

EMISSIONS REDUCTION ASSURANCE COMMITTEE

C/- ERAC Secretariat
GPO Box 787
CANBERRA ACT 2601

The Hon Greg Hunt MP
Minister for the Environment
Parliament House
CANBERRA ACT 2600

Dear Minister

On behalf of the Emissions Reduction Assurance Committee (ERAC), I am pleased to inform you that it has considered the draft *Carbon Credits (Carbon Farming Initiative—Designated Verified Carbon Standard projects) Methodology Determination 2015* (our reference: 008VG2014) and advises that it is suitable to be made into a Determination. The ERAC noted item 388A of the Schedule 1 to the *Carbon Farming Initiative Amendment Act 2014*, which, as a transitional measure, exempts designated Verified Carbon Standard projects from the additionality requirements in section 27 of the *Carbon Credits (Carbon Farming Initiative) Act 2011*.

The ERAC notes that the Verified Carbon Standard is an internationally recognised and credible international standard with its own rigorous additionality and verification requirements. The ERAC has been advised by the Department that the Verified Carbon Standard was assessed through the development process for this method as adequate to meet the ERF offsets integrity standards. The ERAC notes further that the method applies only to transitioning Verified Carbon Standard projects.

The draft Determination was developed by the Department of the Environment in collaboration with proponents of the designated Verified Carbon Standard projects and the Clean Energy Regulator. The Department invited public submissions on the draft Determination and also commissioned a separate technical assessment.

Having considered the information from these processes, advice from the Clean Energy Regulator, the draft Explanatory Statement and the text of the draft Determination, the ERAC concluded that the draft Determination complies with the offsets integrity standards specified in section 133 of the *Carbon Credits (Carbon Farming Initiative) Act 2011*. On this basis, the ERAC agreed it was suitable to be made into a Determination.

In reaching its decision, the ERAC noted the importance of ensuring consistency in the assessment of compliance with the offsets integrity standards. The ERAC also

recommends that, if the Determination is made, the Committee monitor its operation to ensure it continues to meet the offsets integrity standards.

Further details of the reasons for the ERAC's advice are included in the attached notice.

Yours sincerely

A handwritten signature in black ink, appearing to read 'B. Keating', with a stylized, cursive script.

Brian Keating
Acting Chair
Emissions Reduction Assurance Committee

17 March 2015

EMISSIONS REDUCTION ASSURANCE COMMITTEE

Notice of advice to the Minister for the Environment under subsection 123A(2) of the *Carbon Credits (Carbon Farming Initiative) Act 2011* (the Act)

Draft Carbon Credits (Carbon Farming Initiative—Designated Verified Carbon Standard projects) Methodology Determination 2015 (draft Determination)

On 6 March 2015 the Emissions Reduction Assurance Committee (ERAC) agreed that the draft Determination is suitable to be made into a Determination.

In forming this view, the ERAC considered:

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

The ERAC was not directed to have regard to any additional issues under section 123B of the Act in providing its advice on the draft Determination.

1. Assessment against the offsets integrity standards

Section*	Requirement	Statement
133(1)(a)	The draft Determination's requirements and method should result in carbon abatement that is unlikely to occur in the ordinary course of events (disregarding the effect of the Act).	The draft Determination measures abatement (trees sequestering carbon) against a baseline—the ordinary course of events—consisting of a series of harvest events that are avoided in the project scenario. The baseline was audited and verified, and an additionality assessment was undertaken, under the Verified Carbon Standard. It should be noted that under section 388A of the <i>Carbon Farming Initiative Amendment Act 2014</i> , the additionality requirements in section 27 of the <i>Carbon Credits (Carbon Farming Initiative) Act 2011</i> , including the requirement that projects be new, do not apply to designated Verified Carbon Standard projects. The method applies only to transitioning Verified Carbon Standard projects that have met the Verified Carbon Standard additionality requirements. Accordingly, the ERAC considers that the above draft Determination complies with this offsets integrity standard.
133(1)(b)	Estimations of removal, reduction or emission, as the case may be, are measurable and capable of being verified.	<p>Appropriate equations are specified for the calculation of emissions reduction and project emissions.</p> <p>Appropriate methods to enable verification of these estimations are specified for data collection, monitoring and reporting. In particular, the baseline has been verified and audited under the Verified Carbon Standard, and the project area must be monitored for natural disturbances.</p> <p>Accordingly, the ERAC considers that the above draft Determination complies with this offsets integrity standard.</p>
133(1)(c)	Carbon abatement used in ascertaining the carbon dioxide net abatement amount for a project must be eligible carbon abatement from the project.	The projects take place on Forest Management lands. Emissions and emissions reductions on Forest Management lands are accounted for against Australia's Forest Management Reference Level. In the second Kyoto commitment period, emissions and emissions reductions relative to the Forest Management Reference Level count towards Australia's target. As a result, the carbon abatement used in ascertaining the abatement amount is eligible carbon abatement from the project.

		Accordingly, the ERAC considers that the above draft Determination complies with this offsets integrity standard.
133(1)(d)	The draft Determination is supported by clear and convincing evidence.	The draft Determination applies to a limited number of projects that have all been audited under the Verified Carbon Standard. Accordingly, the ERAC considers that the above draft Determination complies with this offsets integrity standard.
133(1)(e)	Material amounts, in carbon dioxide equivalent, of greenhouse gases that are emitted as a direct consequence of carrying out the project are deducted.	The draft Determination accounts for emissions caused by fires and other natural disturbances in the project scenario. It also applies a leakage factor to net abatement, to take into account potential increased emissions due to harvesting outside the project area. Accordingly, the ERAC considers that the above draft Determination complies with this offsets integrity standard.
133(1)(g)	Estimates, projections or assumptions included in the methodology are conservative.	The draft Determination makes conservative assumptions. For example, below-ground biomass is excluded, conservative decay factors are used, and wildfires are assumed to kill 100% of trees in the fire-affected area unless the project proponent can demonstrate otherwise. As a result, the net abatement estimate is conservative. Accordingly, the ERAC considers that the above draft Determination complies with this offsets integrity standard.
133(1)(h)	Such other standards that are set out in the legislative rules.	Not applicable.

* Section of the Act

2. Submissions received during public consultation period

The ERAC received three public submissions regarding the draft Determination published on the Department's website between 10 December 2014 and 9 January 2015 consistent with the requirements of section 123D of the Act.

Except for those submissions subject to a request not to publish under subsection 123D(5), all public submissions have been published on the Department's website.

3. Relevant advice from the Clean Energy Regulator

The Clean Energy Regulator advised the ERAC that it supports the above draft Determination.

Conclusion

On the basis that all the offsets integrity standards are met, the ERAC agreed that the draft Determination is suitable to be made into a Determination.