

## **EXPLANATORY STATEMENT**

Issued by Authority of the Assistant Minister for Climate Change and Energy, the Hon. Josh Wilson MP

*Carbon Credits (Carbon Farming Initiative) Act 2011*

*Carbon Credits (Carbon Farming Initiative—Animal Effluent Management) Methodology Determination Variation 2025*

### **Legislative Authority**

Subsection 114(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.

Subsection 114(2) of the CFI Act requires the Minister, in making a decision to vary a methodology determination, to have regard to whether the variation complies with the offsets integrity standards, any advice given by Emissions Reduction Assurance Committee (the Committee) under subsection 123A(2), whether any adverse environmental, economic or social impacts are likely to arise from the carrying out of the kind of project to which the variation applies and other relevant considerations. Subsection 114(2AA) of the CFI Act requires that the Minister must not vary a methodology determination unless the Minister is satisfied that the variation complies with the offsets integrity standards.

Subsection 114(7A) of the CFI Act provides that the Minister must not make a variation that extends the crediting period for projects, unless the Committee has advised that the variation should be made, and has not previously advised otherwise, and the methodology determination in question has not been varied previously to extend the crediting period. Subsection 114(7B) of the CFI Act provides that the Minister must not make a variation if the Committee has advised that the variation does not comply with the offsets integrity standards.

### **Purpose**

The purpose of the *Carbon Credits (Carbon Farming Initiative—Animal Effluent Management) Methodology Determination Variation 2025* (the Variation) is to extend the period over which certain non-biomethane project types under the *Carbon Credits (Carbon Farming Initiative—Animal Effluent Management) Methodology Determination 2019* (AEM Method) can earn Australian carbon credit units (the crediting period). The crediting period for projects that flare gas will be extended by 3 years to a total of 15 years, and the crediting period for projects that generate electricity will be extended by up to 8 years, also to a total of 15 years.

### **Background**

The Committee undertook a crediting period extension (CPE) review of the AEM Method, as required under section 255A of the CFI Act. Its report was released in December 2024 and is available on the Department's website at

<https://www.dcccew.gov.au/sites/default/files/documents/aem-method-cpe-review-report.pdf>.

The Committee assessed whether under an extended crediting period, the method would continue to meet the offsets integrity standards' requirement for projects to be 'additional', meaning that the project activities and the abatement they generate are unlikely to occur in the ordinary course of events. The Committee agreed that there was sufficient evidence to demonstrate that extending the crediting period by 3 years (to a total of 15 years) for projects that flare gas, and by up to 8 years (also to a total of 15 years) for projects that generate electricity, would continue to result in abatement unlikely to occur in the ordinary course of events. The Committee recommended that this crediting period extension be made.

## **Impact and Effect**

The effect of the Variation is to extend the crediting period for certain non-biomethane projects under the AEM Method. In doing so, the Variation no longer requires the distinction between projects that do not generate electricity for more than a total period of 84 months and those that generate electricity for a total period that exceeds 84 months. The impact of the Variation is that the crediting period for all projects that use biogas to generate electricity will be extended from 7 years (84 months) to 15 years, and projects that use a flare as a combustion device will be extended from 12 years to 15 years. The Variation is intended to incentivise greater uptake of these project types under the AEM method. That is, by ensuring there is sufficient time for proponents to earn enough ACCUs to generate the financial return required to adequately invest in new equipment, maintain that equipment, and cover the costs of other related operational activities, such as responding to compliance audits, as required by the method.

## **Consultation**

As part of the CPE review of the AEM Method, the Committee Secretariat and Department of Climate Change, Energy, the Environment and Water (the Department) sought stakeholder feedback through a formal letter sent to stakeholders by the Committee Chair. Nine submissions were received, all of which supported a crediting period extension for flaring and electricity project types. It was noted that increased capital and/or operating and maintenance costs of undertaking these non-biomethane project types, was resulting in poor payback to proponents and had stalled AEM Method projects uptake.

Stakeholder responses generally requested a lengthy extension to the crediting periods – four responses nominated a total crediting period of 20 years or more; one requested crediting periods that match a project's lifespan (15-20 years) and beyond; one requested a 'significantly longer time frame', while the remaining three did not specify. Several respondents including large pork producers provided data on the returns available with varying crediting periods and project sizes. In considering the data provided, and the need to meet the principle of conservativeness under the Offsets Integrity Standards, the Committee agreed on the length of crediting period extension as outlined above.

The Committee undertook consultation as required under section 123D during the period of [insert dates, noting that the legislative timeframe is 28 days or as considered appropriate by the Committee but no shorter than 14 days], prior to giving advice to the Minister under section 123A.

[insert results from the public consultation process of the exposure draft, including but not limited to the number of submissions received].

## **Details and Operation**

The Variation is a legislative instrument for the purposes of the *Legislation Act 2003*. Details of the Variation is set out at Attachment A, and a statement of compatibility with human rights is provided at Attachment B.

For the purpose of subsections 114(2)-(2A) and (6)-(7B) of the CFI Act, in varying the AEM Method the Minister:

- has had regard to and agrees with the advice of the Committee that the Variation complies with the offsets integrity standards and that the Variation should be made;
- is satisfied that the carbon abatement used in ascertaining the carbon dioxide equivalent net abatement amount for a project, is eligible carbon abatement from the project; and
- has had regard to whether any adverse environmental, economic or social impacts are likely to arise from the carrying out of the kind of project to which the Variation applies and other relevant considerations.

For the purposes of subsection 114(7A):

- the Committee has not previously advised the Minister that the Variation should not be made; and
- the AEM Method has not previously been amended to extend the crediting period for these project types under this method.

**Section 1 – Name**

This section provides that the name of the instrument is the *Carbon Credits (Carbon Farming Initiative—Animal Effluent Management) Methodology Determination Variation 2025* (the Variation).

**Section 2 – Commencement**

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

**Section 3 – Authority**

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

**Section 4 – Schedules**

This section provides that the *Carbon Credits (Carbon Farming Initiative—Animal Effluent Management) Methodology Determination 2019* is amended as set out in a Schedule to the Variation.

**Schedule 1 – Amendments**

**Item 1 – Section 17**

Item 1 repeals the former section 17 and replaces it with a new section 17 that extends the crediting period for non-biomethane projects that undertake emission destruction activity. Under the new provision, projects that use a flare as a combustion device are now eligible for a crediting period of 15 years—an increase of 3 years from the previous crediting period. Projects that use biogas to generate electricity are also granted a 15-year crediting period, extending the crediting period by up to 8 years.

The revised provision distinguishes between projects based on the type of biogas utilisation. Projects that generate electricity from biogas (paragraph 17(a)) or combust it via flaring (paragraph 17(b)) are specified with a 15-year crediting period. Any other non-biomethane projects, that do not engage in either electricity generation or flaring, remain eligible for a 12-year crediting period as they were under the previous version of the method. This includes composting activities and heat generation activities.

The Variation simplifies the previous threshold-based approach for electricity generation projects, which allowed a 12-year crediting period but limited the electricity generation of projects to a cumulative total of 84 calendar months. If that threshold was exceeded, the crediting period ended at the start of the 85th month of electricity generation. Under the Variation, there is no longer a need for electricity generation projects to calculate the activity of generation on a monthly basis, all non-biomethane projects that generate electricity are now eligible for a 15 year crediting period.

**Item 2 – Paragraph 34(d)**

This item omits “non-biomethane project or a” from paragraph 34(d).

This is a consequential amendment that removes the requirement for non-biomethane projects to report on the number of calendar months during which electricity was generated from biogas.

**Item 3 – Paragraph 34(d) (note)**

This item omits “subsections 17(3) and 17A(3)” from the note of paragraph 34(d) and substitutes it with “subsection 17A(3)”.

This is a consequential amendment that removes the reference to the now repealed subsection 17(3) in the note, which set out electricity generation month-counting rules for non-biomethane projects.

**Statement of Compatibility with Human Rights**

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

***Carbon Credits (Carbon Farming Initiative—Animal Effluent Management) Methodology Determination Variation 2025***

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 Initiative—Animal Effluent Management) Methodology Determination Variation 2025* is to extend the crediting period of certain non-biomethane project. A crediting period is the period of time that a project is able to generate Australian carbon credit units (ACCUs).

The effect of the Variation is to extend the period of time proponents carrying out relevant projects under the AEM Method will have to earn ACCUs for their projects. The crediting period for projects that flare gas will be extended by 3 years to a total of 15 years, and crediting period for projects that generate electricity will be extended by up to 8 years, also to a total of 15 years.

The Variation is intended to generally incentivise greater participation in these projects by ensuring there is sufficient time for proponents to earn enough ACCUs to generate the financial return required to adequately invest in new equipment, maintain that equipment, and cover the costs of other related operational activities such as responding to compliance audits.

**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. Josh Wilson MP**  
**Assistant Minister for Climate Change and Energy**