



Australian Government

Department of Climate Change, Energy,
the Environment and Water

Attachment A: Method and module EOI interim guidelines

September 2023



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This publication (and any material sourced from it) should be attributed as: DCCEEW 2023, *Attachment A: Method and module EOI interim guidelines*, Department of Climate Change, Energy, the Environment and Water, Canberra, September. CC BY 4.0.

This publication is available at <https://www.dcceew.gov.au/climate-change/emissions-reduction/emissions-reduction-fund/methods>.

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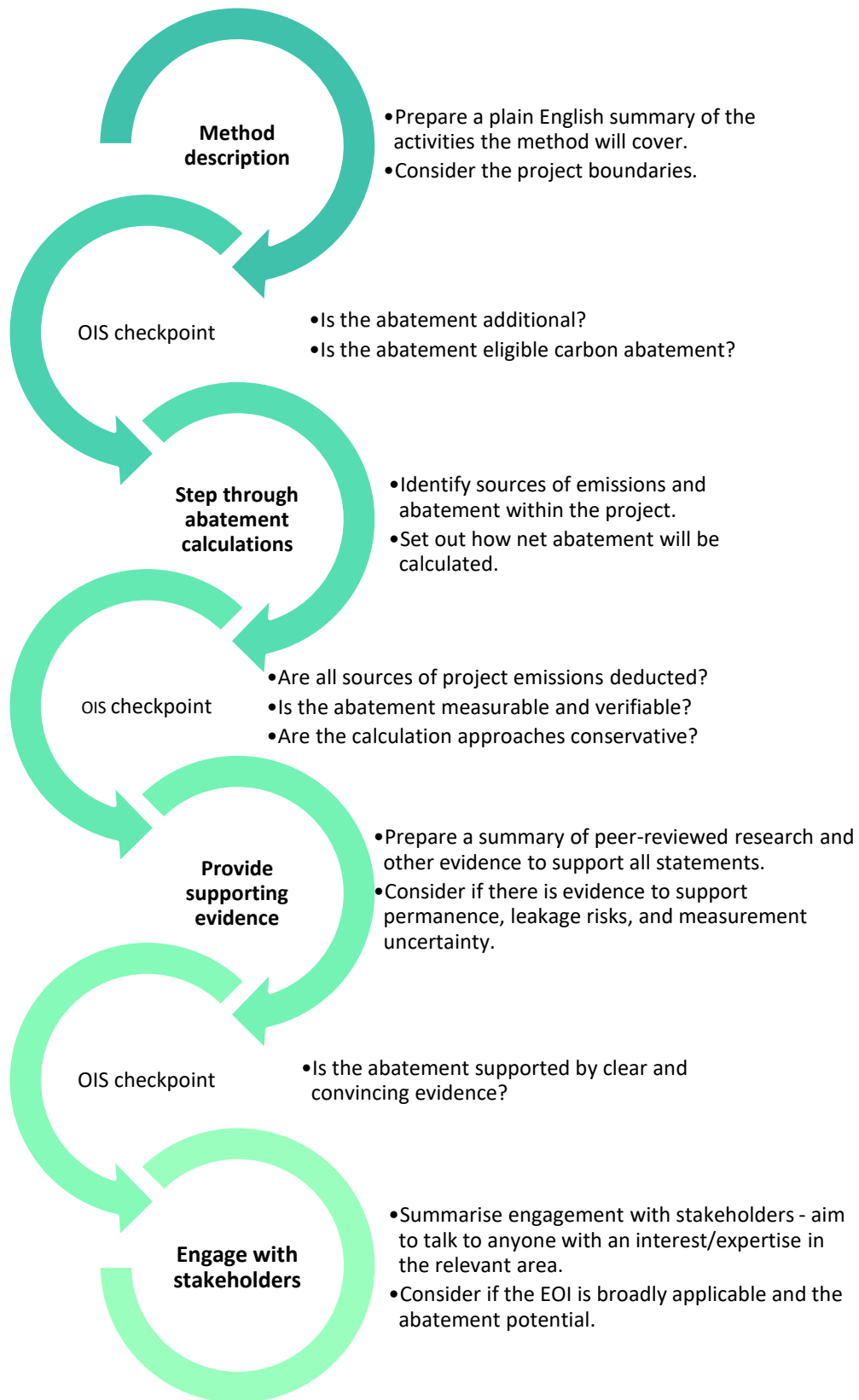
Our department recognises the First Peoples of this nation and their ongoing connection to culture and country. We acknowledge Aboriginal and Torres Strait Islander Peoples as the Traditional Owners, Custodians and Lore Keepers of the world's oldest living culture and pay respects to their Elders past, and present.

Attachment A: Method and module EOI interim guidelines

The proponent-led method development process for the Australian Carbon Credit Unit (ACCU) Scheme is yet to be finalised. It will be shaped by the feedback received during the [consultation](#) on the implementation of the [Australian Carbon Credit Unit \(ACCU\) Scheme Review](#) recommendations. This document provides interim guidance to stakeholders on what may be required in an Expression of Interest (EOI). The new Carbon Abatement Integrity Committee (Integrity Committee) may have additional views on what information needs to be included. The Integrity Committee may also have alternative views on how to interpret the legislated Offset Integrity Standards (OIS). This guidance is interim in nature and will be updated from time to time in response to stakeholder feedback and as the reforms progress. Figure 1 outlines useful steps to follow in developing a method EOI.

More information on how to participate in the ACCU Scheme is available on the [Clean Energy Regulator's website](#).

Figure 1: Steps to follow when developing an ACCU Scheme method EOI.



1.1 Plain English description of the types of projects under the method

A method proposal needs to include details of the types of projects and the project activities that will be covered. It should use plain English to describe:

- the **baseline emissions** associated with the industry/facility/practice/area in the normal course of events
- how projects at that industry/facility/practice/area would reduce or sequester emissions (the **project activity**), and
- the **project boundaries** which allow the project's net abatement to be calculated.

1.1.1 Baseline emissions scenario and calculation

The **baseline emissions scenario** is what would have happened if the project did not occur. It represents business-as-usual practices. Changes in emissions or sequestration are measured against the baseline emissions scenario to allow for the calculation of net abatement. For example, in an emissions avoidance project, when actual emissions are below the baseline emissions, the difference between the two is eligible to earn ACCUs.

Baselines can be calculated in many ways. This includes:

- looking at records of historical emissions for the project
- referencing the average emissions associated with similar activities in the industry, or
- assuming new minimum standards or requirements in regulations would apply in absence of the ACCU Scheme.

Stakeholders should describe the baseline scenario and demonstrate how it would be calculated in the method including:

- the assumptions underpinning the baseline scenario
- how the baseline emissions are calculated, and
- the evidence that backs up the science behind the calculations and assumptions.

Different approaches to calculating baselines

When establishing how a baseline is going to be calculated, it is important that the baseline appropriately reflects the business-as-usual emissions for the project activities.

Example 1

Consider a method that credits upgrade or replacement activities that would not happen in the business-as-usual scenario, e.g., upgrading to the most energy efficient process rather than the business-as-usual standard or regulated minimum requirements. The abatement being credited is the difference between the two scenarios. Where applicable, the baseline should consider the minimum regulated requirements for emissions reductions. This may be higher than the historical emissions depending on when the regulations were put into place.

Example 2

Consider a method that credits soil carbon sequestration activities. The amount of carbon stored during the baseline period is determined first. Once the project's land management activities have

commenced, then the amount of carbon stored in soil is measured periodically. The amount of abatement that is credited reflects the increases in stored carbon, compared to the baseline.

1.1.2 Project boundaries

The **project boundaries** set out the sources of project emissions (emissions that occur from carrying out a project) as well as the sources of abatement included in the net abatement calculations. Project boundaries should include direct emissions (scope 1 emissions), such as combustion emissions from fuel use or the reversal of sequestered carbon. They should also include emissions associated with electricity use (scope 2 emissions). To meet the Offset Integrity Standards and requirements of the *Carbon Credits (Carbon Farming Initiative) Act 2011* (CFI Act), any emissions sources and carbon sinks that are materially impacted by the project must be included. If the emissions are considered immaterial they can be excluded.¹

To date, method abatement calculations have not included full life-cycle emissions. This is because the abatement must be recognised in Australia's National Inventory (see Table 1). For example, the short-term storage of carbon in crops grown for biofuel production is not considered sequestered carbon in a project. Instead, renewable fuels are given an emissions factor with an adjusted carbon dioxide value to represent the biogenic origin of the carbon. For further information on what is included in scope 1, 2 or 3 emissions, see pages 4 and 5 of the department's latest [Australian National Greenhouse Accounts Factor Report](#), released in August 2023.

Project boundaries are especially important where there are multiple parties associated with the emissions and there are questions around who can claim the ACCUs. Double counting of emission reductions is not permitted. For example, a facility may switch from consuming high to low emissions intensive fuels and a manufacturer may produce the low emissions intensive fuel with the intent to displace the higher emissions fuel. Both may feel their actions are leading to the emissions reductions. However, both cannot claim the same emissions reduction. Clearly defining the different emissions sources and the parties associated with those emissions helps ensure all emission reductions counted are eligible emissions. This is particularly important following the eligibility restrictions introduced by the Safeguard Mechanism reforms.² New methods must consider whether there are:

- clear boundaries for the proposed activities
- possible interactions with other methods that may lead to double counting, and
- how any interactions will be dealt with.

¹ Division 2, Section 133 (1) (e) (ii) of the CFI Act. This has been supported by [ERAC information paper: Committee considerations for interpreting the Emissions Reduction Fund's offset integrity standards](#). This paper sets out what was considered material by the ERAC. If cumulative project emissions are likely to exceed 5% of the net abatement amount they are taken to be material. This interpretation may change under the Integrity Committee.

² Under the Safeguard Mechanism reforms, ACCUs can no longer be issued for reductions in covered emissions at Safeguard Facilities. This impacts projects that reduce emissions on-site at the facility, or where there is shared infrastructure that Safeguard Facilities use such as distribution networks for liquid and gas fuels.

Project boundaries also help proponents to determine whether they will need to obtain the ‘legal right’ to run the project.³ This is assessed during project registration. Project proponents need to demonstrate that they have right to run a project, especially if they do not own the land the project is being run on, or if there are multiple owners or stakeholders. When a project takes place on Native Title land, project proponents also need to demonstrate they have obtained consent from the Native Title holders to be able to run the project.⁴

Key questions to consider when defining project boundaries include:

- What emissions occur as a result of the project activities?
- Who is responsible for these emissions?
- Where does the abatement occur?
- Is the same person responsible for the emissions and abatement? If not, who will be credited?

Examples of project boundaries can be found in existing methods. They are typically found in Part 4 of method determinations.

1.1.3 Set out how abatement will be measured and calculated

Describing a methodology for measuring abatement is a critical part of developing a method. The method must include the requirements and calculations for determining net abatement. To estimate abatement, existing methods use a range of approaches such as direct-measurement or models. The EOI will require information on how abatement will be measured and calculated. All steps may need to be clearly described to allow for a robust assessment.

The Emissions Reduction Assurance Committee (ERAC) published [guidance](#) in 2022 on the principles to be considered in picking an appropriate model or measurement approach. The Integrity Committee may consider the same principles or may form a different view.

1.2 Consider how the proposed method will meet the OIS and proposed ACCU scheme principles

The OIS are legislated criteria that all ACCU methods must meet.⁵ These will be considered when EOIs are approved and methods drafted. Stakeholders can begin to prepare a summary of how their method meets all 6 OIS, as set out in Table 1. Application of these principles can vary depending on how a method developer interprets each principle. The new Integrity Committee may have its own interpretation of the OIS. However, a good starting point for method developers is to refer to the previous [guidance](#) published by the ERAC in 2021 on how to interpret the OIS.

³ Legal right is required under section 5 of the CFI Act. To hold legal right to carry out the project two elements are required. The right to carry out the project activities on or for sites or assets included in the project, and a lawful and exclusive right to be issued all ACCUs that may be created as a result of the project activities. See the [Clean Energy Regulator's](#) website for further detail.

⁴ The department is separately consulting on the requirements for obtaining Native Title consents.

⁵ Division 3, Section 133 of the CFI Act.

Table 1: Potential considerations in applying the Offset Integrity Standards

OIS	Considerations
<p>Additionality</p> <p><i>A method should result in carbon abatement that is unlikely to occur in the ordinary course of events.</i></p>	<p>Additionality could include satisfying decision makers of the following:</p> <ol style="list-style-type: none"> 1. Regulatory additionality: Projects are not required to be carried out by any local, state or commonwealth law. 2. Financial additionality: Projects are unlikely to be commercially viable without the scheme*; or emissions abatement could be scaled up significantly by participation in the scheme. 3. Projects are new or better than industry average: Projects are examples of innovative technology or practices that reduce or sequester more emissions than the average within the sector. <p>Method developers should ask themselves: if it were not for the ACCU Scheme existing, would the activity be likely to occur?</p> <p>*Method developers should be aware of the comments made in the recent independent review of the ACCU Scheme, as the new Integrity Committee is likely to consider these findings. The Review stated: “At the method-level, additionality tests should be applied on the basis of evidence and observable common practice, and not require statements of intent or financial viability by project proponent”.</p>
<p>Measurable and verifiable</p> <p><i>A method involving the removal, reduction or emissions of greenhouse gases should be measurable and capable of being verified.</i></p>	<p>All emissions that were identified as part of the project boundary should be measurable and verifiable (M&V). Some project activities are more challenging to measure and verify than others. It is worth ensuring an EOI can address the following questions:</p> <ul style="list-style-type: none"> • How should emissions be measured in the method? • Should the method make use of models, direct measurement, or factors developed previously? Note that where a method supports multiple types of activities, it may be appropriate to use different M&V approaches for each type of activity. • How robust is the measurement technique? • How would the abatement estimate be verified? Through audits, satellite imagery, statistical models, or other ways? • What kind of uncertainties are associated with the M&V technique? <p>It may also be useful to provide information on the likely costs and practical implementation issues associated with the M&V techniques.</p>
<p>Eligible carbon abatement</p> <p><i>A method should provide abatement that is able to be used to meet Australia’s international mitigation obligations.</i></p>	<p>Abatement must be from a source or sink that is accounted for by Australia in its greenhouse gas inventory reporting under the Paris Agreement. For example, ACCUs cannot be issued for emissions reduction associated with reducing the emissions of a product that is imported. In this scenario, the displaced production emissions occur overseas and are not eligible emissions.</p> <p>Method developers should consider:</p> <ul style="list-style-type: none"> • How can it be demonstrated that the activity will result in emissions reductions in Australia?

	<ul style="list-style-type: none"> • How are these emissions reductions accounted for under the inventory guidelines?
<p>Evidence-based</p> <p><i>A method should be supported by clear and convincing evidence.</i></p>	<p>Where assertions are made, particularly within abatement calculations, they must be backed up with evidence. The type of evidence presented by method developers matters. Historically, consideration has been given to the source of evidence, type of evidence, amount of evidence, and remaining uncertainties.</p> <p>Method developers may want to consider:</p> <ul style="list-style-type: none"> • Using peer-reviewed research from independent sources: Where initial research was industry-led, it could be worth commissioning an independent review of that research. • Identifying gaps and whether further research would be needed to provide clear and convincing evidence. • The robustness of the methodology within the existing literature and research. • Whether contrary evidence exists and how this should be taken into account. • The level of support for the assertions made by technical experts and industry. Method developers should consider consulting with informed stakeholders.
<p>Project emissions</p> <p><i>Material greenhouse gas emissions emitted as a direct result of the project activities should be deducted.</i></p>	<p>All 'material' project emissions produced because of the project must be deducted from the net abatement amount.</p> <ul style="list-style-type: none"> • Historically, emissions have been considered material if, cumulatively, they are likely to exceed 5% of the net abatement amount. <p>Method developers may want to consider:</p> <ul style="list-style-type: none"> • What sources of emissions are attributable to the project? • Whether the emissions are material? • How deductions can be accounted for in the abatement calculations? • Where do the emissions occur? Does the project boundary need to be reconsidered to account for all material project emissions?
<p>Conservative</p> <p><i>Where a method involves an estimate, projection or assumption, it should be conservative</i></p>	<p>Assessments against the OIS must be conservative to ensure integrity. Ensuring that all estimates, projections, and assumptions that influence a calculation are conservative means that the method will more likely under-estimate, rather than over-estimate net abatement. Overestimating abatement would put in doubt whether emissions reductions targets have been achieved, and whether dangerous climate change impacts can be avoided.</p> <p>Method developers may want to consider:</p> <ul style="list-style-type: none"> • How to demonstrate calculations are conservative? • Whether the level of conservatism reflects the likelihood of direct and indirect leakage from the method?

	<p>ACCU projects are intended to reduce emissions. Leakage is when emissions increase elsewhere because of the project being carried out. Leakage can be a direct result of the project. For example, a landholder may increase activity in an area of land that is not part of the project.</p>
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How can proponents ensure that activities started in the interim will meet the additionality requirements for new projects?

Newness refers to the concept that emissions reductions are new. That is, the emissions reductions were not occurring before a project started receiving ACCUs. The CFI Act requires projects to meet newness requirements. To meet the ‘newness’ requirement, activities cannot have started before a project is registered with the Clean Energy Regulator. This requirement is intended to ensure that abatement under the ACCU Scheme is additional, meaning it would not have otherwise occurred in the ordinary course of business. There are a number of actions that can be undertaken prior to registering a project that are not considered to breach the newness requirement. This includes conducting feasibility studies, and obtaining regulatory approvals and consents for the project.

To allow some projects to be eligible for registration, the CFI Act provides that methods can include ‘in lieu of newness’ provisions. This can provide a way for method developers to undertake necessary research and trials without prejudicing future crediting opportunities. Method developers would need to consider whether exceptions to newness are required for their method and note this in their EOI.

The recently released [ACCU Review Discussion Paper](#) provides more information on in lieu of newness provisions. The discussion paper also includes a proposal to allow stakeholders to undertake necessary research projects for method development without breaching newness provisions. Feedback on the discussion paper can be provided until 3 October 2023.

Further information on how newness provisions in existing methods are interpreted is available in the Clean Energy Regulator’s [guidance on project eligibility and newness](#).*

*Method developers should be aware of the comments made in the recent independent review of the ACCU Scheme, as these comments may lead to amendments of the CFI Act in the future. The Review stated: *“At the project-level the regulatory additionality requirement and the government program requirement are appropriate, but the newness requirement should be refocussed to place emphasis on ‘new’ abatement that will be credited following a project’s commencement date”*

In addition to the OIS, method developers may need to consider whether their method meets the proposed ACCU Scheme Principles. These principles are in the process of being developed (see the [ACCU Review Discussion Paper](#)).

1.3 Summary of peer-reviewed research and other evidence

EOIs will need to be assessed against the OIS. For this purpose, EOIs may need to demonstrate that all the types of projects that can be undertaken under the method have been considered, and that the methodology for measuring abatement is sound. Stakeholders need to be able to provide data-driven evidence for any claims made in the EOI.

This evidence can take time to compile. Stakeholders are encouraged to prepare an evidence base such as scientific research or data to include in a future EOI. More than one piece of research may be required to support emissions reduction claims. Ideally the research will include scientific results and have been independently peer reviewed and published in peer-reviewed literature. Stakeholders are strongly encouraged to join together to fund research to support new methods now and into the future.

National and international guidelines and documentation which may be relevant to the method should also be considered. This may include methods from other offset schemes, national and international emissions accounting guidelines, and best practice guidance. This can help establish the broader context for the method.

1.4 Summary of broader industry engagement demonstrating the abatement potential

Not all methods with merit may be able to be developed under the new process, and stakeholders may need to demonstrate strong potential uptake, abatement potential, and broad support from industry. This is in addition to proving strong integrity to progress from an EOI to a method development stage.

Consultation can assist with this task. It can help confirm that a method is broadly applicable and therefore has the potential to lead to a range of emissions reduction opportunities. Importantly, method design cannot limit its applicability to any particular jurisdiction. Consultation can help reveal supporting evidence by sharing of knowledge and expertise and understand the abatement potential of the method.

1.5 Modules

The guidance above may also apply to EOIs for new modules, with reference to the existing method. Modules may include:

- **Activity/technology modules:** introducing a new way to undertake an activity in a method.
- **Measurement approach modules:** introducing a new type of measurement approach, such as a new measurement technology or estimation model to an existing method.
- **Abatement methodology factors module:** changing the value used in a calculation or calculations in a subset of scenarios to increase the accuracy of abatement estimates.

Further information on the proposed approach for modules can be found in the [ACCU Review Discussion Paper](#). The outcomes of the consultation process will inform the proposed scope of modules.

Module EOIs should refer to the existing method and focus on providing information to support the addition or amendment proposed. For example, an EOI for a new measurement module will not have to provide the supporting information for the existing method related to the activity and project boundaries. The module EOI should demonstrate that there is evidence that the proposed measurement approach meets the OIS and, where relevant, the proposed ACCU Scheme Principles.