



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 writing to advise you that the Committee has considered the *Carbon Credits (Carbon Farming Initiative—Commercial and Public Lighting) Methodology Determination 2015* (the Lighting method) and recommends that it be revoked.

The Committee's consideration of the revocation of the Lighting method has had regard to section 123A of the *Carbon Credits (Carbon Farming Initiative) Act 2011* (the Act) with respect to the offsets integrity standards. The Committee believes that there is reasonable evidence that the Lighting method no longer complies with the offsets integrity standard of additionality.

The Lighting method allows proponents to generate Australian carbon credits units (ACCUs) by upgrading, modifying, replacing, or supplementing a lighting system in a commercial area, road, or public space to increase its energy efficiency, thereby reducing emissions through reduced electricity use.

Since the Lighting method commenced in 2015, several market and regulatory changes have occurred that affect the ongoing additionality of the lighting upgrade activities under the method. The attached notice of advice sets out the Committee's assessment of the Lighting method against the additionality offsets integrity standard as contained in section 133(1)(a) of the Act.

The Committee's consideration of the revocation of the Lighting method follows the 2021 crediting period extension review, in which the Committee found evidence to suggest that extending the crediting period may not continue to result in additional abatement. Based on the review findings, the Committee recommended that the crediting period for the Lighting method not be extended. As concerns were identified about the ongoing additionality of some of the activities in the method, the Committee undertook a further examination of these concerns.

To inform its consideration of the revocation of the Lighting method, the Committee undertook public consultation seeking evidence on whether lighting upgrade activities are additional to business as usual, and the potential impact that revocation of the method would have on opportunities for abatement in the lighting sector under the Emissions Reduction Fund (ERF). Two submissions were received, neither of which provided sufficient evidence to demonstrate that the method activities continue to result in abatement that would not occur in the ordinary course of business.

As the Committee is satisfied that there is reasonable evidence that the Lighting method no longer complies with the offsets integrity standards and risks crediting non-additional abatement, I am also informing you that the Committee proposes to make a suspension order under subsection 27A(4) of the Act. The effect of the order is that any new project registration applications received for declaration of projects under the Lighting method as eligible offsets projects will not be processed by the Clean Energy Regulator while the order is in force.

The Committee proposes to make this order as soon as practicable, and the order will be in force from the date after the instrument is registered for a period of 12-months. This will ensure no new projects can be registered while the revocation of the Lighting method is being considered, reducing the risk of non-additional abatement and maintaining scheme integrity.

There are currently eight projects registered under the Lighting method. These projects are unaffected by the revocation of the method or the suspension order, and those projects will continue to benefit from the ERF during their 7-year crediting period.

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

Yours sincerely



David Byers
Chair
Emissions Reduction Assurance Committee

16 March 2022

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—Commercial and Public Lighting) Methodology Determination 2015 (the Lighting method)

On 24 February 2022 the Emissions Reduction Assurance Committee (the Committee) agreed that the Lighting method should be revoked.

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 Lighting method.

Assessment against the offsets integrity standards

The Committee considers that the Lighting method no longer complies with the offsets integrity standards.

CFI Act reference	Offsets integrity standards	How the method no longer meets the offsets integrity standards
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).	<p>Since the Lighting method commenced in 2015, several market and regulatory changes have occurred that affect the ongoing additionality of the lighting upgrade activities under the method.</p> <p>When the Lighting method was introduced in 2015, a large upfront investment was required to upgrade from conventional lighting systems to light-emitting diode (LED) lighting systems. This meant that the installation of LED lighting was not considered to be a business-as-usual practice and there was substantial opportunity to generate additional carbon abatement by incentivising upgrades.</p> <p>Since then, improvements in LED technology mean LED products have decreased in cost and are widely available. The period for achieving a reasonable return on investment for LED lighting products is now also shorter due to significant electricity savings, and reduced maintenance and replacement costs compared to conventional lighting systems.</p>

CFI Act reference	Offsets integrity standards	How the method no longer meets the offsets integrity standards
		<p>In addition, industry standards are rapidly evolving. The Australian Building Codes Board amended the National Construction Code (NCC) in 2019 to increase the energy efficiency requirements for lighting in new buildings and major retrofits, with only LED products sufficient to meet many of the requirements. There has also been a move to introduce Australian minimum energy performance standards for LED lighting under the <i>Greenhouse and Energy Minimum Standards Act 2012</i>, which involves phasing out conventional halogen incandescent lamps. These changes are aligned with European Union standards and are expected to come into force in 2022-2023.</p> <p>These market changes mean that it is increasingly likely that lighting upgrades will occur in the ordinary course of events.</p> <p>The Minamata Convention on Mercury (the Minamata Convention) is an international convention that aims to address health and environmental risks from mercury by restricting the manufacture, import and export of products containing the heavy metal for use in a range of industries including lighting.</p> <p>In 2021, the Commonwealth Department of Agriculture, Water and Environment published a final Regulatory Impact Statement (RIS) outlining the potential impacts ratification would have on the lighting sector, primarily local governments that typically use mercury vapour lamps in public lighting. The RIS identified that industry has been making significant investment in lighting upgrades in recent years, particularly upgrades involving LED lighting. The RIS concluded that ratification would bring forward the final stages of this investment.</p> <p>The Minamata Convention’s ratification on 7 December 2021 means the Australian Government is expected to progress regulatory change that will effectively mandate the transition from mercury vapour lamps to LED lighting in public and commercial lighting.</p>