

ACCU Review Secretariat
Department of Climate Change, Energy, the Environment and Water
GPO Box 3090
Canberra ACT 2601

3 October 2022

By email: ACCUreview@dcceew.gov.au

Dear Review Secretariat,

re: Independent Review of Australian Carbon Credit Units (ACCU)

On behalf of our member councils, the Victorian Greenhouse Alliances welcome the opportunity to make a submission to the *Independent Review of Australian Carbon Credit Units*.

The Victorian Greenhouse Alliances are formal partnerships of local governments and statutory agencies driving climate change action across Victoria's municipalities. The Alliances' work across their networks, communities and partners to deliver regional mitigation and adaptation programs and have been active for over 21 years. This includes the implementation of joint initiatives that provide economies of scale and enable projects typically beyond the reach of individual councils and agencies. Our project work is complemented by targeted advocacy, capacity building activities and regional partnerships.

Councils across the country, and certainly many of our members here in Victoria, have ambitious goals to reach net zero and reflect science-based targets in their policy positions. The Victorian Greenhouse Alliances' [recent submission](#) to the Victorian Government's review of interim emissions targets is reflective of this.

We directly represent the interests of our community who have expressed a strong desire for meaningful action on climate change. Our councils have committed to our own emissions reduction targets, which align with State and Federal government climate commitments. Our primary focus in meeting these targets is the reduction of direct and indirect greenhouse gas emissions. A second, but crucially important focus, is to ensure meaningful and robust emissions reductions via offsetting.

Victorian councils are active participants in the offset market (as purchasers) and several are now certified carbon neutral under the Government's Climate Active program. Increasingly, councils are adopting ambitious offsetting policies that are focused on locally supplied units that deliver a range of co-benefits. Local Governments will therefore play a key role in stimulating the ongoing demand for high-value and high-quality offsets and are uniquely placed to coordinate with other spheres of government to ensure the growth of a diverse and affordable domestic offset market.

While in principle we support the process underway to enhance the integrity and robustness of ACCU methodologies and processes, this submission does not provide detailed commentary on these technical aspects of the review. Instead, we urge the Government to carefully consider the following key recommendations in undertaking the review:



Recommendation 1: The findings from various reviews should be considered in a coordinated way

Councils note that the Government is undertaking a number of concurrent reviews and consultations including the Safeguard Mechanism, the NGER Corporate Emissions Reduction Transparency report, Climate Active and the Green Power program. There is a critical need to ensure these reviews are carefully aligned and consider each other, recognising the overlap in the intent behind the various schemes. The outcomes of reforms of the Safeguard Mechanism in particular have significant implications for the voluntary domestic carbon offset market and the price and availability of ACCUs.

Recommendation 2: Create a long term equitable voluntary marketplace for all stakeholders, whilst ironing out short-term inequities that may result from reforms

ACCUs were designed for the voluntary offset market. Currently the price of ACCUs is approximately four times higher than that of Gold Standard (GS) offsets (\$40/tonne CO₂e versus \$10/tonne). Purchased at scale, ACCUs are therefore already beyond the budget of many local governments.

The proposal to decline baselines under the Safeguard Mechanism reforms is likely to cause a spike in demand and further increase the price of ACCUs, driven by large emitters. This could have a negative impact on councils and other smaller entities that are certified Climate Active (or others purchasing voluntary purchase offsets) who will struggle to secure Australian offsets at inflated prices. The market will be even more biased towards large emitters, who push small participants in the voluntary market to procure more affordable international offsets.

Whilst creating more demand for offsets in itself is positive, in the short term the price impacts could discourage participation in the voluntary market. Higher prices may stimulate new projects in the market, but since these projects typically have long lead times, this will result in short-term supply constraints.

Recommendation 3: Ensure the additionality of emission reductions from voluntary action undertaken in related schemes

As currently designed, Australia's ACCU framework fails to appropriately recognise voluntary action as being additional to Australia's Nationally Determined Contributions and obligations under the Paris Agreement. Voluntary action undertaken by non-state actors should be recognised as over and above the national emissions reduction commitments. Failure to do so significantly reduces the integrity of Australia's climate policy architecture, diminishes the impact of voluntary action, and erodes the robustness of any associated environmental claims.

Specifically, we recommend the development of an appropriate, transparent, and timely process for reconciling claimed emission reductions from voluntary activities undertaken through related schemes, such as Climate Active and GreenPower (or LGC purchases).

This is particularly important for the 46 Victorian councils who have recently committed to a long-term renewable energy Power Purchasing Agreement (PPA) as a means of reducing their corporate emissions.¹ Several of these councils make carbon neutral claims through the Federal Government's Climate Active program. In its current format, Climate Active allows for the purchase of GreenPower (or surrender of LGCs) to be counted as a carbon reduction measure for organisations wishing to claim carbon neutrality. For carbon accounting purposes, this represents a significant uncertainty as the Government has not yet committed to establishing a process for retiring an equivalent number of international units. Failure to do so means that this

¹ [The Victorian Energy Collaboration \(VECO\)](#)



abatement will occur regardless under Australia's new legislated emissions target. Ensuring the additionality of voluntary action is critical for any organisations making assertions regarding the environmental benefits of their voluntary actions.

The voluntary cancellation of international units is possible under Part 6 of the Australian National Registry of Emissions Units Act 2011. The Act in s 64B(3)(c) allows for the Minister to direct the cancellation of units for a range of activities, including renewable energy purchases. This process can make a material impact on Australia's emissions trajectory.² This review provides the critical opportunity to retrospectively cancel units from previous years to ensure that voluntary action already taken by councils, businesses and households have made an actual impact on total emissions.

Recommendation 4: Climate Active should not impose minimum ACCU requirements on organisations seeking carbon neutral certification.

At present, all Climate Active carbon neutral certifications will be required to use a minimum of 20% ACCUs from 1 July 2023 for new and ongoing certifications equal to or greater than 1,000 t CO₂-e and from 1 July 2024 for certifications less than 1,000 t CO₂-e.

We understand that the rationale for this requirement was to drive investment in the Australian offsets market. However, as explained above, the demand for domestic offsets is likely to spike under an enhanced Safeguard Mechanism. The resulting price increase will mean that 20% ACCU requirement would impose an unreasonable cost burden on smaller organisations taking voluntary action. Moreover, given the issues that have recently been raised about the integrity and robustness of ACCU projects and methodologies, it would be highly inappropriate to compel Climate Active organisations to purchase offset units which lack credibility.

The high cost of ACCUs relative to other eligible offset units is also an issue of significant concern to councils certifying under Climate Active. Following this review of ACCUs to improve the integrity of the scheme – a process which is supported in principle - a number of current projects may no longer meet the requirements of the scheme. This will reduce the number of projects on the market, driving prices up further.

Imposing a requirement to purchase 20% ACCUs would have a huge cost impact on councils and other smaller organisations. It also reduces the options for these organisations regarding the types of offsets they wish to purchase, e.g. offsets with particular co-benefits (see also below).

Councils with landfills are particularly exposed to pricing of units. Surf Coast Shire is Climate Active-certified, with 80-90% of Council emissions coming from one landfill. Council currently applies a gate-fee to cover offsets costs and estimate this fee would need to be at least doubled under the proposed 20% ACCU threshold. Implementation of the 20% requirement would place an unfair burden on the community using the landfill.

Recommendation 5: Improve market guidance across standards and programs

Currently the national carbon market lacks clarity on the role of ACCUs and international units on Australia's international and domestic obligations. Lack of certainty around the integrity of offsets markets, confidence and trust in Australia's approach, and lack of access to affordable expertise, has impeded local government's participation in the domestic market. Local government in Australia has the potential to influence approximately 50 per cent of Australia's emissions³, so its

² Renewable energy purchases comprised 3.1% of total consumption in the NEM in 2021, data provided by 1Cercle

³ Lumb, M, Pears, A & Buckley, K 1995, Key areas for the review of the National Greenhouse Response Strategy, Report prepared for the Greenhouse Working Group Intergovernmental Committee for Ecologically Sustainable Development, Melbourne.



participation in the national carbon market is critical to incentivise across Australia's emissions reductions mechanisms.

Improved national strategic guidance is required to:

- Improve alignment between national governmental tiers and carbon market rules
- Support development of negative emissions technologies
- Add clarity to, and harmonise, subnational reporting across voluntary contributions and Australia's international targets
- Outline and classify the non-carbon benefits aligned to domestic (and international) offsets

The Clean Energy Regulator's Australian Carbon Exchange, created specifically to facilitate the trading of ACCUs (and possibly other offset units), should be expanded to enable the necessary transparency, connection and inter-operability of registries such as Gold Standard, and administrators such as Climate Active.

Recommendation 6: Ensure co-benefits are incentivised and recognised in offsets

Councils already actively seek and preference co-benefits when buying offsets and have customised policies, strategies and procurement criteria to support this commitment. For example, the City of Melbourne includes co-benefits in the assessment criteria of their tenders for offsets. This process preferences carbon sequestration over avoided emissions and local Aboriginal and Torres Strait Islander employment and training.

However, the current market does not always supply high quality offsets with co-benefits, so further government support is needed to stimulate supply, rather than just waiting for the market to respond to demand. Work should be carried out to actively expand the market for offset with co-benefits so councils and others can source offset from projects that are aligned with their values. An appropriate mechanism that recognises entities that procure offset with co-benefits should also be explored, so they can be easily distinguished from those acquiring cheap international units for their environmental claims.

It is essential that confidence of domestic investors is supported by identifying and valuing non-carbon benefits through the development of criteria and standards that enable transparent reporting and assessment of different types of non-carbon benefits.

Recommendation 7: Create accessible opportunities for regional Australia and decrease barriers to market

ACCUs were designed for the voluntary offset market, however the proposed reforms to the safeguard mechanism and expected increase in demand from the compliance market has the potential to create more demand for domestic offsets and increase local project activity. The scale of project activity during this transition will be significant and will require sub-national support at state and local government levels to guide, advise, and coordinate. The short to medium-term impact on the voluntary domestic market of this transition will require intervention and incentives to ensure the expected increase in carbon market project activity is distributed and supported equitably across potential and worthy project proponents.

Those areas with highest project potential across carbon and non-carbon benefits sit in government areas that are least resourced to support community interest in the domestic carbon offset market. Participation in the domestic offset market should not be the sole domain of large decentralised corporate operators. In the interests of adapting to a changing climate, smaller agricultural landholders should be incentivised to access markets, control their assets, and diversify their income via carbon financing mechanisms. Local government along with statutory



authorities are trusted by community to undertake sustainable development but will require assistance to resource such a significant transformation.

There has been much activity and focus on regional Australia's carbon stock and sequestration rates in many areas across government, agriculture, and educational sectors. Since 2015/16, councils have been partners in research and ERF applications to apply methodologies to inland wetlands and farm dams. Despite the avoided emissions being estimated at 1.8-3.8 million tonnes CO₂-e per annum and landholder access to a diversified income, the length of time, cost and resources required to have peer reviewed methods accepted by the ERF is a significant barrier, and at odds with the level and rate of transformation required across this sector.

Reforms to the ACCU scheme should support opportunities to incentivise local communities to initiate projects in the domestic carbon offset market. This will require reform to methodology approval process, particularly where significant peer reviewed research and multisectoral approaches have been adopted.

Addressing barriers to market will be critical for supporting project development in non-rural settings as well. For example, Boroondara City Council invested substantial time and resources in order to generate credits through a curb side waste diversion program. The ACCU creation part of this project has not progressed due to the significant overheads of administering the scheme.

Recommendation 8: Encourage a more diverse range of offset projects to unlock new opportunities carbon abatement

Energy efficiency and building management activities also have the potential to avoid emissions that would have otherwise occurred under a business-as-usual scenario. Emissions reduction under these projects are relatively straight forward to determine and there are a number of existing monitoring and verification methodologies (such as under the Victorian Energy Upgraders program) that could be leveraged to harmonise programs and avoid double counting of abatement. Despite this, energy efficiency and other demand reduction measures have represented less than two per cent of ACCUs registered under the ERF.

This review would be well placed to consider reforms to increase the number of eligible activities delivered through the ERF. Increasing the diversity of activities that lead to abatement will bring a greater variety of participants in the sector and reduce reliance on any one source of abatement. This would reduce risks of illiquidity in the offsets market, increase the integrity of offsets and distribute the benefits of participation in the ERF to a broader cross section of the community.

Councils and contacts

- Barwon South West Climate Alliance (BSWCA), Sue Phillips, Executive Officer, alliance@bswca.org
 - City of Greater Geelong
 - Golden Plains Shire
 - Surf Coast Shire
 - Borough of Queenscliffe
 - Colac Otway Shire
 - Warrnambool City Council
 - Moyne Shire
 - Barwon Water
 - Wannon Water
 - Corangamite Catchment Management Authority
 - Glenelg Hopkins Catchment Management Authority
 - Deakin University



- Central Victorian Greenhouse Alliance (CVGA), Annika Kearton, Chief Executive Officer, ceo@cvga.org.au
 - Ararat Rural City Council
 - Ballarat City Council
 - Buloke Shire Council
 - Central Goldfields Shire Council
 - Gannawarra Shire Council
 - Greater Bendigo City Council
 - Hepburn Shire Council
 - Loddon Shire Council
 - Macedon Ranges Shire Council
 - Mildura Rural City Council
 - Mount Alexander Shire Council
 - Pyrenees Shire Council
 - Swan Hill Rural City Council

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 - City of Boroondara
 - Glen Eira City Council
 - City of Knox
 - Maroondah City Council
 - Monash City Council
 - Stonnington City Council
 - Whitehorse City Council
 - Yarra Ranges Council

- Goulburn Murray Climate Alliance (GMCA), Carole Hammond, Executive Officer, eo@gmca.org.au
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 - Benalla Rural City Council
 - Campaspe Shire Council
 - Greater Shepparton City Council
 - Indigo Shire Council
 - Mansfield Shire Council
 - Mitchell Shire Council
 - Moira Shire Council
 - Murrindindi Shire Council
 - Towong Shire Council
 - Strathbogie Shire Council
 - Wangaratta Rural City Council
 - Wodonga City Council
 - Goulburn Broken Catchment Management Authority
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 - City of Darebin
 - Hume City Council
 - Manningham City Council
 - City of Melbourne
 - Moreland City Council
 - Nillumbik Shire Council
 - City of Whittlesea
 - City of Yarra



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 - Bayside City Council
 - Cardinia Shire Council
 - City of Casey
 - Greater Dandenong City Council
 - Frankston City Council
 - Mornington Peninsula Shire Council
 - City of Kingston
 - City of Port Phillip
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 - Brimbank City Council
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 - Maribyrnong City Council
 - Hobsons Bay City Council
 - Melton City Council
 - Moonee Valley City Council
 - Moorabool Shire Council
 - Wyndham City Council

This letter has been approved through the Greenhouse Alliances formal governance structures but may not have been formally considered by individual members. The submission does not necessarily represent the views of all members.

