
**AIGN Response to ACCU Review
Discussion Paper (25 August 2023)**

October 2023

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1 SUMMARY

The Australian Industry Greenhouse Network (AIGN) welcomes the opportunity to provide a submission to the Department of Climate Change, Energy, the Environment and Water (the Department) on its *ACCU Review discussion paper (2023)*.

AIGN provides the following feedback:

- The credibility and integrity of Australia’s internationally regarded Australian Carbon Credit Unit (ACCU) scheme must continue to be endorsed by the Government.
 - Where reports emerge, scientific or other, that challenge or contradict ACCU methods or projects, the Government should verify and respond promptly with either a public response to such reports or a commitment to address the matters raised promptly.
 - Unfounded claims risk weakening the reputation of the ACCU market, and this can have adverse impacts on scheme participants including suppliers and purchases of ACCUs, and on the validity of Australia’s climate action.
- The transparency of the ACCU Scheme should be supported with appropriate and reasonable, publicly available information, and should be aligned as far as practicable with the Government’s climate-related financial disclosure standards.
- To maintain confidence in the market and to continue to encourage deep investment, any regulatory changes arising from this consultation should be applied to new projects.
- The development of proponent-led methods should be facilitated by a government-led consultation process and Integrity Committee approvals. Work should be sequenced sensibly and avoid duplication of methods and procedures.
- With increasing global ambition expected under the Paris Agreement, AIGN supports credible mitigation and transformation options being made available to the Australian economy. Considering the implementation of the Article 6 market mechanism, the Government should make use of the current opportunity to prepare the Australian offset unit infrastructure for alignment with the global carbon market.

2 INTERNATIONAL AND DOMESTIC CONTEXT

AIGN recognises and supports Australia's **Paris Agreement** aligned net zero targets.

The *Climate Change Act 2022* requires developing policies to have regard to this and related matters (e.g., Australia's emissions reduction target of 43% below 2005 levels by 2030), to ensure consistent progress towards the world's goal of limiting global warming.

AIGN recognises that the Australian Carbon Credit Unit Scheme (ACCU) is an important component of the Australian Government's approach to climate change management and its obligations under the Paris Agreement.

Credible carbon offsets provide an important pathway to bring forward emission reductions for many hard-to-abate industry sectors while their technology transformations are being developed.

Offsets also provide a unique opportunity to deliver additional benefits including alignment with First Nations goals, biodiversity, and regional employment opportunities.

The level of ambition required to meet Paris Agreement goals will require deep and rapid action across the world. The inherent uncertainty in this space justifies the Government's attention to maintaining the international competitiveness of entities operating in Australia, including in the development of international best practice benchmarks.

AIGN recognises the need to strike a careful balance to satisfy multiple priorities and ensure domestic abatement is credible, verifiable, and transparently reported.

3 FEEDBACK ON REFORMS

AIGN supports a climate change policy response centred on streamlined, centralised government legislation and efficiency in reducing emissions – policy incentives should ensure that the lowest cost abatement options are brought forward to smooth the transition and cost of emissions reductions.

A credible, reliable ACCU market is an important enabler during the transition. A streamlined method development and approvals process may help bring forward delivery of abatement in Australia.

3.1 Amendments to the Scheme

To maintain confidence in the market and continue to encourage deep investment, the legislative and regulatory changes arising from this consultation should be applied only to new projects.

It is appropriate that genuine existing projects continue to be conducted based on current rules. This will uphold investment certainty and first-mover advantages for the length of their crediting periods.

Note that normally occurring method updates to improve integrity and accuracy should still apply, with existing projects retaining the flexibility to adopt varied or new methods.

3.2 Integrity of the Scheme

AIGN supports measures to uphold the integrity of the ACCU scheme.

The findings of the recent Chubb Review of the ACCU Scheme determined that the fundamental framework of the scheme is sound and that the challenges to the integrity of the ACCU scheme that precipitated the review were not substantiated.

The ACCU Scheme deserves to be highly regarded as a strong and credible framework.

The existing and regular legislated reviews of the scheme are an appropriate mechanism to allow the scheme to be reassessed in response to any new information.

Amendments improving governance and transparency will help maintain credibility and stakeholder confidence in the scheme.

The Government must take care that the integrity of the scheme is not weakened by unsubstantiated claims.

Unsubstantiated claims may have adverse, discernible, and immediate flow-on impacts on participants in the ACCU Scheme - including landholders, developers, contractors, and consumers of ACCUs, as well as the credibility of Australia's emissions reductions internationally.

3.3 Improving confidence

A critical role of the Government is to counter false narratives regarding the integrity of the scheme and to educate the participants and stakeholders on the operation of the scheme, informing and improving perceptions to support a broad understanding of the credibility of the scheme.

Participants who create and use ACCUs must be able to rely on the legitimacy of ACCUs, once issued by the Regulator.

3.4 Transparency

Transparency encompasses several elements of the ACCU Scheme; it would be valuable for the concept of transparency to be more precisely defined as it relates to the specific elements of the scheme.

Transparency should be discussed in relation to matters that improve decision-making for scheme participants.

The transparency of the scheme can be supported by the provision of appropriate and reasonable information to the public.

This could include method development, the source of credits, as well as their status (e.g., availability, cancellations, etc.), and information pertaining to project approvals, whilst recognising and encouraging competition and competitive advantage in a well-functioning market.

AIGN would support further discussion with stakeholders on the information to be provided to the market, as well as on its presentation. How information is made available can be as important as the data itself. It must be capable of being easily understood by a broad audience.

To further support transparency and alignment across the Government's climate policy portfolio, ACCU publication requirements should, as far as practicable, be aligned with climate-related financial disclosure standards.

Additional consultation is encouraged to determine appropriate details such as the level and if so timing of publication of ACCU holdings, and process for company sign-off, the treatment of subsidiaries, etc.

3.5 Method development

The Chubb Review recommended that before making or varying a method, the Minister must be satisfied that it complies with the Offsets Integrity Standards (OIS) and ACCU Scheme Principles.

It would be sensible to adopt the Chubb proposal for ACCU Scheme principles and support their consistent application in method development and project implementation and administration.

The Government should adopt a facilitative role, to promote an efficient and effective proponent-led method development framework that maintains and builds on the integrity of the ACCU market.

A consultative and inclusive method development process would enable the streamlining and prioritisation of proposed new

methods and the distribution of costs and responsibilities.

Importantly it would also cultivate transparency in the method development process.

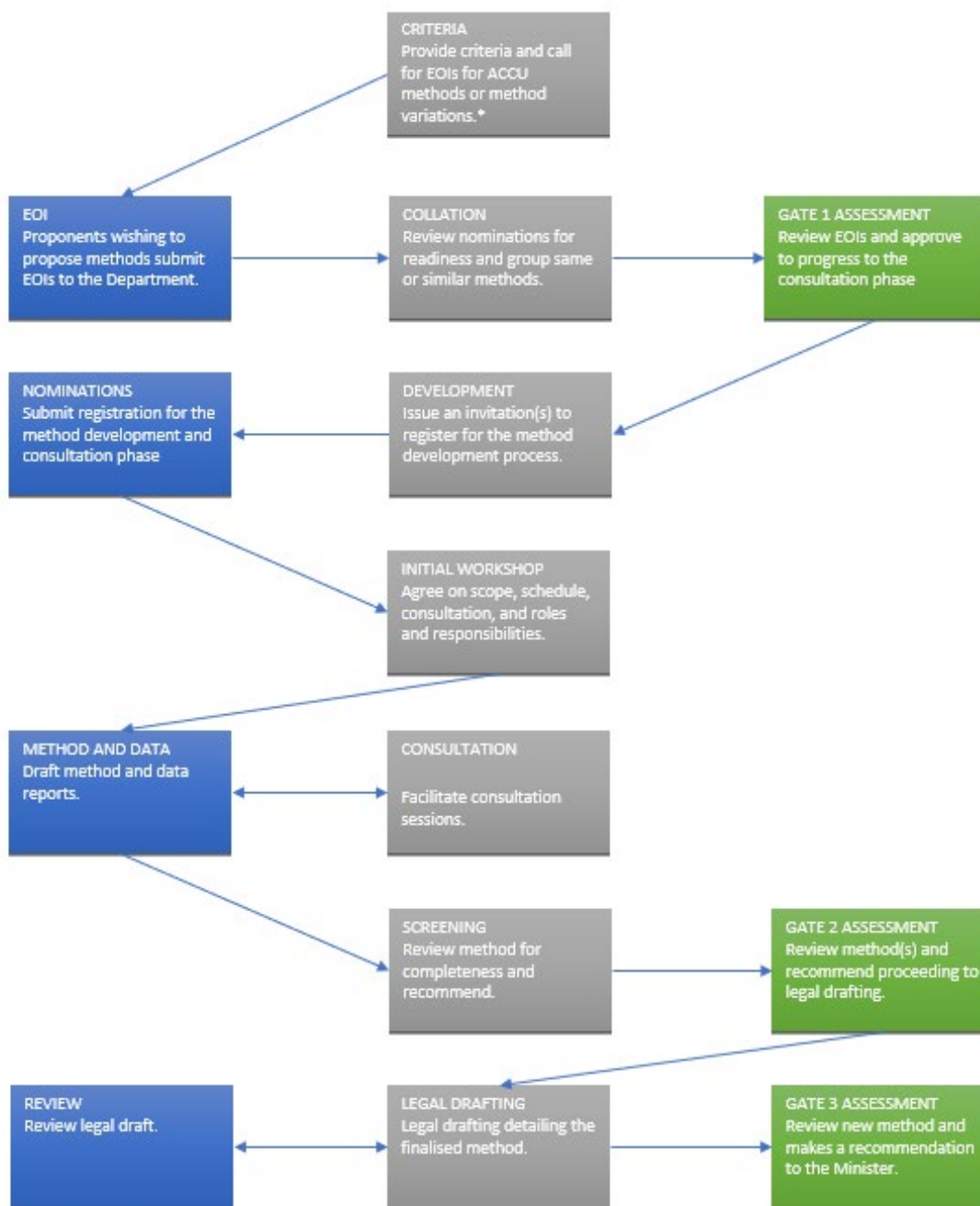


Figure 1: Simplified method development flow diagram demonstrating a consultative process based on shared responsibilities – example for illustrative purposes only.

The development and assessment of new methods should be sequenced sensibly for maximum efficiency. The process could be structured in the following manner:

- The Department of Climate Change, Energy, the Environment and Water (the Department) puts out a call for expressions of interest (EOI) to develop ACCU methods. Or alternatively, this could be reversed and when a method development request is received the Department could issue the EOI.
- Private entities wishing to propose methods submit EOIs to the Department.
- The Department then carries out an initial feasibility screening, assessing EOIs, prioritising and grouping them if needed (i.e., where proponents wish to develop the same or very similar methods). Consideration should be given to a prioritisation approach that would support methods that enable technology advances and new industry development in Australia rather than incremental advances on existing methods.
- The Department passes recommendations to the Carbon Abatement Integrity Committee (CAIC). This should include information on the proposed methods (e.g., new methods, method variations, justification for investment in development, templates for timeframe, data, and method elements required).
- The CAIC reviews the Department's recommendations, notifying which methods are approved for further development.
- The Department invites relevant proponents to register for the method development process. If several groups propose the same method (or similar method proposals have been rolled into one method/group of methods), they will all be invited to register. Proponents registering for method development will be asked to agree to the guidelines and timeframe for method development outlined by the Department.
- The Department coordinates an initial workshop with method proponents to agree on the scope of the work, and the division of roles and responsibilities between the Government and the private sector. The Department should coordinate the consultation process, while proponents should coordinate the necessary data collection and any other evidence required to develop methods. This workshop should deliver an agreed schedule to progress and finalise method development.
- Method proponents deliver an initial draft method to the Department according to the schedule. This is screened by the Department and passed on to the CAIC for approval to progress to final drafting. Further drafts may be requested as appropriate.
- Once a final draft is agreed upon by the Department, the CAIC, and the project proponent(s), the Department coordinates the drafting of a legal document detailing the finalised method. Project proponents are given one final opportunity to review the method (feedback at this stage should mainly focus on ensuring the document genuinely delivers the previously agreed intent).
- The CAIC approves the method and recommends it for Ministerial approval.
- New method made available for ACCU projects.

Where there are significant intellectual property rights associated with a proposed new method, it would be appropriate that the Department consider the concept of both the validity of the claim and a public good test in the assessment of the claim of intellectual property (IP).

This is a complex area and will be a key challenge to the proponent-led model, where the costs are borne by the developer(s), potentially leaving fast-following project developers at an advantage with a ‘free ride’ on the investment of the method developers.

Potentially, a pilot project concept could be introduced, which would in part underpin the method with a commercial arrangement established, such as a fee for offsets generated under the pilot – or another transparent arrangement that incentivises both method development and project uptake.

3.6 Safeguard Mechanism

Recent reforms to the Safeguard Mechanism are expected to increase demand for ACCUs from liable entities. Access to ACCUs via the cost containment measure is offered as a flexibility measure to enable liable entities to meet the requirements of the scheme while managing the realities of abatement opportunities.

A liquid, fungible ACCU market will be an important element of Australia’s efforts to reach net-zero by 2050; this will be supported by ensuring a stable regulatory framework and high confidence in the ACCU market.

There are concerns that the Safeguard Mechanism cost containment measure may not operate as intended and many market participants expect that the price set for these units will become the price floor.

Limiting secondary market availability by requiring projects to deliver a set volume to the Government could further drive this market direction. Consideration could perhaps be given to purchasing units that require higher prices to proceed or those that deliver co-benefits.

3.7 Integration with Article 6

The Government is well placed to use this consultation process to validate the robustness of the ACCU scheme and the underlying carbon projects, both in the context of Australia’s crediting framework (i.e., the ERF) and in the context of the international carbon markets (voluntary and compliance schemes).

AIGN supports efficient and effective action to reduce emissions. The establishment of a market mechanism under Article 6 of the Paris Agreement will provide the market with a clear suite of governance expectations (including accompanying social and environmental standards) under the internationally agreed transparency framework.

There continues to be increasing global commitment to ambitious emissions reduction targets and interim targets under the Paris Agreement for both developed and developing countries. It is important that this goal is achieved as soon as possible.

As such, all credible mitigation and transformation options should be made available, including the use of high-integrity offsets.

Preparing the Australian offset unit infrastructure for the potential use of Article 6 units is a sensible preparatory step.

4 CONCLUSION

AIGN is a network of industry associations and individual businesses. Our focus is on collaborative discussions on key climate policy issues and providing a forum for information-sharing and analysis.

AIGN is a unique community of highly experienced professionals, that brings together collective knowledge and expertise in international, national, and local climate change policy.

In considering this written submission and other contributions to this conversation, please recognise [AIGN's broad membership base](#).

Our engagement reflects our long-held [climate change policy principles](#) and is reflective of the common views of our members but does not directly represent any individual industry association or corporate members.

AIGN members are best placed to provide detailed, specific feedback relevant to their industries, locations, and other circumstances.

Thank you for taking AIGN's feedback into consideration in your consideration of ACCU Scheme amendments.

AIGN welcomes future opportunities to engage with the Department.