



Independent Review of Australian Carbon Credit Units - carbon market basics

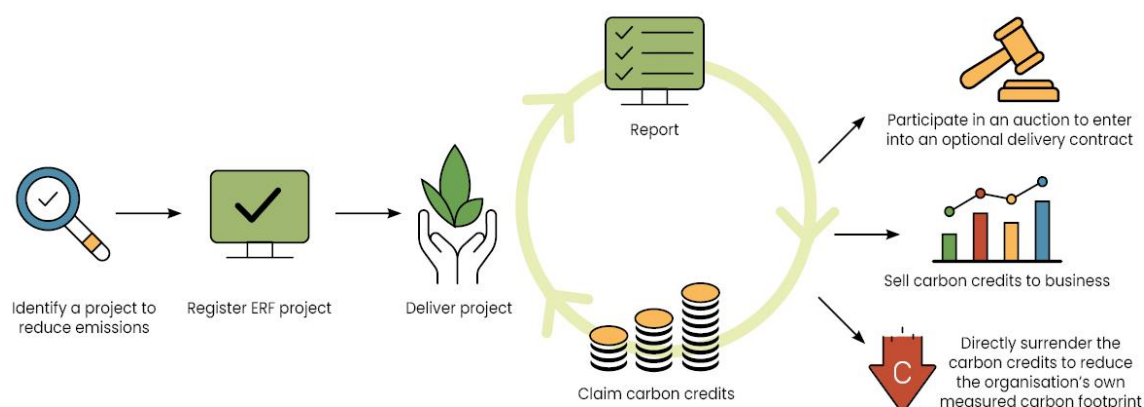
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Australia's carbon market: the basics

The Australian Carbon Credit Unit (ACCU) scheme is a voluntary scheme established under the *Carbon Credits (Carbon Farming Initiative) Act 2011* and the *Carbon Credits (Carbon Farming Initiative) Rule 2015*. The scheme supports investment in projects to reduce emissions across all sectors of the economy.

Participating landholders, communities and businesses run Australian-based projects that avoid the release of greenhouse gas emissions or remove carbon from the atmosphere. ACCU methods set out rules for project activities and how abatement is calculated. Projects are credited with one ACCU for each tonne of carbon dioxide equivalent (tCO₂-e) stored or avoided. The regulator issues credits once activities are taken and reported by a project proponent.

ACCUs may be held by the project developer or sold to generate income. The Australian Government buys ACCUs through publicly funded reverse auctions, and private buyers buy ACCUs to voluntarily offset their emissions or meet compliance requirements such as under the Safeguard Mechanism.



Lifecycle of an ACCU project, Source: Clean Energy Regulator.

Methods and Offsets Integrity Standards

Methodology determinations (methods) are legislative instruments, which provide rules for how to carry out a project and measure emissions reduction or carbon sequestration. Projects must use an approved method. There are 37 methods currently available.

All methods must meet the legislated Offsets Integrity Standards:

- Additional: abatement is unlikely to occur in the ordinary course of events.

- Measurable and verifiable: abatement must be able to be measured and verified.
- Eligible: the emissions reduction credited must be able to be counted towards Australia's climate change targets.
- Evidence based: methods must be supported by clear and convincing evidence.
- Account for project emissions: material emissions resulting from the project must be accounted for.
- Conservative: estimates, assumptions, and projections used in the method should be conservative.

Governance arrangements

The Independent Review of Australian Carbon Credit Units made recommendations to improve the scheme's governance arrangements, including to clearly identify and separate the key functions of integrity assurance, regulation and administration.

The current ACCU scheme governance arrangements, which were reviewed, are as follows:

- An independent expert committee called the Emissions Reduction Assurance Committee (ERAC) assesses whether methods meet the requirements of the scheme and advises the Minister.
- The Minister for Climate Change and Energy considers ACCU methods once assessed by ERAC as meeting the Offsets Integrity Standards by the independent expert committee.
- The Department of Climate Change, Energy, the Environment and Water is responsible for the scheme's overarching policy, administering the legislation, and advising the Minister.
- The Clean Energy Regulator is responsible for developing the scheme's methods, registering projects, government purchasing processes, managing contracts and issuing ACCUs following achievement of emissions reduction, and administering the Australian National Registry of Emissions Units.
- The Climate Change Authority conducts a review of the *Carbon Credits (Carbon Farming Initiative) Act 2011* every 3 years.

The Independent Review of ACCUs recommended:

- re-establishing the ERAC as the Carbon Abatement Integrity Committee with adjusted terms of reference, membership, and functions supported by an independent secretariat
- moving responsibility for government purchase of ACCUs out of the Clean Energy Regulator and into another government body to avoid actual or perceived conflicts of interest
- establishing a transparent proponent-led process for developing and modifying methods, with support from the department, and the new Carbon Abatement Integrity Committee providing integrity assurance.

Broader benefits for the community

The independent review also made recommendations to support broader benefits from carbon projects, including through greater transparency of project characteristics and co-benefits associated with ACCUs, and providing greater support to First Nations Australians and rural and remote communities to participate.

The benefits of carbon crediting projects can go beyond reducing Australia's emissions to add social, economic, cultural and environmental value to the project area and broader community. These co-benefits can include, but are not limited to, the following:

- **Cultural:** Some projects provide important cultural benefits for First Nations communities. In particular, Savanna Fire management projects support connection and reconnection with Country and the intergenerational transfer of cultural knowledge, such as cultural land management practices.
- **Economic:** Carbon revenue streams create an enhanced cash flow that enables landholders to invest and make improvements on their properties, leading to improved environmental condition, resilience and productivity increases.
- **Social:** Strengthened livelihoods and community cohesion, for example, financial viability from diversification of revenue streams can encourage younger generations to return to rural and remote areas and create more regional and rural jobs.
- **Environmental:** Better management of pests and weeds; improved air, soil and water quality; and rehabilitation and protection of key habitat that increases diversity and distribution of native species are examples.

More information

Read the [Independent Review of Australian Carbon Credit Units: Final Report](#).

Read the [Government's response to the Review](#).