



CMI Policy Advocacy Position Statement 2021

CMI is the independent industry association for business leading the transition to a net zero emissions economy, with a 2050 vision of a prosperous, climate resilient, net-zero emissions world. Our mission is to help business manage risks and capitalise on opportunities in the transition to a net-zero emissions economy.

CMI develops independent, non-partisan and evidence-based policy positions through engagement with its members including direct conversations, CMI hosted forums, an annual survey as well as through its governance, working group and taskforce structures. In 2019, CMI approved its [2020 Transition to Zero Strategy](#) which has since guided its activities. In 2022 CMI will be undertaking a review of this strategy.

CMI works constructively with governments at all levels while also making clear its policy priorities. Our policies are reviewed annually with this update approved by the Board on 5 December 2021. CMI is committed to independent, non-partisan and evidence-based advocacy on these and related positions. CMI's policy advocacy positions detail the following:

- 1. Strengthen national emission reduction targets & better manage the transition to net-zero emissions**
- 2. Engage in international co-operation and carbon market development to ensure emissions reduction, climate finance and co-benefits**
- 3. Evolve Australia's carbon markets to guide investment and opportunities in the transition**
- 4. Focus technology support on decarbonisation and carbon drawdown/sequestration/removal**
- 5. Ensure rigorous governance, integrity and disclosure in carbon crediting as well as on climate and nature risks**

Background

CMI acknowledges that we are in both a climate and a biodiversity crisis. In agreeing to the Pacific Island Forum Kainaki II statement and the COP26 "Glasgow Climate Pact"¹ (The Pact), Australia joined other nations in affirming the importance of pursuing efforts to limit the increase in average global warming to 1.5°C. Both documents highlight the IPCC's 2018 Special Report's findings that climate impacts of 1.5°C will be much lower compared to 2 °C. The Pact recognised limiting global warming to 1.5 °C requires reducing global carbon dioxide emissions by 45 per cent by 2030 relative to the 2010 level but, despite recent momentum, "noted with serious concern...all submitted nationally determined contributions, [estimate emissions] to be 13.7 per cent above the 2010 level in 2030 ². The Pact urged parties to update 2030 targets before COP27.

The IEA's Net-Zero by 2050 Roadmap³ for the global energy sector supports this view. This roadmap sets a new benchmark for policy and practice. It highlights the need to significantly increase investment in clean and efficient energy technology and to phase out inefficient and unabated coal and gas power plants. Its milestones include that beyond projects already committed as of 2021, there are no new oil and gas fields approved for development and no new coal mines or mine extensions are required. Upstream oil and gas investment in coming years is still significant, but its scale-down accelerates. It notes that the technologies and policies needed for the halving of emissions required by 2030 are available now but further technological developments are necessary for net-zero by 2050.

A similar logic applies to land management where Australia has also signed on to the pledge to halt and reverse forest loss by 2030⁴. A substantial national effort in technology and policy deployment will be required to achieve that goal and build resilient healthy ecosystems combining agricultural productivity, appropriate Indigenous engagement, biodiversity protection and large-scale emissions avoidance and carbon sequestration outcomes.

Australia and other economies will need to become net-zero and then negative emission economies requiring scaling carbon removal through biological, industrial and geological sequestration. Carbon markets with high integrity can play an integral

¹ Kainaki II declaration in: <https://www.forumsec.org/wp-content/uploads/2019/08/50th-Pacific-Islands-Forum-Communique.pdf>; COP26 Glasgow Climate Pact decision: https://unfccc.int/sites/default/files/resource/cma2021_L16_adv.pdf

² Climate Action Tracker predicts these to contribute to 2.4°C warming: https://climateactiontracker.org/documents/997/CAT_2021-11-09_Briefing_Global-Update_Glasgow2030CredibilityGap.pdf

³ <https://www.iea.org/reports/net-zero-by-2050>

⁴ <https://ukcop26.org/glasgow-leaders-declaration-on-forests-and-land-use/>



role in an economically effective transition to net-zero and negative emissions economies, and facilitate significant economic, technology development, social and environmental co-benefits. Acknowledging that some emissions reductions can't be immediately achieved (either for financial or technological reasons), an appropriately structured carbon market can place a value on emissions reductions and credit decarbonisation or drawdown/sequestration outcomes. This should bring forward cost-effective abatement opportunities and support longer-term investment decisions for emerging solutions.

With rules now established at COP26 for international cooperation and carbon markets under Article 6 of the Paris Agreement, it has been estimated that the cost of achieving NDCs could be significantly reduced using market mechanisms and contribute to additional decarbonisation activities globally. The next few years will be critical in the design of international carbon markets and policies under the now finalised Paris rulebook. CMI will continue to support high integrity market mechanisms with effective governance systems and transparency to ensure market credibility and confidence as well as appropriate border adjustment or other mechanisms to address genuine carbon leakage concerns.

CMI also recognises the transition to net-zero and negative emission economies needs to be just and inclusive, considerate of affected workers and communities and ensuring potentially socially regressive impacts are addressed

With a highly credible carbon crediting framework; a Safeguard Mechanism that requires measurement, management, and compliance trading of emissions; an annual technology roadmap process, and; support for an Indo-Pacific Carbon Offsetting Scheme, Australia has a policy architecture capable of being a springboard for the greater policy ambition, investment guidance and technology deployment required. The following are key national policies to achieve this ambition, Australia should:

1. Strengthen national emission reduction targets & better manage the transition to net-zero emissions

- a) Adopt policies aligned with Australia's fair share of effort to achieve the high-ambition Paris Agreement goal to pursue limiting warming to 1.5°C, reflecting scientific analysis of the task required⁵.
- b) Strengthen our 2030 Nationally Determined Contribution (NDC) goal to at least 50% reductions from 2005 levels.
- c) Legislate a clear goal of net-zero emissions by or before 2050, including statutory interim targets and carbon budgets.
- d) Empower the Climate Change Authority to review, regularly and publicly, 5 yearly NDC and net-zero transition progress using climate target and carbon budget analysis recommending economy wide and sectoral decarbonisation policy improvements and expand its role reviewing carbon crediting frameworks in Australia.
- e) Establish a regionally focused Just Transition agency or framework with sufficient funding to support people, communities, business and Indigenous stakeholders to ensure a sustainable and just economic transition as unabated emission intensive facilities are phased out or transformed.

2. Engage in international co-operation and carbon market development to ensure emissions reduction, climate finance and co-benefits

- a) Support the development of internationally linked carbon markets ensuring appropriate corresponding adjustments, demonstrable links to emission reduction, ensuring climate finance and investment in developing countries for methodologies that focus on integrity and high ambition⁶.
- b) Support enhancements to domestic carbon market trading infrastructure that allow for international trade and procurement of appropriate high integrity carbon credits, including consideration of a potential export market for Australian Carbon Credit Units (ACCUs) and associated technologies and expertise.

⁵ Noting stronger targets are increasingly be called upon for Australia's fair share e.g. CCA: Climate Change 2021: The Physical Science Basis https://www.climatecouncil.org.au/wp-content/uploads/2021/08/IPCC-6AR-WGI-Explainer_updated.pdf; Climate Targets Panel Report (Jan21): <https://www.climatecollege.unimelb.edu.au/files/site1/docs/%5Bmi7%3Aami7uid%5D/ClimateTargetsPanelReport.pdf>

⁶ The post COP26 revised [San Jose Principles](#) defines key focus parameters including around the access to and use of pre-2020 carbon credits, to ensure additionality of emissions in the post-Paris era. Some argue that recognising some pre-2020 carbon projects is appropriate for investment and ongoing community support, however companies will need to undertake appropriate due diligence to ensure environmental integrity, transparency, and additionality of carbon purchases – particularly for older vintages closer to 20013 threshold.



- c) Cooperate with regional governments, industry and stakeholders to support the development of best practice and high integrity public and private investment frameworks for nature-based climate solutions that protect, conserve and restore ecosystems, halt and reverse deforestation and ensure social and environmental safeguards including through results based (Article 5) and carbon market (Article 6) mechanisms.
- d) Increase public climate finance and annually report Australia's proportionate share of public and private investment in developing country mitigation and adaptation funding, noting the call from COP26 to double adaptation funding.

3. Evolve Australia's carbon markets to guide investment and opportunities in the transition

- a) Support economy-wide market mechanisms that provide a clear and long-term investment signal for economy-wide transformational emissions reductions through technology development and deployment, shifting current markets from majority public to private-sector funding.
- b) Evolve the Safeguard Mechanism and transition to a declining baseline and credit scheme that is at least aligned with, or actively supporting, Australia's NDC with appropriate treatment for Emissions-Intensive Trade-Exposed (EITE) sectors including consideration of carbon border adjustment mechanisms.
- c) Allocate additional funding for the development and acceleration of ACCU methods in the carbon farming (or biological sequestration) industry, which is already providing significant carbon abatement, employment, social and environmental benefits particularly for regional Australia, to optimise investment in land sector abatement.
- d) Enhance the annual ACCU method development process to prioritise additional activities (i.e more than the five per year currently), exploring the application of existing international methods and ensuring, through industry collaboration and supporting incentives, that these are credible and investible.

4. Focus technology support on decarbonisation and carbon drawdown/sequestration/removal

- a) Apply sectoral policies that can effectively work alongside legislated declining emissions limits and carbon trading to encourage adoption of very low, zero and negative emission technologies e.g vehicle emission standards and clean vehicle subsidies; transmission grid investment and; agricultural research, extension and support programs.
- b) Focus investment in research, development and commercialisation of technologies that reduce and remove or drawdown greenhouse gas emissions from the atmosphere and sequester them in appropriate nature-based, industrial and geological solutions while phasing out subsidies to the fossil fuel sector.
- c) Ensure investment in zero and negative emissions technologies do not lead to perverse climate, environmental, or socio-economic outcomes, delay the net-zero transition or result in a net-increase in overall emissions.
- d) Introduce appropriate policies and funding facilities to leverage enduring private large-scale investment in ecosystem services, building regional resilience and boosting land-based supply of carbon reduction credits as well as promoting sustainable agriculture and the goal to halt and reverse forest loss in Australia

5. Ensure rigorous governance, integrity and disclosure on carbon crediting as well as on climate and nature risks

- a) Continue to review and build on ACCU integrity mechanisms and checks and balances which include: legislated Offset Integrity Principles; ASIC financial services licences for carbon service providers; independent consideration of ACCU methodologies and extensions by the Emission Reduction Assurance Committee; Ministerial approval of methodologies as a disallowable parliamentary instrument.
- b) Ensure high integrity inclusive voluntary carbon market activity that is aligned to activities limiting warming to 1.5°C, with appropriate corresponding adjustments and full transparency allowing for public scrutiny of the generation and use of credits.
- c) Adopt a mandatory climate-risk disclosure framework that is aligned with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations and continue to enhance the quality and usefulness of corporate climate risk disclosures and improve transparency through voluntary initiatives such as the Corporate Emissions Reduction Transparency Report.
- d) Support the development of international climate disclosure standards being developed by the International Sustainability Standards Board (ISSB) and those by the Task Force on Nature related Financial Disclosure.