

EXPLANATORY STATEMENT

Issued by the authority of the Minister for Climate Change and Energy

Carbon Credits (Carbon Farming Initiative) Act 2011

*Carbon Credits (Carbon Farming—Domestic, Commercial and Industrial Wastewater)
Methodology Determination Variation 2024*

Legislative Authority

Subsection 104(1) of the *Carbon Credits (Carbon Farming Initiative) Act 2011* (the CFI Act) provides that the Minister may, by legislative instrument, vary a methodology determination.

Purpose

The purpose of the *Carbon Credits (Carbon Farming—Domestic, Commercial and Industrial Wastewater) Methodology Determination Variation 2024* is to extend the period over which the non-biomethane projects can earn Australian carbon credit units (the crediting period) from seven to 12 years.

Background

The Emissions Reduction Assurance Committee (ERAC) undertook a crediting period extension (CPE) review of the *Carbon Credits (Carbon Farming Initiative – Domestic, Commercial and Industrial Wastewater) Methodology Determination 2015* (wastewater method), as required under section 255A of the CFI Act.

ERAC assessed whether under an extended crediting period, the method would continue to meet the offsets integrity standards' requirement that projects are additional, meaning that the project activities and the abatement they generate are unlikely to occur in the ordinary course of events. ERAC agreed that there was sufficient evidence to demonstrate that extending the crediting period by five years for non-biomethane projects would continue to result in abatement unlikely to occur in the ordinary course of events and recommended that the crediting period for non-biomethane projects under the wastewater method be extended by five years (totalling 12 years).

Impact and Effect

As part of the CPE review, the ERAC Secretariat and Department of Climate Change, Energy, the Environment and Water (the Department) sought stakeholder views through a formal letter sent to stakeholder by the ERAC Chair. ERAC received five submissions – all supporting a CPE due to high capital and/or operating and maintenance costs of undertaking these types of ACCU projects.

The extension also aims to incentivise participation in these projects by avoiding situations where potential project participants may be dissuaded from participating in the method as the current seven-year crediting period does not provide sufficient time to generate the financial return required to adequately invest in new equipment/pay for audits.

Consultation

In November 2022, ERAC undertook targeted consultation on extending the crediting period for the wastewater method. Five submissions were received, all of which supported a crediting period extension.

Three submissions referred to the high ongoing costs of projects, particularly in relation to maintaining electricity generators and high metering, monitoring and maintenance costs. Three respondents commented on the high and increasing capital costs of wastewater treatment equipment, indicating that the seven-year crediting period was insufficient to support project initiation.

Details/ Operation

Section 1 – Name

This section provides that the name of the instrument is the *Carbon Credits (Carbon Farming—Domestic, Commercial and Industrial Wastewater) Methodology Determination Variation 2024*.

Section 2 – Commencement

This section provides for the instrument to commence on the day after registration of the instrument.

Section 3 – Authority

This section provides that the instrument is made under section 114(1) of the *Carbon Credits (Carbon Farming Initiative) Act 2011*.

Section 4 – Schedules

This section provides that the instrument is amended as set out in a Schedule to the instrument.

Schedule 1 – Amendments

Item 1

This item omits “7 years” from section 11C of the wastewater method and inserts “12 years”.

Other

The *Carbon Credits (Carbon Farming—Domestic, Commercial and Industrial Wastewater) Methodology Determination Variation 2024* is compatible with the human rights and freedoms recognised or declared under section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*. A full statement of compatibility is set out in Attachment A.

The *Carbon Credits (Carbon Farming—Domestic, Commercial and Industrial Wastewater) Methodology Determination Variation 2024* is a legislative instrument for the purposes of the *Legislation Act 2003*.

ATTACHMENT A**Statement of Compatibility with Human Rights**

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

***Carbon Credits (Carbon Farming—Domestic, Commercial and Industrial Wastewater)
Methodology Determination Variation 2024***

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

The purpose of the *Carbon Credits (Carbon Farming—Domestic, Commercial and Industrial Wastewater) Methodology Determination Variation 2024* is to extend the crediting period of non-biomethane projects from a period of seven years to a period of 12 years. A crediting period is the period of time that a project is able to generate Australian carbon credit units (ACCUs).

The Emissions Reduction Assurance Committee (ERAC) undertook a crediting period extension (CPE) review of the *Carbon Credits (Carbon Farming Initiative – Domestic, Commercial and Industrial Wastewater) Methodology Determination 2015* (wastewater method) as required under section 255A of the *Carbon Credits (Carbon Farming Initiative) Act 2011* (CFI Act).

ERAC assessed whether under an extended crediting period, the method would continue to meet the offsets integrity standards' requirement that projects are 'additional' – meaning that the project activities and the abatement that they generate are unlikely to occur in the ordinary course of events. ERAC agreed that there was sufficient evidence to demonstrate that extending the crediting period for non-biomethane projects by five years would continue to result in abatement that was unlikely to occur in the ordinary course of events. Accordingly, ERAC recommended that the crediting period for non-biomethane projects under the wastewater method be extended by five years (totalling a crediting period of 12 years).

As part of the CPE review, the ERAC Secretariat and Department sought stakeholder views through a formal letter sent to stakeholder by the ERAC Chair. ERAC received five submissions – all supporting a CPE due to the high capital and/or operating and maintenance costs of undertaking these types of ACCU projects.

The extension also aims to avoid a situation where potential project participants may be dissuaded from participating in the method as the current seven-year crediting period does not provide sufficient time to generate the financial return required to invest in new equipment/pay for audits.

Subsection 104(1) of the CFI Act provides that the Minister may, by legislative instrument, vary a methodology determination.

Human rights implications

This Legislative Instrument does not engage any of the applicable rights or freedoms.

Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.

The Hon. Chris Bowen MP
Minister for Climate Change and Energy