Australian Government
Clean Energy Regulator

EMISSIONS REDUCTION ASSURANCE COMMITTEE

The Hon Angus Taylor MP
Minister for Industry, 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 three draft variations that comprise part of the draft biomethane method package and recommends that they are suitable to be made. The draft variations are:

- the draft *Carbon Credits (Carbon Farming Initiative – Animal Effluent Management) Methodology Determination Variation 2022* (the Animal effluent management method)
- the draft *Carbon Credits (Carbon Farming Initiative – Electricity Generation from Landfill Gas) Methodology Determination Variation 2022* (the Landfill gas (electricity generation) method), and
- the draft *Carbon Credits (Carbon Farming Initiative – Domestic, Commercial and Industrial Wastewater) Methodology Determination Variation 2022* (the Wastewater treatment method).

The key features of the proposed biomethane method package are:

- Adding new eligible project activities that enable the crediting of net abatement arising from the upgrading of biogas into biomethane to displace natural gas use in Australia over a 12-year crediting period.
- Biomethane projects will be credited for **conversion** and **displacement** abatement.
  - » **Conversion** abatement occurs when waste methane is converted to carbon dioxide (which has a lower global warming potential) through combustion.
  - » **Displacement** abatement occurs when biomethane is used to displace natural gas. This method package is the first to enabling crediting for displacement abatement.

The attached notice of advice sets out the Committee's consideration of the draft biomethane method package against the offsets integrity standards as contained in section 133 of the *Carbon Credits (Carbon Farming Initiative) Act 2011* (the Act).

The draft biomethane method package varies the existing Animal effluent management method, Landfill gas (electricity generation) method, and Wastewater treatment method to credit emissions reductions from producing biomethane from waste biogas and landfill gas for combustion and use as a natural gas substitute.

Two more variations to the *Carbon Credits (Carbon Farming Initiative – Alternative Waste Treatment) Methodology Determination 2015* and the *Carbon Credits (Source Separated Organic Waste) Methodology Determination 2016* will be progressed in early 2022 to complete the biomethane method package.

The Clean Energy Regulator developed the draft biomethane method package following your prioritisation of this work in October 2020. The draft biomethane method package was developed through a co-design process involving almost 60 stakeholders and technical experts engaged through workshops, written submissions, and bilateral meetings.

The Committee invited public submissions on the draft biomethane method package from 2 November to 30 November 2021. Eighteen submissions were received during the consultation period. Overall, the submissions supported the draft biomethane method package as a way of providing incentives for new biomethane production activities in Australia.

The Committee and the Clean Energy Regulator considered all submissions carefully and, although several minor changes to the draft biomethane method package were made to improve the clarity and usability of the method package, no material policy changes occurred following public consultation.

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

Yours sincerely,

David Byers
Chair
Emissions Reduction Assurance Committee

17 December 2021

EMISSIONS REDUCTION ASSURANCE COMMITTEE

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

Carbon Credits (Carbon Farming Initiative – Animal Effluent Management) Methodology Determination Variation 2022,

Carbon Credits (Carbon Farming Initiative – Electricity Generation from Landfill Gas) Methodology Determination Variation 2022, and

Carbon Credits (Carbon Farming Initiative – Domestic, Commercial and Industrial Wastewater) Methodology Determination Variation 2022

(the draft method variations)

On 15 December 2021, the Emissions Reduction Assurance Committee (the Committee) agreed that the draft variations are 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 draft variations.

Assessment against the offsets integrity standards

The table below provides a summary of how the draft method variations have addressed the offsets integrity standards. The Committee considers that the draft method variations comply with the offsets integrity standards.

CFI Act Reference	Offsets integrity standard	How the method addresses the offsets integrity standard
133(1)(a)	**Additionality:** projects covered by the determination should result in carbon abatement unlikely to occur in the ordinary course of events (disregarding the effect of the CFI Act).	• Biomethane projects are unlikely to occur in the ordinary course of events given they have higher capital and operational costs and face other impediments to uptake relative to other biogas activities that can create abatement such as flaring of waste methane. • Only small-scale biomethane pilot projects are currently being undertaken in Australia indicating that projects under the ERF are likely to be additional.

CFI Act Reference	Offsets integrity standard	How the method addresses the offsets integrity standard
133(1)(b)	**Measurable and verifiable:** estimates of emissions, removals or reductions are measurable and capable of being verified.	• The draft method variations contain appropriate equations for calculating emissions reductions and project emissions and specifies requirements for verifying estimates for data collection, monitoring, and reporting. • The equations account for project emissions including energy inputs related to biogas upgrading and infrastructure operation, as well as emissions resulting from any additional transport activity due to a biomethane project.
133(1)(c)	**Eligible carbon abatement:** carbon abatement used in ascertaining the carbon dioxide net abatement amount for a project must be eligible carbon abatement from the project.	• The Department of Industry, Science, Energy and Resources has advised it is eligible carbon abatement.
133(1)(d)	**Evidence based:** the draft determination is supported by clear and convincing evidence.	• The draft method variations are based on existing method frameworks and has been developed following consultation with experts and industry.
133(1)(e)	**Project emissions:** material greenhouse gases emitted as a direct consequence of carrying out the project are deducted.	• All material greenhouse gases emitted as a direct consequence of carrying out the project are deducted in the draft method variations' equations.
133(1)(g)	**Conservative:** estimates, projections or assumptions included in the methodology are conservative.	• The draft biomethane method variations' assumptions are reasonable, and the equations include controls to ensure the variations are conservative.