



Australian Government

EMISSIONS  
REDUCTION  
ASSURANCE  
COMMITTEE

The Hon Angus Taylor MP  
Minister for Energy and Emissions Reduction  
Parliament House  
CANBERRA ACT 2600

Dear Minister

On behalf of the Emissions Reduction Assurance Committee (the Committee), I am pleased to advise that the Committee has considered the proposed *Carbon Credits (Carbon Farming Initiative—Coal Mine Waste Gas) Methodology Determination Variation 2021* (the proposed Variation) and found it suitable to be made.

The *Carbon Credits (Carbon Farming Initiative—Coal Mine Waste Gas) Methodology Determination 2015* (the Determination) credits emissions reductions achieved through the conversion of the methane component of coal mine waste gas to carbon dioxide, which has a lower global warming potential. The methane is converted to carbon dioxide by combustion in electricity generation units and flares, and treatment of mine ventilation air. Emissions reductions for displacing grid electricity can also be credited.

The proposed Variation makes four key changes to the Determination. Firstly, the proposed Variation implements the recommendations of the crediting period extension review that was commenced in late 2020 by the Committee as required under section 255A of the *Carbon Credits (Carbon Farming Initiative) Act 2011* (the Act). The proposed Variation would enable an extended crediting period of 12 years for coal mine waste gas project activities (other than those formerly participating solely in the Renewable Energy Target (RET) scheme).

Secondly, the proposed Variation allows coal mine waste gas projects that were formerly participating solely in the RET scheme to transition to the Emissions Reduction Fund (ERF) for a crediting period of five years provided the electricity production devices were not already participating in the ERF. The eligibility of coal mine waste gas projects to generate large-scale generation certificates (LGCs) under the RET scheme ceased on 31 December 2020. The Committee found there was sufficient evidence to demonstrate that allowing the transition of RET projects into the ERF would result in abatement that would not occur in the ordinary course of business.

Thirdly, the proposed Variation amends the grid emissions intensity factor used to calculate abatement from electricity generation from the grid emissions intensity factor at project declaration to the factor that is current at the end of the reporting period. This change is proposed to ensure the method continues to meet the offsets integrity standards requirements for conservative estimates of abatement.

Finally, the proposed Variation clarifies that project proponents must minimise any non-monitored periods (where parameters needed to calculate abatement can be estimated where a failure to monitor occurs).

The Clean Energy Regulator developed the proposed Variation. The Committee invited public submissions on the proposed Variation in the form of a draft method compilation and its explanatory statement from 1 July to 30 July 2021. Two submissions were received during the consultation period. Although both submissions were supportive of the proposed Variation, they did request some further changes with respect to the treatment of grid emissions intensity, marginal loss factors and adding a new activity of pre-draining open cut coal mines. The Committee considered these requests carefully and decided against further changes at this time given they would add complexity and delay completion of the method.

Based on the outcomes of the consultation and analysis provided to us by the Clean Energy Regulator, the Committee has concluded that the proposed Variation complies with the Offsets Integrity Standards specified in section 133 of the Act. On this basis, the Committee has agreed that it is suitable to be made into a Variation.

The proposed Variation and its explanatory statement as well as a summary of the submissions received during public consultation are attached to this letter.

Please contact me if you have any questions regarding this advice.

Yours sincerely,



David Byers  
Chair  
Emissions Reduction Assurance Committee

26 August 2021



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## EMISSIONS REDUCTION ASSURANCE COMMITTEE

### Notice of advice to the Minister for Energy and Emissions Reduction under section 123A(2) of the *Carbon Credits (Carbon Farming Initiative) Act 2011* (the Act)

#### *Draft Carbon Credits (Carbon Farming Initiative—Coal Mine Waste Gas) Methodology Determination Variation 2021 (proposed Variation)*

On 17 August 2021 the Emissions Reduction Assurance Committee (the Committee) agreed that the proposed Variation is suitable to be made.

In forming this view, the Committee considered:

1. the offsets integrity standards specified in section 133 of the Act;
2. the submissions received during the public consultation period; and
3. advice from the Clean Energy Regulator.

The Committee was not directed to have regard to any additional issues under section 123B of the Act in providing its advice on the proposed Variation.

#### **Assessment against the offsets integrity standards**

The table below provides a summary of how the proposed Variation has addressed the offsets integrity standards. The Committee considers that the proposed Variation complies with the offsets integrity standards.

CFI Act reference	Offsets integrity standards	How the method addresses the offsets integrity standard
133(1)(a)	<b>Additionality:</b> projects covered by the draft determination should result in carbon abatement unlikely to occur in the ordinary course of events (disregarding the effect of the Act).	<ul style="list-style-type: none"> <li>At its April 2021 meeting the Committee agreed a five-year crediting period extension for all coal mine waste gas project (CMWG) activities would likely result in additional abatement based on a financial assessment of three current Emissions Reduction Fund (ERF) projects and a hypothetical business case for one proposed project.</li> </ul>

CFI Act reference	Offsets integrity standards	How the method addresses the offsets integrity standard
		<ul style="list-style-type: none"> <li>The Committee considered financial evidence provided by the project proponent and additional analysis by the agency and found that there was sufficient evidence to demonstrate that allowing the transition of Renewable Energy Target (RET) projects into the ERF would result in abatement that would not occur in the ordinary course of business.</li> </ul>
133(1)(b)	<p><b>Measurable and verifiable:</b> estimates of emissions, removals or reductions are measurable and capable of being verified.</p>	<ul style="list-style-type: none"> <li>The draft contains appropriate equations to calculate emissions and abatement for the new transitioning project activities consistent with the current determination.</li> <li>The draft includes a clarification to section 48 requiring proponents to minimise the non-monitoring period (where parameters needed to calculate abatement can be estimated where a failure to monitor occurs).</li> <li>Other requirements for monitoring, reporting and data collection are also consistent with the current determination.</li> </ul>
133(1)(c)	<p><b>Eligible carbon abatement:</b> carbon abatement used in ascertaining the carbon dioxide net abatement amount for a project must be eligible carbon abatement from the project.</p>	<ul style="list-style-type: none"> <li>The activities in the variation are the same as in the 2015 method. As such, abatement credited under the variation is eligible carbon abatement that can contribute to Australia’s international emissions reductions targets.</li> </ul>
133(1)(d)	<p><b>Evidence based:</b> the draft determination is supported by clear and convincing evidence.</p>	<ul style="list-style-type: none"> <li>The analysis that informed the crediting period extension and transition of RET projects was based on submissions from project proponents containing project scale commercial data. The information provided was assessed against other sources of market data, including published electricity price and emissions intensity data where relevant.</li> <li>The analysis indicates abatement would be unlikely to occur in the ordinary course of business.</li> </ul>

CFI Act reference	Offsets integrity standards	How the method addresses the offsets integrity standard
133(1)(e)	<b>Project emissions:</b> material greenhouse gases emitted as a direct consequence of carrying out the project are deducted.	<ul style="list-style-type: none"> <li>• Emissions occurring during project activities are deducted from the abatement, consistent with the current method.</li> </ul>
133(1)(g)	<b>Conservative:</b> estimates, projections or assumptions included in the methodology are conservative.	<ul style="list-style-type: none"> <li>• The draft amends the emissions intensity factor used to calculate abatement from electricity generation from the factor current when the project is declared to the factor current at the time of reporting.</li> <li>• This change ensures abatement from the displacement of grid electricity is conservative as the emissions intensity of electricity generation is expected to continue to decline over time.</li> </ul>