

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 Australian Carbon Credit Unit (ACCU) Scheme – formerly known as the 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 equivalent¹ (tCO₂-e).

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

1. The compliance market

The Safeguard Mechanism² provides the main source of compliance demand for ACCUs through its obligation on heavy-emitting entities to reduce their emissions by 4.9% annually, or otherwise purchase ACCUs to meet up to 30% of their obligations.

2. The voluntary market

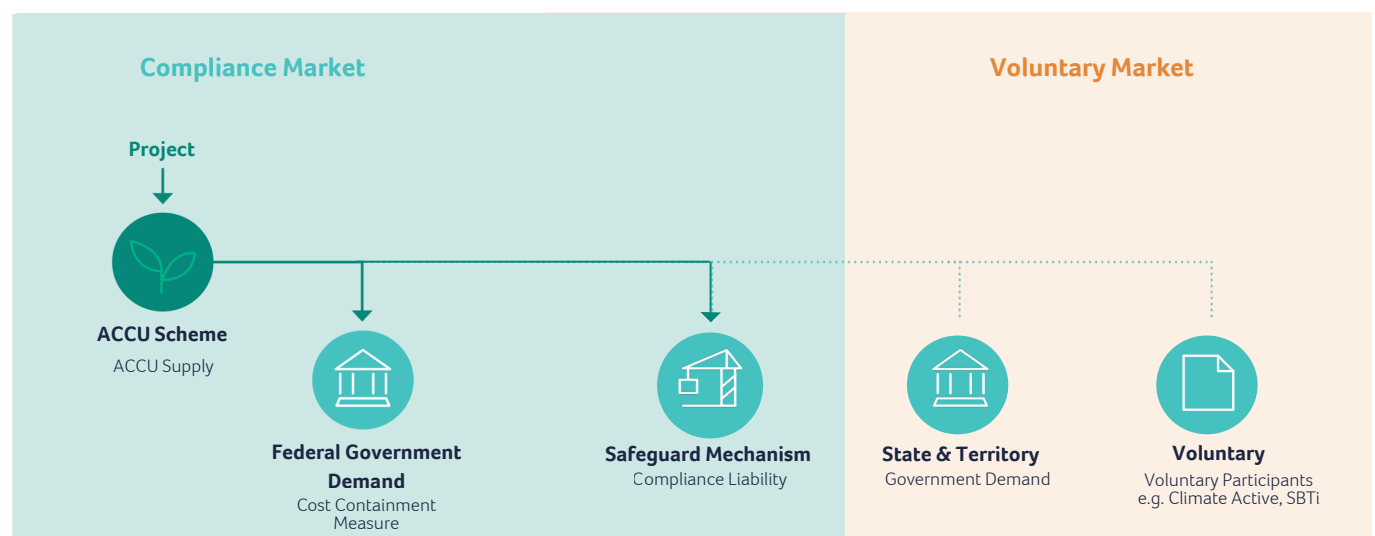
Driven by voluntary demand for ACCUs (outside of regulated compliance markets) by businesses, State Governments or individuals seeking to meet net zero targets, for example as part of the Climate Active Program or the Science-based Targets Initiative (SBTi).



3. Cost Containment Measure

The Government is now directing all ACCUs delivered under existing Carbon Abatement Contracts (CACs), into the Cost Containment Measure (CCM). The CCM is a reserve of ACCUs for Safeguard Mechanism entities that are unable to source sufficient ACCUs to meet their compliance obligations.

ACCU Marketplace – Compliance & Voluntary Markets



¹ Carbon dioxide equivalence (CO₂-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 CO₂-e.

² The Safeguard Mechanism is a policy mechanism within the Emissions Reduction Fund structure, that applies to industrial facilities with annual scope 1 emissions that exceed 100,000 tCO₂-e per year. Such facilities must reduce their emissions in line 4.9% decline rate that increases annually. If facilities exceed the decline rate, they can use ACCUs for up to 30% of their obligation. If they use ACCUs for more than 30% of their obligation, they must provide written justification to the Clean Energy Regulator.

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 ACCU Scheme is the Government's primary policy supporting domestic emissions reduction projects. Under the ACCU Scheme 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 developers³ 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.



³ 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 ACCU Scheme 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 ACCU Scheme?

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 converting methane from landfill into electricity.

The Australian Government's Climate Active program provides a framework to drive private sector investment into greenhouse gas abatement projects, by offering a certification pathways for organisations, products & services, events, buildings and precincts. The Climate Active Carbon Neutral Standard is underpinned by domestic and international carbon accounting standards.

Code of Conduct

Launched in 2018, the Australian Carbon Industry Code of Conduct is a voluntary, industry-led initiative setting best-practice standards for businesses in Australia's carbon market, including project developers, agents, aggregators, and advisers. Administered by the independent not-for-profit Australian Carbon Industry Code of Conduct Administrator Limited, the Code promotes integrity, transparency, accountability, and responsible engagement with stakeholders such as Native Title Holders, Aboriginal land-managers, and project owners.



By signing the Code, participants demonstrate their commitment to operating in an industry built on community trust, transparency, accountability, social and environmental integrity, and compliance with the law. Engaging with a Code Signatory assures that stakeholders are working with businesses committed to best-practice standards and to the integrity, reputation, and sustainable growth of Australia's carbon industry.

More Information

CMI Marketplace carbonmarketinstitute.org/organisations/

ACCU Scheme Interactive Eligibility Questionnaire <https://cer.gov.au/schemes/australian-carbon-credit-unit-scheme/eligibility-accu-scheme>

Climate Active Carbon Neutral Certification <https://www.climateactive.org.au/be-climate-active/certification>

Carbon Industry Code of Conduct carbonmarketinstitute.org/code/