boundary are subject to independent third-party reviews.

What have we heard from stakeholders?

- The process of making judgements about which emissions sources are relevant can make business-to-business emissions comparisons difficult and create confusion for consumers.
- Some members have a more comprehensive coverage of emissions than others, which risks reducing public understanding of carbon neutral claims.
- Specific sectors have different decarbonisation pathways, and minimum program requirements should consider these differences.

Proposal 3

The third proposal is to develop additional guidance to support businesses and organisations in establishing an emissions boundary. This would help improve the completeness, consistency and comparability of claims made under the program. The guidance would include mandating specific indirect (scope 3) emissions sources, for example, those common to most organisation types (such as waste, business travel and freight) and emissions sources which could risk consumer misunderstanding if excluded.

Guidance would be sensitive to the type of certification, for example, for an organisation, product, service, event, building or precinct. Guidance would include consideration of materiality and other issues in relation to emission source inclusions, and the department would work with stakeholders to develop this guidance.

Questions

Proposal 3: Develop additional guidance to support businesses and organisations to establish robust emissions boundaries, including mandating specific indirect (scope 3) emissions sources.

3.1 Do you support the department developing additional guidance on emissions boundaries? Why/why not?

3.2 Do you support mandating specific indirect (scope 3) emission sources for all certification types? Why/why not?

3.3 If so, which scope 3 emission sources should be considered mandatory?

Carbon offsets

What are the current arrangements under Climate Active?

The program currently accepts a range of carbon offset units which have been assessed, at the scheme-level, against offset integrity principles to ensure the abatement is credible.¹ Under current settings, all units must have a vintage year later than 2012.

The Climate Change Authority's (CCA) 2022 Review of International Offsets found that scheme-level assessment was appropriate, in combination with regular literature review and stakeholder consultation to identify problematic units. The CCA recommended not making changes to the list of eligible international units at this time, but that eligible units be subject to a 5-year rolling vintage rule.

¹ The principles are: additional, permanent, measurable, transparent, address leakage, independently audited, registered. Full details can be found in the relevant Climate Active Carbon Neutral Standard.

What have we heard from stakeholders?

- High-quality carbon offsets have a role to play, especially in hard-to-abate sectors.
- Offset projects can have important co-benefits such as supporting local or international economic, environmental or development outcomes, with many businesses and organisations choosing to purchase offset units from particular projects to support non-carbon outcomes.

Proposal 4

The fourth proposal is to implement the CCA's recommendation that eligible international carbon offsets under the program be subject to a 5-year rolling vintage, whereby all units must have been issued no more than 5 years prior to their cancellation and use under the program. This would bring the program's rules in closer alignment to the standards and rules of the Paris Agreement, and would discourage speculative 'unit banking', which would divert units away from their primary purpose of enabling greenhouse gas mitigation.

Under the emissions reduction arrangements proposed at Proposal 1, participants would be required to purchase offsets to reduce the net emissions of their activities to zero, in addition to achieving gross emissions reductions.

Question

Proposal 4: All eligible international carbon offsets used under the program are subject to a 5-year rolling vintage requirement.

4.1 Do you support the introduction of a 5-year rolling vintage rule for eligible international carbon offsets used under the program? Why/why not?

Electricity emissions

What are the current arrangements under Climate Active?

The program's electricity accounting rules set out a 'dual reporting' framework for electricity accounting, adapted from the GHG Protocol Scope 2 Guidance. The dual reporting framework consists of a 'location-based approach' and a 'market-based approach'.

- The location-based approach shows a participant's electricity emissions in the context of its location. This is calculated using the annual state-based emissions factor of the state/territory where the organisation operates.
- The market-based approach shows a participant's electricity emissions in the context of its investments in different electricity products and markets. Under the market-based approach, organisations can 'match' their electricity consumption with eligible investments/sources of renewable electricity generation (such as Large-scale Generation Certificates) in megawatt

hours (MWh) and report this in their Public Disclosure Statement for their carbon neutral certification.

There is no requirement for participants of the program to source a minimum amount of renewable electricity or set their emissions liability using the market-based approach.

What have we heard from stakeholders?

- Accurate and consistent accounting of electricity emissions is important for the integrity of a business or organisation’s renewable electricity claims.
- Setting stronger requirements around sourcing renewable electricity would help support grid decarbonisation and promote emissions reductions within a member’s value chain.

Proposal 5

The fifth proposal is that all businesses and organisations seeking certification be required to source a minimum percentage of renewable electricity under the market-based accounting method and use this method to calculate their emissions liability. Businesses and organisations could meet this requirement by matching electricity consumption with onsite and offsite renewable electricity, such as behind-the-meter generation, Large-scale Generation Certificates and GreenPower. Requiring participants to invest in renewable electricity would help contribute to decarbonisation of the electricity grid. The market-based method allows for the recognition of this investment in a participant’s carbon account.

Questions

Proposal 5: Mandate a minimum percentage of renewable electricity and use of the market-based method to set emissions liability.

5.1 Do you support introducing a requirement for businesses and organisations to source a minimum percentage of renewable electricity under the market-based method? Why/why not?

5.2 What minimum percentage of renewable electricity should be required (i.e. percent by year)?

5.3 Should all businesses and organisations be required to use the market-based method to calculate their electricity emissions liability? Why/why not?

Voluntary action and Australia’s national emissions reduction target

What are the current arrangements under Climate Active?

Abatement from all ACCUs voluntarily retired under Climate Active have not historically counted towards Australia’s emissions reduction target. The use of ACCUs under the program have been treated as ‘additional’ to Australia’s target through accounting under the Kyoto Protocol. This has been reflected in Australia’s Annual Emissions Projections Report as an adjustment for voluntary action.

What have we heard from stakeholders?

- Australia’s emissions (as described in Australia’s National Greenhouse Gas Inventory and NDC) includes the emissions from businesses and organisations, so their actions to reduce emissions, such as investing in renewables or in Australian offsets, should also be included in our emissions reduction target. There was disagreement amongst some stakeholders on this point.
- Conversely, abatement from international offset purchases by business and organisations should be additional to (not included in) Australia’s emission targets, to avoid double counting.

Proposal 6

The sixth proposal is that, in future, abatement from all ACCUs used under Climate Active would count toward meeting Australia’s emissions reduction target under the Paris Agreement. That abatement occurs within Australia and is reflected in Australia’s National Greenhouse Gas Inventory. It provides consistent treatment with onsite abatement, which currently counts towards the target, and reflects the end of Kyoto accounting arrangements, including the government’s cancellation of all its remaining Kyoto units.

Australia’s updated NDC under the Paris Agreement explains that progress towards that target reflects the collective contributions of all levels of government, industries, and communities. The targets in the NDC are a floor, not a ceiling, on Australia’s emissions reductions and increased voluntary action will not reduce the ambition of the government’s climate change policies, such as the reformed Safeguard Mechanism.

Question

Proposal 6: In future, abatement from all ACCUs used under Climate Active would count toward meeting Australia’s emissions reduction target under the Paris Agreement.

6.1 Do you support this proposal? Why/why not?

Certification claims

What are the current arrangements under Climate Active?

Climate Active currently provides ‘carbon neutral’ certification.

What have we heard from stakeholders?

- There is a high degree of value in maintaining certification to demonstrate credible action to reduce both gross and net emissions but some confusion around the term ‘carbon neutral’ for both business and retail consumers.

- There is emerging international guidance around corporate climate claims that cautions businesses and organisations about use of the term ‘carbon neutral’.²

Proposal 7

The seventh proposal is to discontinue the term ‘carbon neutral’ to describe the certified claim and to use a different term. The current trade mark would be discontinued and replaced with a new trade mark, adopting a new term. It is important the new term does not risk consumer misunderstanding by being general or ambiguous. It also needs to be meaningful and reflect the achievements of participants through certification.

Questions

Proposal 7: Discontinue the term ‘carbon neutral’ to describe the certified claim.

- 7.1 Do you support discontinuing ‘carbon neutral’ to describe the certified claim? Why/why not?
- 7.2 If so, what claim should members be able to make once they have achieved certification?
- 7.3 If not, why do you think that the term ‘carbon neutral’ should be retained?

Certification pathways

What are the current arrangements under Climate Active?

Climate Active currently provides ‘carbon neutral’ certification. There are no alternative certification pathways.

What have we heard from stakeholders?

- Provide a pathway for all businesses and organisations to understand and be accountable for their emissions, but certification should be reserved for organisations achieving credible climate action.
- A tiered program would better distinguish between an organisation starting out on their climate journey from those who are taking credible climate action.

² For example, the Voluntary Carbon Markets Integrity Initiative’s Claims Code of Practice, available at [VCMI Claims Code of Practice \(vcmintegrity.org\)](https://vcmi.org/claims-code-of-practice), and the United Nations High Level Expert Group on the Net Zero Emissions Commitments by Non-State Entities’ report *Integrity Matters: net zero commitment by business, financial institutions, cities and regions*, available at [Credibility and Accountability of Net-Zero Emissions Commitments of Non-State Entities | United Nations](https://www.un.org/development/desa/policy/2021/04/20210401-net-zero-emissions-commitments-by-non-state-entities-integrity-matters.pdf).

Proposal 8

The eighth proposal is to introduce a certification pathway for the program (see Figure 2). This pathway would allow all Australian businesses and organisations to begin their decarbonisation journey, turn ambition into action, and reserve formal recognition for organisations who are taking credible climate action. The proposed pathway consists of the following stages: 'Starting out', 'Pending', and 'Certified'.

1. **Starting out** – Guidance material and tools would be publicly available to all businesses and organisations so that they can better understand their emissions impact across their value chain. This stage is about supporting businesses and organisations, particularly small and medium enterprises, to start their transition journey.
2. **Pending** – Businesses and organisations enter into an agreement with the department and commit to measure, disclose, report and offset emissions. They would have access to the full suite of Climate Active tools and calculators and be listed as an organisation working towards certification on the Climate Active website. They would need to publicly report on progress towards their emissions reduction targets and would have a maximum of 3 years to demonstrate they are on track to reach the target.
3. **Certified** – Certification would only be granted to businesses and organisations who can demonstrate that they have achieved progress in reducing their gross emissions. They must be verified as on track to meet their near-term target for gross emissions reduction. The requirements for 'Certified' status could be adjusted over time to reflect changing expectations around voluntary climate action. Regular third-party verification on progress would be required, for example, every 3 years to demonstrate emissions reduction.

The proposed certification pathway would only provide certification and use of the trade mark to businesses and organisations who meet the requirements of the 'Certified' category. Businesses and organisations would be provided guidance on how to appropriately communicate participation in the 'Pending' stage.

The proposed certification pathway aims to grow the number of Australian businesses and organisations measuring and developing strategies to reduce emissions through the starting out and pending stages. The department would need to consider transition arrangements for existing certifications.

The certification pathway would also seek to remove barriers to small and medium-sized enterprises participation by offering streamlined requirements for certification, for example, through pre-defined emissions boundaries. This would be explored through guidance referenced in Proposal 3 at p. 14.

Alternatives considered

- Requiring businesses and organisations to disclose and/or assess the non-carbon impacts of their operations.
- Adopting an alternative certification model based around differentiated identifiers on the trade mark (such as gold, silver, bronze).

Questions

Proposal 8: Introduce a certification pathway.

8.1 Do you support the proposed certification pathway? Why/why not?

8.2 What name should be given to the 'Pending' stage?

8.3 Are the requirements to meet the 'Pending' stage appropriate?

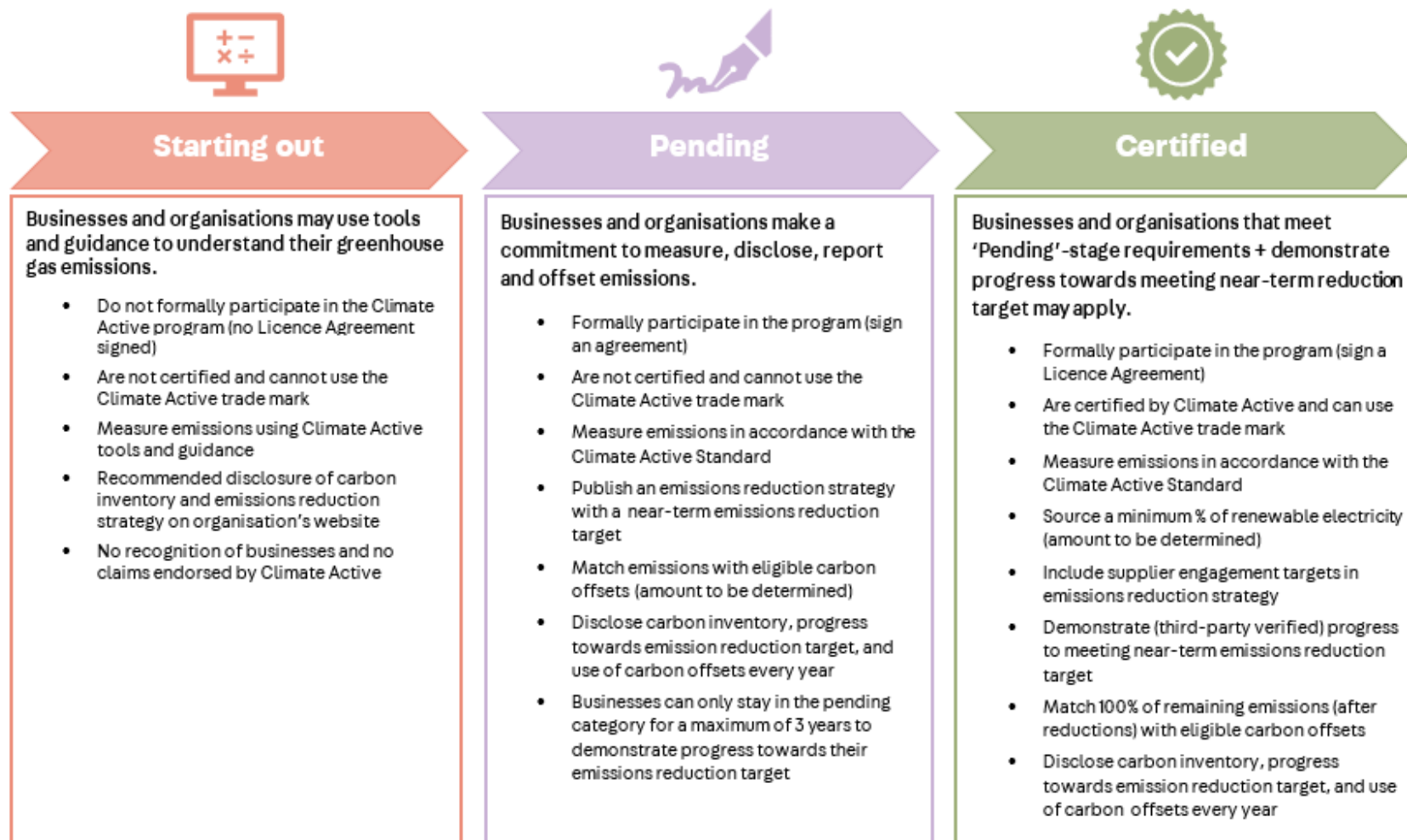
8.4 What claims, if any, should participants in the 'Pending' stage be able to make?

8.5 Is 3 years an appropriate maximum timeframe for participation in the pending stage?

8.6 Should a longer timeframe be considered for hard to abate sectors to demonstrate they are on track to meet their target (i.e. longer than 3 years)? Why/why not?

8.7 To transition from 'Pending' to 'Certified' stages, what should the minimum amount of time be to demonstrate progress towards meeting their reduction targets? E.g. 1 or 3 years of reductions against their base year.

Figure 2: Proposed certification pathway design. See [Appendix A](#) for accessible version of figure.



APPENDIX A

Proposed certification pathway design – accessible version

1. Starting out

Businesses and organisations may use tools and guidance to understand their greenhouse gas emissions.

- Do not formally participate in the Climate Active program (no Licence Agreement signed)
- Are not certified and cannot use the Climate Active trade mark
- Measure emissions using Climate Active tools and guidance
- Recommended disclosure of carbon inventory and emissions reduction strategy on organisation's website
- No recognition of businesses and no claims endorsed by Climate Active.

2. Pending

Businesses and organisations make a commitment to measure, disclose, report and offset emissions.

- Formally participate in the program (sign an agreement)
- Are not certified and cannot use the Climate Active trade mark
- Measure emissions in accordance with the Climate Active Standard
- Publish an emissions reduction strategy with a near-term emissions reduction target
- Match emissions with eligible carbon offsets (amount to be determined)
- Disclose carbon inventory, progress towards emission reduction target, and use of carbon offsets every year
- Businesses can only stay in the pending category for a maximum of 3 years to demonstrate progress towards their emissions reduction target.

3. Certified

Businesses and organisations that meet 'Pending'-stage requirements + demonstrate progress towards meeting near-term reduction target may apply.

- Formally participate in the program (sign a Licence Agreement)
- Are certified by Climate Active and can use the Climate Active trade mark
- Measure emissions in accordance with the Climate Active Standard
- Source a minimum % of renewable electricity (amount to be determined)
- Include supplier engagement targets in emissions reduction strategy

- Demonstrate (third-party verified) progress to meeting near-term emissions reduction target
- Match 100% of remaining emissions (after reductions) with eligible carbon offsets
- Disclose carbon inventory, progress towards emission reduction target, and use of carbon offsets every year.