

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

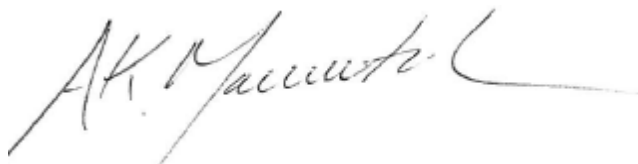
On behalf of the Emissions Reduction Assurance Committee (ERAC), I am pleased to inform you that it has considered the *Carbon Credits (Carbon Farming Initiative—Industrial Electricity and Fuel Efficiency) Methodology Variation 2015* (our reference: 009EE2014V1) and advises that it is suitable to be made into a Determination.

I note that the draft variation aims to incorporate the new native forest biomass provisions of the Renewable Energy Target scheme into the *Carbon Credits (Carbon Farming Initiative—Industrial Electricity and Fuel Efficiency) Methodology Determination 2015* (IEFE Determination). The recently endorsed *Carbon Credits (Carbon Farming Initiative—Facilities) Methodology Determination 2015* includes similar provisions.

The draft variation was developed by the Department of the Environment and the Clean Energy Regulator. The Department invited public submissions on the draft variation. Having considered the information from these processes, advice from the Clean Energy Regulator, the draft Explanatory Statement and the text of the draft variation, the ERAC concluded that the draft Determination as proposed to be varied 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 the variation was suitable to be made.

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

25 August 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— Industrial Electricity and Fuel Efficiency) Methodology Variation 2015 (draft Variation)

On 21 August 2015, the Emissions Reduction Assurance Committee (ERAC) agreed that the draft Determination as proposed to be varied is suitable to be made.

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 Variation.

1. Assessment against the offsets integrity standards

Section*	Requirement	Statement
133(1)(a)	The draft Determination variation'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).	<p>The Determination as proposed to be varied specifies appropriate requirements to ensure that projects are delivering additional abatement. Modelled baseline emissions levels are based on measurements of existing energy consuming equipment and are adjusted to reflect conditions experienced in reporting periods. In addition, the abatement credits are subject to a baseline decline rate to reflect business as usual energy efficiency improvement for the sectors covered by the method.</p> <p>Accordingly, the ERAC considers that the above Determination as proposed to be varied complies with this offsets integrity standard.</p>
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, based on measured data for energy consumption and other variables that affect emissions.</p> <p>Appropriate methods to enable verification of these estimations are specified for data collection, monitoring and reporting.</p> <p>Accordingly, the ERAC considers that the above Determination as proposed to be varied 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.	<p>The carbon abatement used in ascertaining the abatement amount is eligible carbon abatement from the project.</p> <p>Accordingly, the ERAC considers that the above Determination as proposed to be varied complies with this offsets integrity standard.</p>
133(1)(d)	The draft Determination is supported by clear and convincing evidence.	<p>The Determination, as proposed to be varied, is based on existing internationally recognised energy efficiency measurement and verification frameworks and requires proponents to report or maintain a record of evidence to support the calculation of abatement.</p> <p>Accordingly, the ERAC considers that the above Determination as proposed to be varied complies with this offsets integrity standard.</p>

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. This requirement is met through defining the fuel or electricity that must be modelled or measured under the project as well as the calculation of any interactive effects. Accordingly, the ERAC considers that the above Determination as proposed to be varied complies with this offsets integrity standard.
133(1)(f)	Estimates, projections or assumptions included in the methodology are conservative.	The assumptions and estimates included in the Determination as proposed to be varied are conservative. The net abatement estimate is conservative. Accordingly, the ERAC considers that the above Determination as proposed to be varied complies with this offsets integrity standard.
133(1)(g)	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 one public submissions regarding the draft Variation published on the Department's website between 5 August 2015 and 19 August 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 Determination as proposed to be varied.

Conclusion

On the basis that all the offsets integrity standards are met, the ERAC agreed that the Determination as proposed to be varied is suitable to be made.