
**AIGN Feedback to the Department of Climate
Change, Energy, the Environment & Water on the
Climate Active Program Direction
Consultation Paper**

December 2023

TABLE OF CONTENTS

AIGN FEEDBACK TO THE DEPARTMENT OF CLIMATE CHANGE, ENERGY, THE ENVIRONMENT & WATER ON THE CLIMATE ACTIVE PROGRAM DIRECTION CONSULTATION PAPER	1
DECEMBER 2023.....	1
1 SUMMARY.....	3
2 ABOUT AIGN	5
2.1 INTERNATIONAL AND DOMESTIC CONTEXT	5
2.2 CLIMATE POLICY CONSULTATION TIMEFRAMES	5
3 GENERAL FEEDBACK ON CONSULTATION PAPER.....	6
3.1 ALIGNMENT WITH INTERNATIONAL STANDARDS.....	6
3.2 DIRECT ACTION AND OFFSETTING EMISSIONS.....	6
3.2.1 <i>Supporting the integrity of offsets</i>	6
3.2.2 <i>The role of offsets in decarbonisation</i>	7
3.2.3 <i>Prioritising direct action</i>	7
3.3 VOLUNTARY CLIMATE MITIGATION	7
4 SPECIFIC FEEDBACK ON CONSULTATION PAPER.....	8
4.1 MANDATORY EMISSIONS REDUCTION TARGETS.....	8
4.2 LIMITING CLIMATE ACTIVE CERTIFICATION	8
4.3 EMISSIONS BOUNDARIES AND SCOPE 3 EMISSIONS	9
4.4 VINTAGING INTERNATIONAL OFFSETS	10
4.5 MANDATORY MINIMUM RENEWABLE ELECTRICITY PERCENTAGE	10
4.6 VOLUNTARY ACTION AND AUSTRALIA’S NATIONAL ACCOUNTS	11
4.7 REPLACING ‘CARBON NEUTRAL’ WITH ANOTHER TERM.....	11
4.8 CERTIFICATION PATHWAYS	11
5 CONCLUSION.....	11

1 SUMMARY

The Australian Industry Greenhouse Network (AIGN) welcomes the opportunity to provide a submission to the Department for consideration during its consultation on the direction of, and reforms to, the Climate Active Program.

- AIGN supports the Government's commitment to the Paris Agreement and to meeting its goals, recognising the need for increasing ambition to keep the 1.5°C warming goal within reach and to achieve net-zero emissions by mid-century.

Timing and volume of work concerns

- AIGN has concerns about the overwhelming amount of policy development and implementation the Government has planned for 2023/24. This concern extends well beyond the work of the Climate Active program. The rapid and voluminous schedule of work creates a higher risk of policy misalignment and unintended consequences.
- These points have been made by AIGN in other relevant consultation processes. A single, central responsible agency tasked with drawing together the many streams of work to ensure consistency, orderly sequencing and sufficient capacity to develop good policy is recommended. This may include deferral of some policy processes, particularly voluntary schemes, to allow time for considered feedback and consideration of policy in the context of other current and emerging policies.

Feedback on consultation paper

- AIGN supports alignment with international action and standards in Australia's climate policy suite and decarbonisation pathway, recognising that some variability may be appropriate to reflect domestic circumstances. It would be useful to understand if the proposed changes set out in the consultation paper were assessed for alignment with international standards and action.
- International alignment in Australia's collective climate mitigation approach is desirable; however, it is not a practicable requirement at an individual company level.
- The consultation paper takes as given that public expectation has shifted to prioritise direct emissions reductions. In reality, both direct emissions reductions and high-quality offsets will be needed to achieve net-zero by 2050. The Government must ensure that all viable options are viewed as credible if we are to reach this ambitious goal in line with the Paris Agreement.
- It is not clear that mandatory emissions reduction targets would strengthen the effectiveness of the Climate Active program, which inherently fosters ambition by encouraging additional abatement beyond Australia's compliance framework.
- The proposal around limiting Climate Active certification requires more detail, including how non-certified companies or products would benefit from participation, and how non-linear emissions reductions may best be reflected in progress reports. Further consultation around

allowing some flexibility in reporting to reflect the different circumstances of participants would be welcomed.

- A better understanding of scope 3 emissions could genuinely support decarbonisation efforts, acknowledging the well-known measurement, legal, administrative and other costs and challenges associated with measuring and managing them. Mandating inclusion of specific scope 3 emissions sources in emissions boundaries is therefore not supported. By their nature, scope 3 emissions are outside a company's control and vary significantly between operations. AIGN recommends the Government defers decisions on its approach to scope 3 emissions in the Climate Active program until their treatment in the climate-related financial disclosure framework has been finalised.
- The Government must be conscious of the cumulative impact of addressing additionality risk across its climate policy suite. This is an area where a single, responsible agency would benefit climate policy development. Additionality must be addressed to support the integrity of Australia's emissions reductions while encouraging viable potential offset projects to be implemented. Continual review of eligible offset units would further enhance transparency. In the context of the Climate Active program, a balance is needed that will support the integrity of offsets while further encouraging voluntary abatement.
- The proposal to require a minimum percentage of renewable electricity under a market-based accounting method could have unintended consequences for businesses without ready access to the National Electricity Market, and may prove impracticable for isolated grids and remote or space-constrained sites. Further dialogue around the role of Climate Active in increasing climate ambition would be beneficial.
- Allowing voluntary action in Australia count towards the global mitigation effort would not decrease decarbonisation in mandatory climate policy spaces as these requirements are legislated.
- The Government should undertake a methodical process to analyse options to replace the term 'carbon neutral.' This should include how other jurisdictions are acting on emerging international guidance against use of the term.' The final 'branding' the Government selects should be supported with an awareness-raising campaign to ensure end users have confidence in the program.
- A tiered certification pathway would need to be thoughtfully designed, including how participation and products would be branded. It would need to assist in enhancing the effectiveness of the Climate Active program, as well as maintain incentives for all participants across all tiers.

2 ABOUT AIGN

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, bringing together their collective knowledge and expertise in international, national, and local climate 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 the common views of our members, but does not directly represent any individual association or corporate members.

2.1 International and domestic context

AIGN recognises Australia's commitment to the Paris Agreement. The *Climate Change Act 2022* requires developing policies to have regard to this and related matters (e.g., Australia's emissions reduction targets of 43% below 2005 levels by 2030 and net-zero by 2050), to ensure consistent progress towards the world's goal of limiting global warming.

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.

AIGN recognises the need to strike a careful balance to satisfy multiple priorities and to ensure that the underlying data on which

domestic climate policies and our international climate action commitments are based is credible, verifiable, and clearly reported.

2.2 Climate policy consultation timeframes

This consultation process is occurring alongside an immense amount of policy development and implementation in a short timeframe. AIGN has concerns that truncated consultation risks compromised outcomes. This concern extends beyond the review of the Climate Active Program, as there is a suite of ambitious deadlines across a wide range of policy development and implementation processes in 2023 and 2024.

This includes work on the Safeguard Mechanism (including best practice benchmarks), the Carbon Leakage Review, the Sustainable Finance Strategy (which proposes a huge volume of work including the climate disclosure framework and related standards development), the Net-Zero Plan and associated sectoral plans, funding applications under various streams, consultation on the Climate Change Authority's many reports, the National Climate Risk Assessment and others. Some AIGN members are involved in processes specific to their sectors (e.g., National Hydrogen Strategy, Guarantee of Origin Scheme, Future Gas Strategy). AIGN corporate members are also developing and implementing abatement projects across their operations.

This workload puts AIGN members' resources under considerable strain. AIGN and our members are strongly motivated to participate effectively in these consultation processes, owing to their importance. Optimal policy outcomes can only be achieved with sufficient time devoted to designing well-developed policies.

AIGN requests the Government to provide a single, central agency with responsibility to draw together the many streams of climate policy work to ensure consistency, orderly sequencing and sufficient capacity to develop good policy. This may include deferral of some policy processes.

3 GENERAL FEEDBACK ON CONSULTATION PAPER

AIGN's expertise is primarily centred on the broad range of experiences of corporate members with direct transactions in the carbon market; our feedback will reflect this perspective.

3.1 Alignment with international standards

AIGN notes the Climate Active Carbon Neutral Standard (Organisation Standard) is adapted from international standards including the GHG Protocol and the ISO 1400 series.

AIGN views alignment with international climate action (including the Paris Agreement) and standards as a prudent approach to Australia's decarbonisation efforts, recognising that some variability may occur to reflect domestic circumstances.

While international alignment is practical and pragmatic in Australia's collective approach to climate mitigation efforts, it is important to note that this is not a practicable or pragmatic requirement for individual companies or their activities.

AIGN is interested to understand if the proposed changes set out in the consultation paper were also tested for alignment with international standards.

3.2 Direct action and offsetting emissions

AIGN believes it would be prudent to explore the claim made in the consultation paper, that:

“Public, investor and consumer expectations have shifted to prioritise direct emissions reductions by businesses and organisation that engage in voluntary action.” (page 9)

This claim can be contextualised within a larger discourse on the scientific merits of offsetting emissions compared to direct emissions reduction activity. The context of voluntary vs compliance-based emissions reduction obligations may also be relevant.

AIGN considers that both direct emissions reductions and high integrity offsets should be supported, particularly in view of the need to considerably raise global ambition to meet Paris Agreement goals.

High integrity offsets, such as ACCUs, are expected to become increasingly scarce, while climate ambition continues to rise. Where viable opportunities exist, direct abatement is expected to be a competitive and desirable option for many companies.

3.2.1 Supporting the integrity of offsets

AIGN strongly supports requirements for offsets to be of high integrity. This includes transparent monitoring, reporting and verification (MRV) to generate data integrity via enhanced transparency and the application of appropriate social and environmental safeguards.

At the same time, it is generally well understood that Australia, and indeed the world, will need to utilise high integrity offsets to meet the Paris Agreement goal of net-zero by 2050.

It is therefore vital that we address any legitimate solicitude about the integrity of offsets. When appropriate MRV conditions are met, the atmospheric carbon benefits of offsets are comparable to other mitigation activities, and may offer non-CO₂ co-benefits in some applications (e.g., land use).

Conversely, the Government should promote its policies that allow for the creation of offsets, such as the ACCU Scheme, and defend their policy against ongoing, unfounded public censure.

3.2.2 The role of offsets in decarbonisation

Offsetting emissions will continue to be imperative in hard-to-abate sectors, to provide a measure of flexibility for businesses to contribute to abatement while unable to undertake direct abatement within their operations (e.g. while waiting for a technology to be commercially available or appropriately scaled). This is of particular importance for mandatory compliance frameworks such as the Safeguard Mechanism and will need careful consideration in the voluntary space to avoid unintended consequences. To increase ambition and encourage participation in the voluntary market, the costs and effort of participation must strike a balance between credibility and facilitation.

3.2.3 Prioritising direct action

As noted in the consultation paper – some stakeholders have shifted towards preferring direct abatement activity to reach emissions reduction goals. If the Government believes that this is a legitimate focus for Australia’s climate action, it should be supported as a priority in policy. Incentives for direct abatement will, at times, be needed to ensure direct action is a commercially viable option, both for domestic operations and for companies that compete internationally.

The Government has spent considerable effort developing an offsets scheme that is viewed with high regard by investors. With this framework in place to underpin the integrity of offsets, further limits or rules which tend to ‘demote’ the veracity of abatement via offsetting should be very carefully considered – especially in a voluntary context.

3.3 Voluntary climate mitigation

AIGN notes the consultation paper’s description of Climate Active as:

“...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.” (p 4)

“... [a program to] provide national consistency to support consumer confidence about voluntary climate claims.” (p4)

AIGN notes the paper also details the changes that have occurred, since the founding of the program in 2010, with how the Government and businesses engage with climate issues, the quality of scientific data available, and expectations around climate action.

It is not clear how any of these changes have affected the nature of voluntary climate action. As the consultation paper points out, the Government is undertaking an ambitious agenda of climate reform, including the *Climate Change Act 2022* (which requires climate to be considered across a wide range of policy instruments), Safeguard Mechanism reforms, the ACCU Scheme review (supporting the integrity of offsets), and the development of a climate-related financial disclosure framework and a sustainable finance strategy.

By definition, voluntary climate action represents increasing ambition, as it encompasses anything that is not required by law. Therefore, the most important role of the Climate Active program continues to be ensuring transparency and accountability in additional climate-related claims made by businesses, and encouraging greater participation from businesses not currently covered by climate mitigation policies.

4 SPECIFIC FEEDBACK ON CONSULTATION PAPER

Feedback in this section will largely concern the application of the general feedback in section 3 to specific proposals in the consultation paper.

4.1 Mandatory emissions reduction targets

Achieving Paris Agreement goals will require the world to continually raise climate ambition; this is manifested in the Paris Agreement by the consensus that countries' successive Nationally Determined Contributions (NDC) must reach for stronger and deeper targets than previous NDCs.

Rising ambition is enshrined in policies such as the Safeguard Mechanism, which requires liable entities to comply with annually declining emissions baselines. The climate-related financial disclosure framework will support ambition by requiring the clear and consistent reporting of relevant risks and opportunities to help channel investment into net-zero-aligned assets and projects. The sustainable finance strategy will introduce other sustainability elements to raise ambition still further.

It is not clear whether having mandatory elements that mirror Australia's compliance framework would genuinely strengthen the

effectiveness of the Climate Active program. AIGN believes it would be beneficial to have further dialogue around how increasing ambition can be encouraged without confusing the role of the program (e.g., by offering differentiated levels of certification reflecting participants' level of ambition).

Furthermore, it could be useful to explore the extent to which businesses have the capacity to undertake direct abatement, so that the Climate Active program does not discourage participation through requirements that may be difficult for some entities to meet. The basis of the Climate Active program is to encourage additional mitigation; it inherently fosters rising ambition.

4.2 Limiting Climate Active certification

The proposal around limiting Climate Active certification requires more detail. How would businesses or products which do not qualify for certification be encouraged to participate in the scheme? Would these entities or products be required to undertake the same level of reporting as officially certified entities? What benefit would be available to a Climate Active participant or product that is not certified? For participants in industries that are unable (or not yet able) to reduce direct emissions in line with required trajectories, has can the program still encourage participation?

It is important that voluntary participation is encouraged, and that the program is understood to represent additional abatement and, therefore, increasing ambition.

AIGN members report that some emissions reduction actions will not result in annually linear emissions reductions. Progress is often stepwise as technological and commercial opportunities become available. In such cases,

entities may find that reporting on progress towards their emissions reduction goals over an averaged three-year period could be difficult.

A company may have devoted significant resources towards emissions reductions in a given time period, but the emissions reductions associated with this investment may accrue primarily after that period. An example of this would be investing in on-site technology to facilitate transition from fossil fuel consumption to renewable electricity. This relies on the availability of the on-site technology, as well as the generation and transmission to provide the new electricity. All these investments will only result in abatement in the period after investment is complete.

AIGN suggests that the Government could consider allowing some flexibility in progress reporting to promote understanding of actual progress towards goals. This could include allowing companies to commit to a timeline and a total emissions reduction target over this period, which could help companies' long-term planning and potentially secure larger emissions reduction projects.

Another approach could be to permit reporting in a way that allows progress to be best captured. For example, a company that is significantly expanding and/or trialling new technology may wish to embrace disaggregated reporting so that emissions reduction progress at a specific asset or facility is not overshadowed in a company-level report.

4.3 Emissions boundaries and scope 3 emissions

AIGN supports, in principle, striving for consistency in defining emissions boundaries. With respect to the inclusion of scope 3 emissions, AIGN recognises that they can be an important part of an entity's emissions profile.

It should be noted that entities can be held to legal account for emissions they release to the atmosphere. Once a product is sold, the embodied (scope 3) emissions are legally the responsibility of the purchaser.

A better understanding of indirect emissions may genuinely support decarbonisation efforts and help entities make net-zero-aligned operating decisions. AIGN supports the considered inclusion of scope 3 emissions in the climate disclosure framework, with appropriate recognition of the quality of scope 3 data compared to scope 1 and 2 data.

However, mandating specific scope 3 emissions sources for inclusion in an emissions boundary is more problematic. This approach appears to assume a level of uniformity in businesses that may not reflect their operating environments. Not all businesses will have the same scope 3 emissions; more importantly, a mandated list would represent an arbitrary selection of scope 3 emissions that may not align with the materiality of indirect emissions sources. Mandatory scope 3 emissions reduction targets as part of the Climate Active program should not be considered due to the lack of control most businesses have over scope 3 emissions. In some cases, the only option to reduce scope 3 emissions would be to reduce operations (e.g., sell less product).

Scope 3 emissions are currently in focus in the mandatory policy space, and approaches to scope 3 emissions reporting are still being developed. AIGN supports a sensibly sequenced and orderly approach to policy development; we recommend the Government awaits the finalisation of its treatment of scope 3 emissions in the climate disclosure framework. The Climate Active program can then aim for consistency with existing policy in its approach to scope 3 emissions reporting.

4.4 Vintaging international offsets

AIGN continues to support access to genuine international units as part of a sensible climate policy framework.

AIGN supports the use of credible international offsets and recognises the need to ensure permanence and additionality risk is managed.

Vintaging can be a sound approach to discourage amassing abatement and addressing additionality.

However, the Government needs to be conscious of the cumulative impact of approaches to addressing additionality risk across its policy suite. The proposal of how vintaging could be applied in the Climate Active program is not in itself problematic; rather, it is the fact that this would add another administrative layer on the use of offsets.

Individually valid ways to ensure overall confidence in the carbon market can accumulate to a system that applies multiple discounting across different policies, resulting in a contraction of revenue that may render potential offset projects unviable.

This is an area where a single, responsible agency would support sensible climate policy development. Additionality must be addressed to support the integrity of Australia's emissions reductions across the policy suite. Rational rules governing the environmental and social integrity of both domestic and international units are needed to provide the market with confidence that offset units represent genuine emissions reductions.

A regularly updated quality threshold or criteria for offsets could support transparency and help participants make informed choices for their businesses. Continual review of eligible offset units would ensure they represent credible and fungible abatement across different mandatory

and voluntary frameworks. This would include future Article 6.4 credits.

4.5 Mandatory minimum renewable electricity percentage

The proposal to require participants to source a minimum percentage of renewable electricity under a market-based accounting method is another area where further dialogue around the role of Climate Active in increasing climate ambition would be beneficial (see section 4.1). Alternatives could be considered, such as using differentiated certification to reflect varying levels of ambition, or disclosure of information pertaining to an entity's emissions reduction and offsetting activity. Bespoke treatment for different industry sectors could also be considered.

This requirement appears to assume equitable access to renewable electricity across the country. In fact, this depends on several factors – including the location of a business in relation to the National Electricity Market (NEM), and how the variability of renewable electricity affects some operations. Within the NEM, different states also have differential access to renewable electricity.

If implemented as proposed, this requirement may, in some cases, have the unintended consequence of giving a competitive advantage to some businesses – particularly those without ready access to the NEM. Mandating a minimum percentage of renewable electricity could prove impracticable to isolated grids and remote or space-constrained sites.

AIGN members would be open to further discussion on this proposal to promote an approach that operates as intended.

4.6 Voluntary action and Australia's national accounts

The purpose of voluntary climate action is to accelerate progress towards Paris Agreement goals (e.g. limiting warming to 1.5°C, reaching net-zero global emissions by mid-century).

Having voluntary action in Australia counted towards the global mitigation effort is a sensible proposal as this would contribute to a better understanding of atmospheric emissions levels. This could be done by including voluntary surrenders of units in Australia's emissions accounts (including ACCUs and, eventually, Article 6 units with corresponding adjustments). AIGN agrees that voluntary action does not decrease decarbonisation in mandatory climate policies, as they have legislated requirements (e.g. Safeguard Mechanism entities have declining baselines that will not be affected by any changes in the surrender of voluntary units).

4.7 Replacing 'carbon neutral' with another term

If the term 'carbon neutral' is creating confusion and increasing the risk of greenwashing allegations, a careful process should be undertaken to investigate the best course of action. It would be instructive to understand if other jurisdictions around the world are also acting on emerging international guidance cautioning against the use of the term 'carbon neutral,' and if so, whether there is consistency in the language being used to replace 'carbon neutral' in other programs and jurisdictions.

Whatever term is selected, the final 'branding' should be supported by the Government, for example with an awareness-raising campaign, in addition to the work of Climate Active participants to educate end users about the program. It is important that end users are given reason to have confidence in the program.

Further work and consultation are required on this proposal before it can be accurately evaluated.

4.8 Certification pathways

In principle, a tiered certification program is worth considering, and may assist in enhancing the clarity and consistency of the function of the Climate Active program. The specific proposal in the consultation paper raises some questions.

The way the 'certification pathway' is described suggests that some Climate Active participants may be undertaking reporting under the program but be unable to fully use the Climate Active logo/claim Climate Active certification. This may include participants in the second, 'pending' stage. Further detail to explain what kind of reporting commitment is entailed in the stages that may not offer certification would be helpful.

If the proposed certification pathway requires participants to fully report under Climate Active without access to certification, this may hinder new participants from joining the program.

A more appealing approach could be to consider different levels of certification dependent on the ambition of specific mitigation activities undertaken by participants. AIGN notes an alternative of this nature was considered, though it is not clear why this option was not explored further.

5 CONCLUSION

Thank you for taking AIGN's feedback into consideration as you consider updates to the Climate Active Program.

AIGN welcomes future opportunities to engage with the Department. Please direct any queries on this submission to Susie Smith (CEO).