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

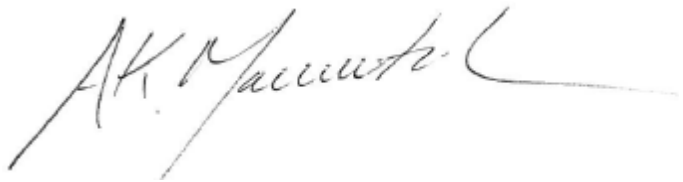
On behalf of the Emissions Reduction Assurance Committee (ERAC), I am pleased to inform you that it has considered the draft *Carbon Credits (Carbon Farming Initiative—High Efficiency Commercial Appliances) Methodology Determination 2015* (our reference: 0022EE2015) and advises that it is suitable to be made into a Determination.

The draft Determination has been developed by the Department of the Environment in collaboration with the Clean Energy Regulator and in consultation with a group of technical experts from the refrigeration and air conditioning industry sectors. 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 has 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 has agreed it is suitable to be made into a Determination.

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

Yours sincerely



Andrew Macintosh
Chair
Emissions Reduction Assurance Committee

30 October 2015

EMISSIONS REDUCTION ASSURANCE COMMITTEE

Advice to the Minister for the Environment

Carbon Credits (Carbon Farming Initiative – High Efficiency Commercial Appliances) Methodology Determination 2015

On 29 October 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 *Carbon Credits (Carbon Farming Initiative) Act 2011* (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 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 specifies appropriate requirements to ensure that projects are delivering additional abatement. For example, only installations of new equipment units that meet relevant high efficiency thresholds (which are significantly above market average performance levels) would be covered by the draft Determination. The abatement calculation is based on comparing the performance of installed units against deemed market average performance levels that are established using product data on the Greenhouse and Energy Minimum Standards (GEMS) Registry. Both the high efficiency thresholds and baseline levels will be reviewed annually to reflect market developments. Accordingly, the ERAC considers that the above draft Determination complies with this offsets integrity standard.
133(1)(b)	Estimations of emissions reduction, sequestration and emissions are measurable and capable of being verified.	Appropriate equations are specified for the calculation of emissions reductions and project emissions. Appropriate data collection, record-keeping and reporting requirements are specified so as to enable verification of emissions reduction estimates. Deemed baseline efficiency levels, operating factors and abatement calculations are based on information and data publicly available on the GEMS Registry or from relevant Minimum Energy Performance Standards (MEPS) Regulatory Impact Statements. The alignment with GEMS and the use of its technical datasets and compliance regime helps to ensure the abatement estimations are measurable and verifiable. Accordingly, the ERAC considers that the above draft Determination complies with this offsets integrity standard.
133(1)(c)	Carbon abatement used in ascertaining the carbon dioxide net abatement amount for a	The carbon abatement used in ascertaining the abatement amount is eligible carbon abatement from the project.

	project must be eligible carbon abatement from the project.	The abatement delivered by the draft Determination is from a reduction in electricity consumption achieved by using high efficiency appliance instead of an appliance with market average performance. Accordingly, the ERAC considers that the above draft Determination complies with this offsets integrity standard.
133(1)(d)	The determination is supported by clear and convincing evidence.	The draft Determination is supported by clear and convincing evidence. The calculation of the abatement is based on well accepted energy consumption formulas that have been used by Standards Australia, industry, GEMS and other similar state-based programs. The setting of the baseline efficiency levels and high efficiency thresholds has been examined by industry experts and assessed against Australian and international market data and industry intelligence to ensure additionality and conservativeness. 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.	Net abatement is calculated after deducting material emissions generated as a direct result of carrying out the project. The calculation of abatement is based on the principle of comparing the electricity consumption of a high efficiency appliance with the amount of electricity that would have been used by an appliance with market average performance. 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 assumptions and estimates included in the draft Determination such as baseline efficiency levels, high efficiency thresholds and capacity factors are conservative. The abatement calculation also includes a vacancy adjustment factor to account for shutdown periods due to reasons other than normal usage of the installed unit or the building (e.g. vacancy between tenancies or shutdown due to unplanned

		maintenance). The net abatement estimate is therefore 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 Department received two submissions regarding the draft Determination that was published on the Department's website between 17 March 2015 and 15 April 2015. This public consultation was consistent with the requirements of section 123D of the Act.

Given that both submissions are subject to a request not to publish under subsection 123D(5), they will not be 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 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.