

Independent Review of Australian Carbon Credit Units



Implementation Plan

June 2023

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Department of Climate Change, Energy, the Environment and Water
GPO Box 3090 Canberra ACT 2601
Telephone 1800 900 090
Web dcceew.gov.au

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Acknowledgement of Country

We acknowledge the Traditional Custodians of Australia and their continuing connection to land and sea, waters, environment and community. We pay our respects to the Traditional Custodians of the lands we live and work on, their culture, and their Elders past and present.

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Introduction

The Australian Carbon Credit Unit (ACCU) scheme has a critical role in achieving Australia's pathway to net zero emissions by 2050. The integrity of our carbon crediting system provides confidence in the emissions reductions achieved under the Safeguard Mechanism and provides incentives for land sector emissions abatement.

The Australian Government is taking strong action to ensure the scheme has high integrity and continues to help Australia achieve its emissions reduction targets.

In July 2022, the government appointed an independent panel to review the integrity of ACCUs to ensure Australia's carbon crediting framework delivers credits of the highest integrity, and supports cultural, social, economic and environmental outcomes.

The independent panel members were Professor Ian Chubb AC FAA FTSE (Chair), Ms Ariadne Gorring, the Hon Dr Annabelle Bennett AC SC FAA FAAL and Dr Steve Hatfield-Dodds (the Panel).

The Panel considered over 200 written public submissions and consulted widely with industry, regional, First Nations and other stakeholders. The Panel visited project sites to see how ACCU methods are applied and implemented, and commissioned expert scientific advice to assess the strengths, limitations and the science underpinning methods.

The Panel provided their Review report to the government on 20 December 2022.

The Panel found the scheme is essentially sound and recommended some sensible changes to ensure its integrity and align with evolving best practice, centred around:

- governance – separation of roles and responsibilities to enhance confidence and transparency
- methods – addressing recent claims raised about the human-induced regeneration; carbon capture and storage; avoided deforestation; and landfill waste gas methods
- maximising transparency in data and information sharing
- innovation in method development and project implementation
- capability and capacity building – supporting greater participation and benefits for rural and remote communities

On 9 January 2023, the government released the Review report and accepted in principle all 16 recommendations.

This implementation plan sets out the government's intended timing and approach for each recommendation. Some have already been implemented or are well advanced. Others are a high priority but require detailed design with input from stakeholders and scheme participants. The remainder require alignment with still-evolving programs and policies, such as the government's Nature Positive Plan.

Reflecting this, this implementation plan separates reforms into reforms that are being implemented immediately, priority reforms for consultation and design, and reforms that will be implemented later. The consultation on priority reforms will include public consultation and direct engagement with groups such as industry representatives; First Nations Australians and representative groups; state, territory and local governments; and carbon service providers. The Department of Climate Change, Energy, the Environment and Water (the department) will also have dedicated engagement with First Nations participants and representative groups.

Immediate implementation

ACCU scheme governance

On 30 March 2023, the government legislated amendments to the *Carbon Credits (Carbon Farming Initiative) Act 2011* (CFI Act) to:

- make the Chair of the Emissions Reduction Assurance Committee (ERAC) a full-time position, to be filled using a transparent merit-based process (recommendation 2)
- ensure the Minister can only make (or vary) a method if the Minister is satisfied that the method (or varied method) complies with the Offsets Integrity Standards (OIS) (recommendation 5.2.2).

The government has also moved method development functions and support provided to ERAC from the Clean Energy Regulator (CER) to the Department of Climate Change, Energy, the Environment and Water (the department).

Methods

On 3 May 2023, the Minister for Climate Change and Energy issued a direction under the *Clean Energy Regulator Act 2011* to guide the implementation of recommendation 8 for Human Induced Regeneration projects. The CER will implement recommendation 8 for both existing and new Human Induced Regeneration projects and establish a program of audits for the gateway checks over the life of these projects that ensure vegetation is growing as required by the scheme. The CER will not issue credits to these projects until they are satisfied the project complies with recommendation 8.

On 14 February 2023, the Minister revoked the Carbon Credits (Carbon Farming Initiative—Avoided Deforestation 1.1) Methodology Determination 2015 (avoided deforestation method). As of 16 February 2023, this prevents new avoided deforestation projects from registering under the ACCU scheme (recommendation 9).

The department has established a technical working group to design new or varied landfill gas methods with upward sloping baselines to ensure method integrity (recommendation 10).

Transparency

On 30 March 2023, the government passed amendments to the CFI Act to enable the publication of protected information such as Carbon Estimation Areas (CEAs); and additional protected information once prescribed in a rule (recommendation 4.1). The CER were provided some discretion to consider

requests for exemption from the requirement to publish CEAs for current projects, where they met statutory requirements and were made within a 30-day grace period from commencement of the provision. The CER commenced publishing CEA data in early June 2023.

CEAs are necessary, but not on their own sufficient to conduct robust analysis of area-based projects. The department will conduct early consultation on additional information to be prescribed, including nominated HIR activities and suppression mechanisms as recommended in recommendation 8.

Capacity and capability building

Consistent with recommendation 14, the \$20.3 million Carbon Farming Outreach Program will run over 4 years from 2022-23 to provide independent advice to support Australian farmers and land managers, including First Nations communities, to participate in carbon markets and integrate low emission technologies and practices into their operations.

The CER is working to simplify scheme documents and improve accessibility to scheme information, with a focus on First Nations People. This includes improving the CER's website and developing new online material (recommendation 3.2).

Climate Active

Consistent with recommendation 16, Climate Active members will not be required to use a minimum of 20% ACCUs. The outcome of the ACCU Review has been communicated to stakeholders and Climate Active members, and minor changes to the technical standard have been made.

Priority reforms for consultation: June to November 2023

The government has prioritised early consultation to implement more complex recommendations that will provide increased confidence in the integrity of the scheme, its methods, projects and ACCUs. This includes:

- specific role of the new Integrity Committee in method development (recommendation 2)
- Australian Government purchase of ACCUs (recommendation 3.3)
- additional ACCU project information to be made publicly available, as well as any protections required (recommendation 4 and recommendation 8)
- details of proponent-led method development model including support required for method proponents (recommendation 5)
- ACCU scheme principles (recommendation 6)
- removing the option to conditionally register ACCU projects on Native Title lands; and provide support for consistent standards in the application of Free Prior and Informed Consent (recommendation 11)

From June 2023, the department will:

- publish a discussion paper and invite members of the public to provide feedback through a public consultation process
- meet with stakeholders and hold workshops on the detail of the reforms.

Following the initial consultation, the department will develop and consult on detailed proposals (as necessary) in August and September. The government will develop legislation where necessary later in 2023 to implement its response to the Review's recommendations.

Scheme level integrity

The Climate Change Authority will consider the merits of a mechanism for a scheme level buffer (recommendation 7) in its statutory review of the *Carbon Credits (Carbon Farming Initiative) Act 2011*, due in December 2023.

Later implementation: From November 2023 and ongoing

Capacity and capability building

The government will work with stakeholders to determine the best approaches to registering and regulating carbon service providers (recommendation 12) and to building the capacity and capability of rural and remote communities, including First Nations Australians, to participate in and benefit from the ACCU scheme (recommendation 14). The department will work collaboratively across government to ensure the ACCU scheme aligns with broader reforms including implementing the Uluru Statement from the Heart and the National Agreement on Closing the Gap, the Nature Positive Plan and the Nature Repair Market (recommendation 15).

The department will coordinate consultation and engagement with First Nations Australians and representative groups on significant reforms across the portfolio. The department will be guided by First Nations scheme participants and representative groups on the best ways to consult and engage with them.

Transparency

The government will consider how to monitor and publish information to improve understanding of the impact of the ACCU scheme in protecting Australia's natural environment and improving resilience to the effects of climate change (recommendation 3.1), in parallel with implementing the [Nature Positive Plan](#). This includes the commitment to pursue a modern data management platform that enables efficient production of conservation planning documents that are more accessible, searchable and informative. Consultation on ACCU project data access and scheme transparency (recommendation 4.2) will align with the development of this data management platform.

Publishing information on co-benefits

The Australian Carbon Exchange, expected to be available late 2023, will provide for the identification of co-benefits. The CER is also investigating how co-benefits could be identified in its new Information Technology end to end processes including the new smart forms.

The Government will consider further work on co-benefits following this work.

Public registry of precedents and rulings

The CER will identify ACCU scheme administration issues requiring regulatory guidance, to add to existing guidance that could be placed on a public register (recommendation 3.2.3).

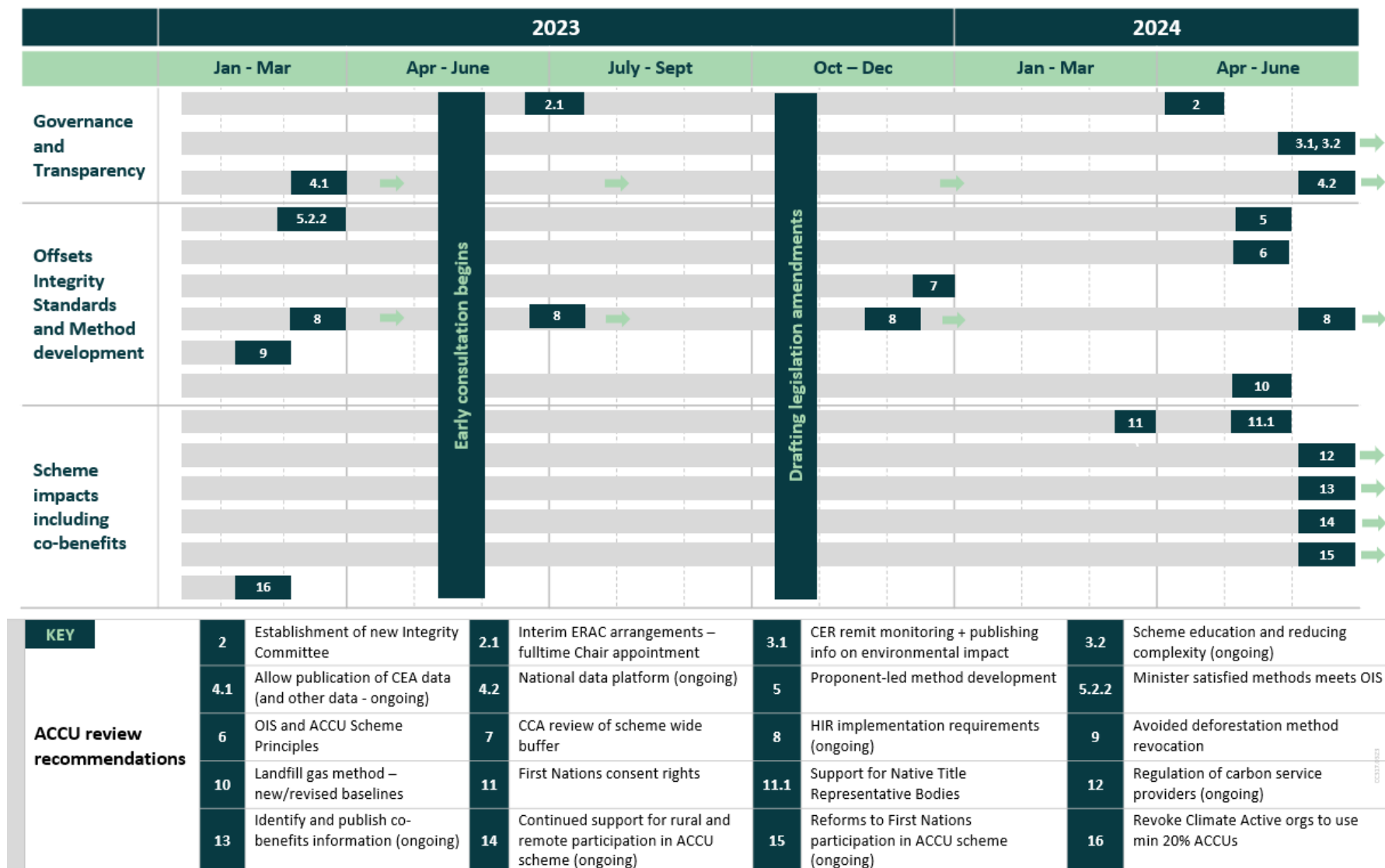


Figure 1: ACCU Review recommendations - indicative timing of implementation

Department of Climate Change, Energy, the Environment and Water

Implementation Plan

Recommendation 1: Separation of ACCU scheme governance functions

Recommendation 1. The respective roles of scheme assurer, scheme regulator and related policy development should be clear, undertaken by visibly separate bodies, and each function resourced sufficiently to play its role effectively in administering the scheme and supporting well-functioning carbon offset markets.

The separation of governance functions is being given effect through the implementation of other relevant recommendations.

Recommendation 2: Re-establish the Emissions Reduction Assurance Committee as the Carbon Abatement Integrity Committee

Recommendation 2. The ERAC be re-established as the Carbon Abatement Integrity Committee as soon as practicable with adjusted terms of reference, membership and functions, and that it be well-resourced and supported by an independent secretariat.

2.1 The Carbon Abatement Integrity Committee should have a membership of a full-time Chair and at least 4 part-time members with a range of skills, expertise and experience.

2.2 A skills matrix must be used to inform appointments.

2.3 At least one of the members of the Carbon Abatement Integrity Committee should be a First Nations Australian with relevant expertise.

2.4 Resources should be allocated to cover the costs of the Carbon Abatement Integrity Committee doing its job independently, effectively and efficiently.

2.5 Remuneration should reflect the members' high level of expertise, their time, and the responsibility and accountability of their role.

Immediate implementation

Until the Carbon Abatement Integrity Committee can be fully established, the government is taking interim steps to align the Emissions Reduction Assurance Committee (ERAC) with ACCU Review recommendations.

On 30 March 2023, the government passed the *Safeguard Mechanism (Crediting) Amendment Act 2023* which changed the Chair of the ERAC to a full-time position. In addition, the government will:

- run a transparent merit-based selection process to appoint the full-time chair of the new Integrity Committee and also use that process to appoint a person to be the full-time chair of the ERAC until the new Integrity Committee is established.

- run a transparent merit-based selection process to appoint a First Nations member of the new Integrity Committee. This process will also be used to appoint a person to a vacant position in ERAC
- establish an independent Secretariat with analytical capacity reporting directly to the Chair of ERAC (once appointed) until the new Integrity Committee is established.

These steps will bolster the capacity of the ERAC to independently consider and provide advice on the integrity of methods while the government consults on the broader reforms, and until the new Integrity Committee is established.

The government has moved the method development function and Secretariat support for ERAC from the Clean Energy Regulator into the department. Consistent with the recommendation 2, the Carbon Abatement Integrity Committee Secretariat will be hosted by the department but report directly to the Chair of the Integrity Committee to maintain its independence. The Integrity Committee Secretariat will have a suite of diverse skills and experience including policy, analysis, technical and scientific skills.

Priority reforms for consultation: June to November 2023

The government will engage with stakeholders on the role of the Carbon Abatement Integrity Committee in method development, concurrent with design of the detailed framework for the new proponent-led method development (see recommendation 5 below).

The government will consult on the specific requirements for members of the Integrity Committee that could be legislated. In addition to bringing technical skills and expertise in emissions abatement, Integrity Committee members will need to understand the broader objectives of the ACCU scheme and the need to translate scientific, economic and other technical concepts into legal instruments. The government will seek stakeholders' views on the balance of technical skills and broader experience required for the Integrity Committee.

Legislative amendments to the CFI Act are required to establish the Carbon Abatement Integrity Committee. As soon as possible after it is established by legislation, the government will appoint members to the new Integrity Committee using transparent merit-based appointment processes.

Recommendation 3: The CER be responsible for project monitoring, compliance and enforcement, and providing transparent project and scheme information

Recommendation 3. The CER be responsible for project monitoring, compliance and enforcement, and providing transparent project and scheme information:

3.1 The remit of the CER should explicitly include monitoring and the publishing of information on the impact of the scheme in the protection of Australia's natural environment and improved resilience to the effects of climate change in accordance with the objects of the CFI Act (section 3).

3.2 The CER should:

3.2.1 Continue to be responsible for education about the scheme and information concerning the carbon market

3.2.2 Reduce complexity by simplifying scheme documents and improving the accessibility of scheme information

3.2.3 Create a public registry of precedents and rulings.

3.3 Responsibility for Australian Government purchasing of ACCUs should be moved out of the CER and into another Australian Government body to avoid actual or perceived conflicts of interest.

Immediate implementation

The CER will continue to be responsible for assessing project registration and crediting applications, issuing ACCUs and ongoing project administration including, monitoring, compliance and enforcement.

The CER is working to simplify scheme documents and improve accessibility to scheme information, including supporting the capacity and capability of rural and remote communities, and with a particular focus on First Nations Australians. This includes enhancing CER's website and developing new online material to support new Information Technology end to end processes (including smart forms) and an improved web interface (recommendation 3.2).

Priority reforms for consultation: June to November 2023

The government will consult with stakeholders on the purpose and role of Australian Government purchasing of ACCUs, which will inform the best-placed entity to host the ACCU purchasing function (recommendation 3.3).

The ongoing role of Australian Government purchasing will depend on demand generated from Safeguard Mechanism facilities and may support implementation of the ACCU Review recommendations to increase social, cultural, environmental and economic benefits from projects. Consultation will allow stakeholders to comment on issues such as whether government purchasing should differentiate between ACCUs with different characteristics, whether auctions should remain the mechanism for purchasing ACCUs, whether optional delivery contracts remain important in supporting ACCU projects and whether the contract exit arrangements announced in early 2022 should continue beyond the current pilot phase.

The government will decide on the appropriate entity for purchasing ACCUs in light of the outcome of the consultation. Legislative amendments will be necessary to move the government purchasing functions to the new entity. These amendments are expected to be drafted later in 2023.

Later consultation and implementation

Public registry of precedents and rulings

The CER will identify ACCU scheme administration issues requiring regulatory guidance, to add to existing guidance that could be placed on a public register (recommendation 3.2.3).

Relationship to Nature Positive Plan and Nature Repair Market

In December 2022, the government released its [Nature Positive Plan](#) under which the Australian government will pursue a modern data management platform that enables efficient production of conservation planning documents that are more accessible, searchable and informative.

This platform will in turn be informed by, and guide, the delivery of government conservation programs and the efforts of conservation managers and stakeholders, notably state and territory governments, recovery teams, conservation groups, the scientific community and First Nations organisations.

The government has also announced the establishment of a [Nature Repair Market](#) to be administered by the CER. The Nature Repair Market will operate in parallel with the carbon market. The CER will issue scheme participants such as landholders, with tradable biodiversity certificates for projects that protect, manage and restore nature.

The government will consider options to improve transparency of ACCU project impacts on environmental protection and climate resilience in the development of the modern data management platform announced in the [Nature Positive Plan](#), and the development of the Nature Repair Market (recommendation 3.1 and recommendation 4.2 below).

Recommendation 4: Maximise data transparency

Recommendation 4. Provisions in the governing legislation should be amended to maximise transparency, data access and data sharing, while enabling protection of privacy and commercial-in-confidence information, to support greater public trust and confidence in scheme arrangements.

4.1 The default should be that data be made public, including carbon estimation areas.

4.2 The government should explore using a national platform to share information and data about the ACCU scheme, in the spirit of continuous improvement.

Immediate implementation

On 30 March 2023, the government passed the *Safeguard Mechanism (Crediting) Amendment Act 2023* to require the CER to publish the details of carbon estimation areas (CEAs) from all relevant projects on the publicly available ACCU scheme project register.

CEAs provide some important information for assisting with transparency on the impacts and effectiveness of projects. Previously the CER was prevented from publishing CEAs and only required to publish project areas (a broader area, usually a property or multiple properties. CEAs are sub-sets of properties on which project activities are implemented and estimated for the purpose of calculating carbon abatement and issuing ACCUs. Project areas include both CEAs where activities are taking place, and other areas where no project activities are taking place).

Projects registered after the legislation commenced are subject to mandatory publication of project areas and CEAs. Pre-existing projects were able to apply to the CER for exemption from publication where the release of the CEA or the project area could reasonably be expected to substantially prejudice the commercial interests of the project proponent or another person. However, avoiding scrutiny for any failures to correctly apply scheme requirements will not be considered a relevant commercial interest to be protected. The CER would also need to be satisfied that any prejudice to the commercial interests of the proponent is substantial and outweighs the public interest in publishing the information. The CER commenced publishing CEA data on the ACCU project register in early June 2023.

While CEAs provide important information, that information alone is not sufficient to robustly analyse and understand the impact of projects. Other information, such as historic management as well as project activities is also necessary. Recognising this, the ACCU Review recommended that more information be made publicly available to allow people to analyse and understand the impacts of ACCU projects, to make suggestions for continuous improvement and to allow the market to differentiate between projects. The Review also recommended that for Human Induced Regeneration projects, the CER should publish the suppression mechanism(s) and project activities. From June, the department will consult on the additional project information that should be published for area-based projects alongside CEAs, as well as any exemptions from publication.

Priority reforms for consultation: June to November 2023

In addition to information that would support analysis of the emissions impact of projects, there may be information about social, economic, cultural and environmental impacts of ACCU projects which could usefully be made public.

The government will consult on information (additional to CEAs and contextual information) that could be published to provide better transparency and allow third parties to analyse the implementation of methods and projects, as well as any protections that are required for information that has genuine privacy or commercial implications. Requirements for publishing additional information can be implemented by the Minister making new Rules and can be adjusted over time to support continuous improvement.

The *Safeguard Mechanism (Crediting) Amendment Act 2023* also amended the *Australian National Registry of Emissions Units Act 2011* to allow for the publication of unit holdings for Australian carbon credit units and safeguard mechanism credit units. Publication of unit holdings was previously recommended by the Climate Change Authority¹ and, along with a new registry platform and exchange traded market being developed by the CER, will increase market transparency and price

¹ [Climate Change Authority 2017 Review of the Emissions Reduction Fund](#)

discovery. The nature of these units as financial products and their role in the Safeguard Mechanism is also relevant to what sort of information should be made public.

The government will consult on options for disclosure of unit holdings, including whether this should only apply to holdings over a certain size and whether any account holders should only be disclosed with an anonymous identifier.

Later consultation: From November 2023 and ongoing

The government will consider how best to make information available about projects relating to both carbon and environmental impacts and benefits, including considering the establishment of a national platform alongside implementation of the Nature Positive Plan and the Nature Repair Market (recommendation 4.2).

Recommendation 5: New proponent-led method development framework

Recommendation 5. Establish a transparent proponent-led process for developing and modifying methods as soon as practicable, with the Carbon Abatement Integrity Committee assuring the integrity of methods and the Department providing support for participants who otherwise may not be able to participate:

- 5.1 Replace current priority setting process with an open EOI process, with the Carbon Abatement Integrity Committee involved in setting priorities for method endorsement and approval. The Minister may nominate priorities but is not required to do so.
- 5.2 The Minister is not obliged to approve any method.
 - 5.2.1 The Minister may only make or vary methods which have been endorsed by the Carbon Abatement Integrity Committee.
 - 5.2.2 Before making or varying a method, the Minister must be satisfied that it complies with the Offsets Integrity Standards (OIS) and ACCU Scheme Principles.
- 5.3 The Carbon Abatement Integrity Committee must only endorse a method if it is satisfied that it complies with the OIS.
- 5.4 The Minister and the Carbon Abatement Integrity Committee must publish reasons for recommendations and for decisions.
- 5.5 The Department should support method development, including supporting community and NGO participation. Support could include allocation of staff resources, grants and other mechanisms.
- 5.6 The proposed process should apply to methods currently in development.
- 5.7 Until the Carbon Abatement Integrity Committee is established, the Department should develop a framework for proponents to follow when proposing and developing methods and modifications.

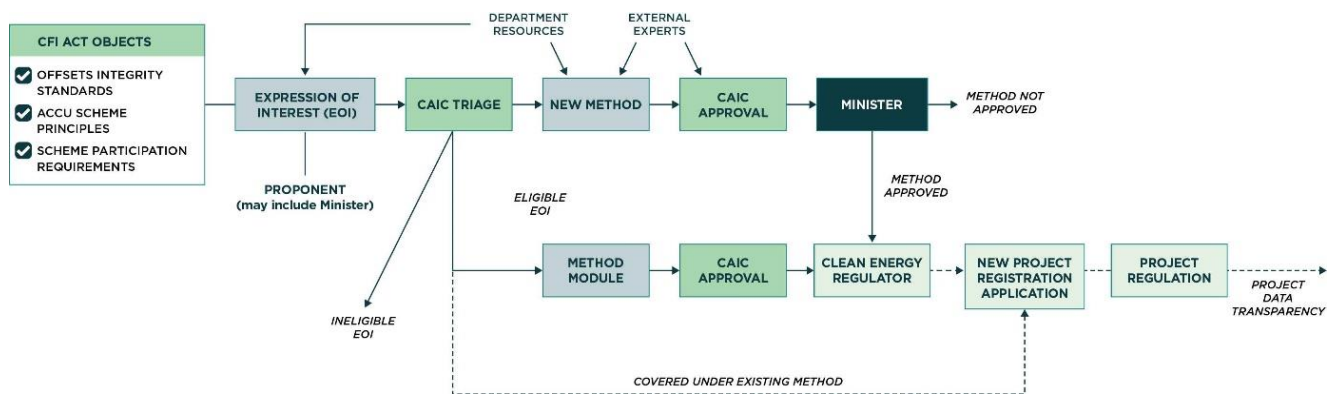


Figure 2: ACCU Review recommendation 5 - Proposed method development framework

Immediate implementation: March 2023

On 30 March 2023, the government passed the *Safeguard Mechanism (Crediting) Amendment Act 2023* to ensure that the Minister can only make (or vary) a methodology determination if the Minister is satisfied that the determination (or varied determination) complies with the Offsets Integrity Standards (OIS) (recommendation 5.2.2). This provides an important clarification about the standard required for methods to be made.

Priority reforms for consultation: June to November 2023

The government will work with stakeholders to design a new proponent-led method development process. This will support greater innovation in method development, helping scale up activity to deliver more emission reductions over time. The new process will be efficient and robust, with clear steps and procedures, and define roles and responsibilities for the Minister, the Carbon Abatement Integrity Committee, the department and the CER at each stage in the process.

A thorough and considered design process will ensure that the new method development framework promotes flexibility and innovation; is accessible, transparent and enduring; and delivers high integrity units at scale.

The government will also consult on the most effective way for the government to provide support to method proponents, including by supporting NGOs and community groups.

The timing for implementation of the new process will depend on the final design. Some elements of this will require legislative amendment, such as establishing the new Integrity Committee and its functions, however it may be possible to implement others administratively, without legislative change.

Interim method development

Some stakeholders have raised concerns that designing the new method development framework could delay finalisation of methods under development, in particular the Savanna Fire Management, and the Integrated Farm and Land Management methods. Recognising that an improved Savanna Fire Management method will provide important opportunities for First Nations communities, the

Department of Climate Change, Energy, the Environment and Water

government will prioritise the development of this method. The government will also prioritise the development of the Integrated Farm and Land Management method to encourage new emissions reduction activities that support the regeneration of native forest.

The government will consider feedback from scheme participants and stakeholders about whether the Emissions Reduction Assurance Committee (bolstered with a full-time Chair and First Nations member, and independent Secretariat); or the new Carbon Abatement Integrity Committee should provide independent expert advice to the Minister that these new methods lead to real and verifiable greenhouse gas abatement.

As noted above, establishing the functions of new Integrity Committee requires amendments to the CFI Act, which are expected to be drafted later in 2023.

The government has already legislated to ensure that the Minister can only make (or vary) a method if the Minister is satisfied that the method (or varied method) complies with the Offsets Integrity Standards (OIS) (recommendation 5.2.2).

The Safeguard Mechanism reforms^[1] and other policy changes have implications for scheme participation and therefore the scope of the anticipated new hydrogen method, the planned variation to the carbon capture and storage method to recognise use/ utility, and the planned variation to the transport method to incentivise sustainable aviation fuel and renewable diesel. The government will not continue developing these methods. If industry stakeholders remain interested in progressing these methods, they are invited to participate in the new proponent-led method development process once it is established.

Beyond the Savanna Fire Management method, the Integrated Farm and Land Management method and the new or varied landfill gas method(s) (as per recommendation 10), the government does not intend to actively develop new methods. The work of the Emissions Reduction Assurance Committee in reviewing methods will continue along with minor method variations where they are necessary to maintain the integrity of existing methods.

Once the proponent-led method development process has been established, proponents may wish to submit new methods (or modules for existing methods) to replace expiring methods through the EOI process. To support prospective developers of methods in the interim period and ensure the development of new methods continues as quickly as possible, the department will release guidance on preliminary work that can be undertaken to prepare for the new process. As the process for developing new methods is established, the department will release additional guidance.

^[1] The *Carbon Credits (Carbon Farming Initiative) Amendment (No. 1) Rules 2023* prevents the registration of new ACCU projects that would solely credit reductions in covered emissions from Safeguard facilities.

Sunsetting of current methods

The Carbon Credits (Carbon Farming Initiative) (Human-Induced Regeneration of a Permanent Even-Aged Native Forest—1.1) Methodology Determination 2013 (HIR method) and the Feeding Dietary Additives to Milking Cows method (Dairy method) will sunset and self-repeal on 30 September 2023. The Carbon Credits (Carbon Farming Initiative) (Native Forest from Managed Regrowth) Methodology Determination 2013 (NFMR) will sunset and self-repeal on 31 March 2024.

The government does not intend to remake the HIR and NFMR methods, as the Integrated Farm and Land Management method now under development will include similar activities to support the regeneration of native forest. The government does not intend to remake the Dairy method as it has not had any uptake.

Once these methods have expired, new projects will not be able to be registered. Projects that have commenced their crediting period will continue.

Recommendation 6: Offsets Integrity Standards and ACCU scheme principles

Recommendation 6. The Offsets Integrity Standards (OIS) should be clearly defined and supplemented with ACCU Scheme Principles to support their consistent application in method development and project implementation and administration.

Priority reforms for consultation: June to November 2023

The Panel endorsed the definitions adopted by the Climate Change Authority for scheme criteria, standards and principles:²

- criteria: quality-related attributes of an offset scheme, project and/or unit
- standards: ways and extent to which criteria can be met
- principles: the combination of criteria and the standards to which they should be met

Clearly defining the Offsets Integrity Standards and developing additional ACCU scheme principles will provide consistent guidance to underpin method and module development under the new proponent-led framework, and support integrity and transparency of abatement in ACCU project implementation.

The government will consult on ACCU scheme principles to be established through the CFI Rules.

² [Climate Change Authority Review of International Offsets 2022 p.45](#)

The principles will build on existing provisions of the CFI Act including the Offsets Integrity Standards, and will provide additional guidance to scheme participants, method proponents and decision makers about how the CFI Act and subordinate legislation should be interpreted.

As the body responsible for interpreting the Offsets Integrity Standards, the Carbon Abatement Integrity Committee would be responsible for developing and maintaining plain English definitions and incorporating them into their work. This consultation will occur after the Integrity Committee is established.

Recommendation 7: Conservativeness across the scheme

Recommendation 7. The CCA should provide advice to the Minister on the merits of a mechanism at the scheme level to provide further assurance of additionality and conservativeness in a transparent manner.

Immediate Implementation

The Panel found that implementing a scheme-level buffer – the mandatory cancellation of a percentage of ACCUs generated under the scheme – would ensure that abatement credited was appropriately conservative across the scheme portfolio but may risk upward pressure on the ACCU price.

Increasing conservativeness in the scheme may allow for more streamlining and flexibility in method and module development (recommendation 5) to drive innovation whilst mitigating risk.

The Climate Change Authority will consider this recommendation in its statutory review of the CFI Act, due in December 2023.

Recommendation 8: Human-induced regeneration (HIR)

Recommendation 8. Project administration for the human-induced regeneration (HIR) method should ensure that all HIR projects conform to its current intent: that it is reasonable to expect that the project area will become native forest, attain forest cover, and permanently store carbon as a direct result of project management actions.

8.1 The method should be interpreted as requiring:

8.1.1 evidence of a causal relationship between the nominated eligible HIR activity or activities and the dominant suppression mechanism(s) that occurred through the entirety of the baseline period;

8.1.2 demonstration that these suppressors are directly addressed by the HIR activity or activities throughout the life of the project; and

8.1.3 demonstration that the application of FullCAM is consistent with the guidelines.

8.2 Each project must meet these criteria before future ACCUs may be issued.

8.3 The CER should include nominated suppression mechanism(s) and eligible HIR activities for new and existing projects on the project register, as soon as feasible, and routinely publish project assessment data and results.

Immediate and ongoing implementation

On 3 May 2023, the Minister issued a direction under section 41 of the *Clean Energy Regulator Act 2011* to guide the implementation of recommendation 8. The CER has begun to implement the recommendation, including for existing HIR projects that have already registered under the method.

The CER will analyse the extensive record keeping and evidence already provided by proponents under the HIR method, including at project registration and for subsequent reporting to receive ACCUs, to identify the suppressors (e.g., grazing animals, weeds or mechanical land clearing preventing trees from growing) and the corresponding project activities for each HIR project.

Building on its previous assessments of project registration and ACCU issuance applications, the CER will also check the use of the FullCAM computational tool to estimate abatement is consistent with the guidelines.

The CER will not issue ACCUs to the projects unless it is satisfied that the project complies with Recommendation 8.

Most project proponents already provide more information to the CER either voluntarily or on request, than is strictly required by the method. Where necessary, the CER will use its existing powers to request further information from scheme participants if more evidence is needed. The CER will also use its existing powers under the ACCU scheme legislation to require ACCUs to be relinquished (paid back) if it finds that scheme requirements for reporting and evidence have not been met.

At present, each HIR project is required to have a minimum 3 independent audits over a project's crediting period (section 76 of the CFI Act and Part 6, Division 3 of the CFI Rule). Project proponents are required to select auditors from a regulated list of accredited auditors. In addition to the minimum 3 independent audits, the CER may also initiate an independent compliance audit under section 214 or 215 of the CFI Act. For section 215 audits, the CER selects and pays for the audits under its own internal audit program.

Gateway checks are additional legislated requirements for HIR projects, and are undertaken 5, 10 and 15 years after a project commences. These checks are designed to ensure that the vegetation from projects is growing as predicted and required.

In addition to the current mandatory audits explained above, the CER will establish a program using audits under section 215 of the CFI Act to provide additional assurance at the point of gateway reviews for HIR projects.

On 30 March 2023, the government amended the CFI Act to enable the publication of Carbon Estimation Areas (CEAs) (recommendation 4.1).³ These amendments also allow further legislative rules to be made to enable the CER to publish additional protected information – such as, for example, nominated HIR project activities and suppression mechanisms. As noted above, the government will consult on this along with other information that could be published.

Recommendation 9: Avoided deforestation

Recommendation 9. No new project registrations be allowed under the current avoided deforestation method. Consideration should be given to developing new methods that incentivise the maintenance of native vegetation that has the potential to become a forest, as well as maintaining existing forests at risk of land-use conversion.

Implemented: February 2023

On 14 February 2023, the Minister [revoked](#) the Carbon Credits (Carbon Farming Initiative—Avoided Deforestation 1.1) Methodology Determination 2015 (avoided deforestation method).

This means that as of 16 February 2023, no new avoided deforestation projects can register under the scheme and receive ACCUs.

These changes will not affect existing projects. Current avoided deforestation projects will continue to be issued credits until the end of their crediting period (15 years from the date of registration).

Proponents will have an opportunity to propose new methods to incentivise the maintenance of native vegetation and existing forests once the new proponent-led method development process is established.

Recommendation 10: Landfill gas

Recommendation 10. Landfill gas methods and crediting period extensions should incorporate upward sloping baselines.

10.1 The baseline of new landfill gas projects and crediting period extensions of existing projects should be adjusted during the lifespan of the project.

10.2 Arrangements should be made for the early review and voluntary adjustment to the baseline of existing projects.

³ Carbon estimation areas are areas of eligible project land on which ACCU project activities are undertaken and are eligible for crediting abatement in the form of ACCUs.

Immediate implementation

The government has established a technical working group including state governments, industry and technical experts to develop the upward sloping baselines to be incorporated into new or existing methods. The department will publish the outcomes of meetings of the technical working group and will consult widely on proposed new approaches.

The new or varied methods will also be subject to public consultation as per the requirements of the CFI Act before they are made by the Minister. The government will consider feedback from scheme participants and stakeholders about whether the Emissions Reduction Assurance Committee (bolstered with a full-time Chair and First Nations member, and independent Secretariat); or the new Carbon Abatement Integrity Committee should provide independent expert advice to the Minister that the new or varied methods lead to real and verifiable greenhouse gas abatement.

The working group will also consider short term options that project proponents can take to maintain the conservativeness of crediting under the existing methods: the Carbon Credits (Carbon Farming Initiative – Landfill Gas) Methodology Determination 2015; and the Carbon Credits (Carbon Farming Initiative—Electricity Generation from Landfill Gas) Methodology Determination 2021.

Recommendation 11: Conditional registration for projects subject to Native Title eligible interest holder consent

Recommendation 11. The CFI Act should be amended to remove the option to conditionally register ACCU projects on Native Title lands (as defined in the CFI Act) prior to obtaining consent, in alignment with the principles of Free, Prior and Informed Consent (FPIC)

11.1 The Australian Government should support Native Title Representative Bodies and other relevant bodies to ensure consistent standards in the application of FPIC.

Immediate implementation

Existing CER [guidance](#) stipulates free, prior and informed consent is best-practice and encourages proponents to employ these principles when pursuing projects on land subject to native title.

Priority reforms for consultation: June to November 2023

The government will consult with all stakeholders, and in particular with First Nations Australians, including through Native Title bodies and other representative groups on the legislative amendments needed to implement this recommendation, and how the government can best support Native Title representative bodies to engage in consent processes.

Mitigating the risk of projects failing due to lack of consent is in the best interest of proponents and other landholders, as well as eligible interest holders. It is critical that those providing consent know what is being agreed to, and, where consent is being provided by Native Title holders, the requirements of the Native Title Act are considered in determining the process for consent.

Recommendation 12: Regulation of carbon service providers

Recommendation 12. Carbon service providers and carbon market advisors, including agents, should be accredited and regulated.

Later consultation and implementation: From November 2023

The government will consult with stakeholders on the best approach to registering and regulating carbon service providers noting that the ACCU Review found that the Carbon Market Institute's voluntary Carbon Industry Code of Conduct contributes to the integrity of ACCUs. Options could include administrative solutions, building on the Code of Conduct, as well as legislative amendments to integrate this recommendation with existing ACCU scheme regulatory tools and frameworks.

The government will determine timing for implementation depending on the identified approach.

The CER will provide advice and support to the department on the implementation of this recommendation.

Recommendation 13: Co-benefits

Recommendation 13. The CER, in consultation with market participants and stakeholders, should develop procedures to support transparency of different project characteristics and types of co-benefits associated with ACCUs.

Later consultation and implementation: From November 2023

The [Australian Carbon Exchange](#), expected to be available late 2023, will provide for the identification of co-benefits. The CER is also investigating how co-benefits could be identified in its new Information Technology end to end processes including the new smart forms.

The Government will consider further work on co-benefits following this work.

The government has announced the establishment of a [Nature Repair Market](#) to be administered by the CER. As the Nature Repair Market develops, consideration will be given to linking carbon and nature repair benefits in the CER's registries. The government will consult with stakeholders to ensure alignment of ACCU project information with the Nature Repair Market and the implementation of the government's Nature Positive Plan.

Recommendation 14: Capacity and capability building

Recommendation 14. The Australian Government should continue to support the capacity and capability of rural and remote communities, including First Nations Australians, to participate in and benefit from the ACCU scheme.

Immediate implementation and ongoing

The Australian Government is providing \$20.3 million over 4 years from 2022–23 to establish a Carbon Farming Outreach Program. The program will support Australian farmers and land managers, including First Nations peoples, to participate in carbon markets and integrate low emission technologies and practices into their operations.

The Program will leverage existing networks by providing \$17.5 million in grants to train trusted and independent advisers to build the capacity and capability of rural and remote communities, including First Nations Australians, to reduce emissions and benefit from the carbon crediting scheme.

The government will monitor the progress and effectiveness of the Carbon Farming Outreach Program and consult with stakeholders on continuing gaps and needs as the program evolves.

Recommendation 15: Participation of First Nations Australians

Recommendation 15. Reforms relating to First Nations Australians' participation in the ACCU scheme should align with the accepted recommendations of concurrent reviews and reforms.

Ongoing

The government has committed to implement the Uluru Statement from the Heart and the National Agreement on Closing the Gap through a genuine partnership between government and First Nations people. Specific initiatives responding to climate change include \$105.2 million to support First Nations peoples to respond to climate change in their communities; and \$83.8 million to develop and deploy microgrid technology across First Nations communities to increase access to cheaper, cleaner and more reliable energy. A new Torres Strait Climate Change Centre of Excellence will empower Torres Strait communities to design and deliver local adaptation and mitigation initiatives, including through the Climate Warriors training program.

The government is providing \$231.5 million over 5 years to continue and improve the highly successful Indigenous Protected Areas program, including by creating 10 new Indigenous Protected Areas; and doubling Indigenous Rangers so more First Nations peoples can be part of conserving our land, water and ecosystems. \$14.7 million will support First Nations-led action to identify and protect heritage places. This includes pursuing new World Heritage listings for the Murujuga Cultural Landscape and the Flinders Ranges. The government has committed \$5.5m over 2 years to co-design First Nations cultural heritage reform in partnership with the First Nations Heritage Protection Alliance.

The ACCU Review made the point that it is important to have First Nations Australians at the heart of policy reform and decision. The Review found that First Nations Australians have unique expertise in cultural land management practices and can make a distinctive contribution to carbon markets, community and environmental outcomes.

The timing of many broader government reforms and initiatives may differ from the planned schedule for ACCU Review implementation. The department will work collaboratively within the department and across government to ensure the ACCU scheme aligns with broader reforms and changes can be embedded administratively as required. The department will coordinate consultation

and engagement with First Nations Australians and representative groups on significant reforms across the portfolio.

Representation on governance bodies, such as the Carbon Abatement Integrity Committee, will increase the potential for participation to be self-determined, equitable and meaningful.

As noted in Recommendation 2, the government will run a transparent merit-based selection process to appoint a First Nations member of the Integrity Committee. This process will also be used to appoint a person to a vacant position in ERAC.

As noted in Recommendation 14, the government is providing \$20.3 million over 4 years from 2022–23 to establish a Carbon Farming Outreach Program. The program will support Australian farmers and land managers, including First Nations peoples, to participate in carbon markets and integrate low emission technologies and practices into their operations.

Later consultation and implementation: From November 2023

Consistent with the ACCU Review findings and recommendations, and the government's commitments to Aboriginal and Torres Strait Islander Australians by improving programs and services, the government will consult with First Nations Australians and representative groups on reforms to increase participation in the ACCU scheme.

Recommendation 16: Mandatory use of ACCUs under Climate Active

Recommendation 16. The mandatory requirement for Climate Active organisations to use a minimum 20 per cent ACCU to achieve their emissions offsets should not come into effect.

Implemented: January 2023

Climate Active members will not be required to use a minimum of 20% ACCUs. The outcome of the ACCU Review has been communicated to stakeholders and Climate Active members. Minor changes to the technical standard have been made to implement the recommendation.