

# Participating in Australia's Carbon Market



## The Marketplace

Australia's domestic carbon market operates across all states in Australia and is underpinned by the Government's Emissions Reduction Fund (ERF); a core component of Australia's climate policy suite. The market's tradeable commodity is the Australian Carbon Credit Unit (ACCU), with each ACCU representing 1 tonne of carbon dioxide equivalence<sup>1</sup> (tCO<sub>2</sub>-e).

There are two main market elements that participants can operate in:

### 1. The Emissions Reduction Fund (primary demand)

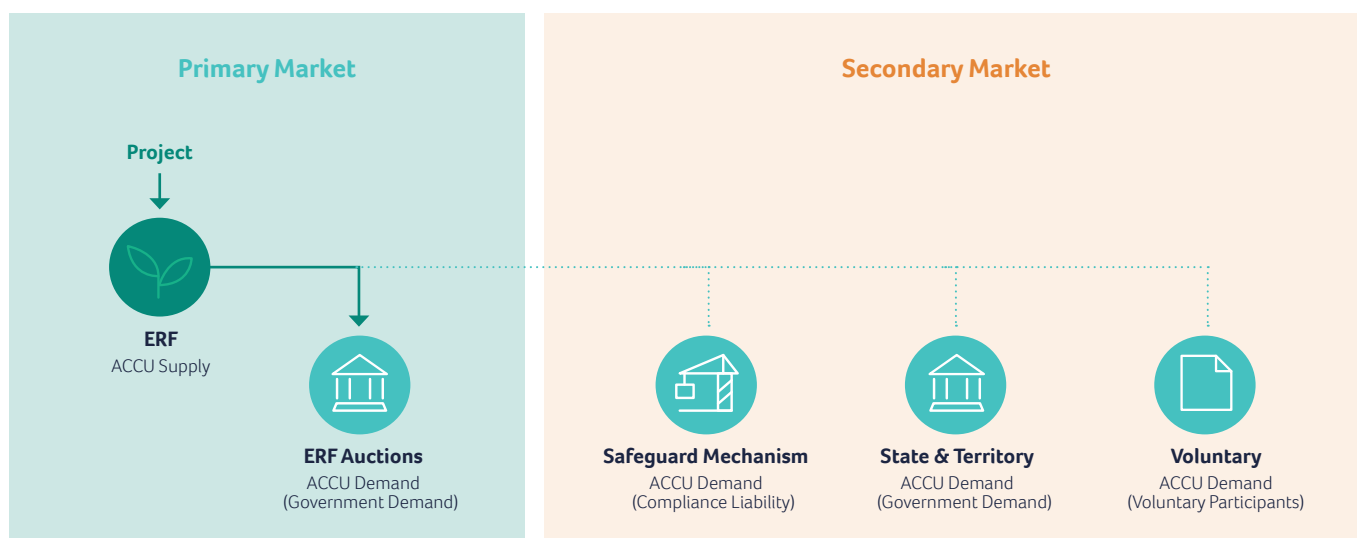
Driven by government demand for ACCUs to meet international emission reduction commitments and compliance obligations on heavy-emitting industries covered under the Safeguard Mechanism<sup>2</sup>.

### 2. The voluntary market (emerging demand)

Driven by voluntary demand for ACCUs (outside of regulated compliance markets) by businesses, State Governments or individuals seeking to reduce their greenhouse gas emissions through offsetting.



## ACCU Marketplace – Compliance & Voluntary Markets



<sup>1</sup> Carbon dioxide equivalence (CO<sub>2</sub>-e) is an amount of a greenhouse gas measured as an equivalent amount of carbon dioxide which has a global warming potential (GWP) of one. For example, methane has a GWP of 25 and when released to the atmosphere will cause the same amount of global warming as 25 tonnes of carbon dioxide. One tonne of methane is therefore expressed as 25 tonnes of CO<sub>2</sub>-e.

<sup>2</sup> The Safeguard Mechanism is a policy mechanism within the Emissions Reduction Fund structure, designed to cap scope 1 emissions and ensure that as the Australian economy grows, increasing industrial emissions do not undo or reverse the domestic abatement achieved across Australia.

## Who are the key players in the market?

There are four key stakeholder groups in Australia's carbon marketplace, and each has a critical role to play in the success of the carbon farming industry.



## How to participate?

Participation and engagement in the carbon market will differ depending on which stakeholder group you are part of, your objectives, and your capability to engage in the market. Defining your objectives is key to developing the business case and understanding your options, obligations, risks and opportunities. Below are some examples of the various ways in which to engage in the carbon market.

### Do you want to undertake a project that reduces emissions?



The ERF is the Government's primary policy supporting domestic emissions reduction projects. Under the ERF there are a number of eligible activities (methods) for reducing emissions that generate ACCUs. There are a number of key considerations to be aware of before undertaking an emissions reduction project.

Refer Box 1.

### Are you an investor wanting to support a carbon farming project?



Directing finance and investment to carbon farming projects supports industry growth and can increase participation for landholders by removing cost barriers that would otherwise impact the viability of the project.

Connecting with carbon project developers<sup>3</sup> can be a first step for banks and insurers looking to engage with industry and understand the opportunities available.

### Is your organisation looking to become carbon neutral or certify a product, service, event or precinct?



Carbon neutral certification gives businesses a credible stamp in support of their carbon neutral claim. The Climate Active Carbon Neutral Standard sets the basis for best practice carbon accounting and the rules on offsetting for carbon neutral claims. There is a list of eligible offset units that can be used to support Climate Active certifications.

Refer Box 2.



<sup>3</sup> Carbon project developers work with landholders to support the identification and creation of commercial opportunities in the carbon farming industry. The Carbon Market Institute's Market Directory lists contact information for Australian project developers and other organisations working in the industry.

## Box 1 – Key considerations when deciding to undertake an emissions reduction project

To undertake an eligible activity under the ERF that reduces emissions, there are a number of key questions to answer before proceeding. Each of these questions will help assess the opportunity and provide guidance before developing a more detailed project plan.

- Is there an eligible activity (method) that suits your requirements?
- Do you have the legal right to undertake the project?
- Have you undertaken a high-level risk assessment to understand the project's feasibility?
- Have you considered all relevant Commonwealth, state and territory regulatory requirements?
- Do you have the capabilities required to undertake the project?
- Are you eligible to participate in the Emissions Reduction Fund?

The Clean Energy Regulator has an interactive [questionnaire](#) that provides an overview of requirements for a project to be eligible to register as an ERF project and help assess eligibility.

## Box 2 – Carbon Neutral Certification

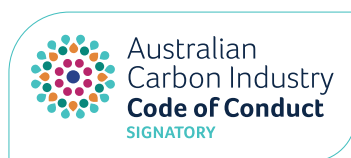


Carbon neutrality is achieved when greenhouse gas emissions from a particular activity, process or for an entire organisation have been reduced to zero. This is achieved by reducing emissions as much as possible and purchasing carbon credits to compensate for any remaining emissions that can't be avoided. Carbon credits are generated by projects that reduce or avoid emissions such as revegetation or renewable energy.

The Australian Government's Climate Active Carbon Neutral certification demonstrates that carbon neutrality has been achieved in a credible and transparent way. Climate Active certification can be achieved for organisations, products & services, events, buildings and precincts and can result in a range of benefits for organisations and businesses committing to climate leadership in a low carbon economy.

## Code of Conduct

The Australian Carbon Industry Code of Conduct was launched in 2018 and is administered by the Carbon Market Institute. It provides guidance for project developers, agents, aggregators and advisers undertaking carbon projects, including under the ERF and other voluntary offset schemes. The Code aims to promote market integrity, consumer protection and appropriate interaction with project stakeholders, including Native Title Holders, representative bodies, land managers and project owners.



In signing the Code, signatories demonstrate their commitment to developing and operating in an industry built on community trust, transparency, accountability, social and environmental integrity, and compliance with the law. Participants in the carbon industry engaging with a signatory to the Code know that they are committing to best-practice business practices and have a commitment to the integrity, reputation and growth of the carbon industry in Australia.

## More Information

**CMI Marketplace** [carbonmarketinstitute.org/organisations/](https://carbonmarketinstitute.org/organisations/)

**ERF Interactive Eligibility Questionnaire** [cleanenergyregulator.gov.au/ERF/About-the-Emissions-Reduction-Fund/eligibility-to-participate-in-the-emissions-reduction-fund](https://cleanenergyregulator.gov.au/ERF/About-the-Emissions-Reduction-Fund/eligibility-to-participate-in-the-emissions-reduction-fund)

**Climate Active Carbon Neutral Certification** [climateactive.org.au/be-climate-active/certification](https://climateactive.org.au/be-climate-active/certification)

**Carbon Industry Code of Conduct** [carbonmarketinstitute.org/code/](https://carbonmarketinstitute.org/code/)