



Australian Government

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 the draft *Carbon Credits (Carbon Farming Initiative—Industrial and Commercial Emissions Reduction) Methodology Determination 2021* (the draft ICER method) and recommends that it is suitable to be made. The attached notice of advice sets out the Committee's consideration of the draft ICER method against the offsets integrity standards as contained in section 133 of the *Carbon Credits (Carbon Farming Initiative) Act 2011* (the Act).

The draft ICER method credits reductions in the emissions from industrial and commercial processes through activities such as upgrading or replacing existing emissions-producing equipment, and fuel switching. Abatement is calculated as the difference between the baseline emissions that would have occurred in the absence of the project (worked out using an engineering or statistical model) and the emissions measured after the project activities are complete.

The draft ICER method builds on the existing *Carbon Credits (Carbon Farming Initiative—Industrial Electricity and Fuel Efficiency) Methodology Determination 2015* (the IEFE method) and makes several enhancements including introducing new abatement opportunities and improving method usability, while maintaining the integrity of the method.

The key enhancements made under the draft ICER method, relative to the IEFE method are:

- Industrial process emissions are included as a source of abatement.
- Project proponents have greater flexibility to undertake modelling and calculation adjustments to accommodate changes in business circumstance.
- A new additionality control has been introduced by requiring project proponents to provide a statement from a responsible financial officer (or their delegate) that the project activities would not likely occur in the absence of them being included in an eligible offsets project under the Emissions Reduction Fund.
- An in lieu of newness provision is included to enable existing projects under the IEFE method to transfer to the ICER method earlier than would otherwise be possible.
- Facilitating the transfer of projects registered under the *Carbon Credits (Carbon Farming Initiative – Facilities) Methodology Determination 2015* to the ICER method while reducing the risk of gaming by introducing restrictions that prevent projects from transferring between methods depending on which method will deliver them the most Australian carbon credit units.

The Clean Energy Regulator developed the draft ICER method through a co-design process involving stakeholders and technical experts. The Committee invited public submissions on the draft ICER method from 20 July to 17 August 2021. Twelve submissions were received, and they generally acknowledged that the draft ICER method provides incentives to a broader range of facilities to reduce emissions and addresses barriers to entry that were present in the existing IEFE method.

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

The draft ICER method is accompanied by a change to the *Carbon Credits (Carbon Farming Initiative) Rule 2015* to enable ICER projects to delay their start date for up to three years. This change was made in response to stakeholder feedback and allows project proponents additional time to start their projects without affecting the length of time they can be issued credits.

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

Yours sincerely,



David Byers  
Chair  
Emissions Reduction Assurance Committee

24 November 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—Industrial and Commercial Emissions Reduction) Methodology Determination 2021* (draft method)

On 18 November 2021 the Emissions Reduction Assurance Committee (the Committee) agreed that the draft method is 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 method.

### Assessment against the offsets integrity standards

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

CFI Act Reference	Offsets integrity standard	How the method addresses the offsets integrity standard
133(1)(a)	<b>Additionality:</b> 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).	<ul style="list-style-type: none"> <li>• The draft method includes a requirement for project proponents to provide a declaration that the activities that constitute the project would not likely occur in the absence of the project being registered as an eligible offsets project under the Emissions Reduction Fund.</li> </ul>
133(1)(b)	<b>Measurable and verifiable:</b> estimates of emissions, removals or reductions are measurable and capable of being verified.	<ul style="list-style-type: none"> <li>• The draft method contains appropriate equations for calculating emissions reductions and project emissions, as well as ways of verifying estimates for data collection, monitoring, and reporting.</li> <li>• The findings of an independent third-party expert technical review of the draft method (the technical review) indicate that the method's equations are sufficiently robust to enable calculation of emission reductions that are measurable and verifiable.</li> </ul>

<p><b>133(1)(c)</b></p>	<p><b>Eligible carbon abatement:</b> carbon abatement used in ascertaining the carbon dioxide net abatement amount for a project must be eligible carbon abatement from the project.</p>	<ul style="list-style-type: none"> <li>• The Department of Industry, Science, Energy and Resources has advised it is eligible carbon abatement.</li> </ul>
<p><b>133(1)(d)</b></p>	<p><b>Evidence based:</b> the draft determination is supported by clear and convincing evidence.</p>	<ul style="list-style-type: none"> <li>• The draft method is based on industry, expert, and scientific evidence.</li> <li>• The technical review indicates that the equations are appropriate for estimating abatement.</li> </ul>
<p><b>133(1)(e)</b></p>	<p><b>Project emissions:</b> material greenhouse gases emitted as a direct consequence of carrying out the project are deducted.</p>	<ul style="list-style-type: none"> <li>• All material greenhouse gases emitted as a direct consequence of carrying out the project are deducted in the draft method's equations.</li> </ul>
<p><b>133(1)(g)</b></p>	<p><b>Conservative:</b> estimates, projections or assumptions included in the methodology are conservative.</p>	<ul style="list-style-type: none"> <li>• The assumptions and estimates included in the draft method are assessed as conservative, including the net abatement calculations. For example, the net abatement amount is reduced based on the accuracy of modelling. This is supported by the technical review.</li> </ul>