



**Department of Industry, Science, Energy and
Resources:**

Proposed Carbon Credit Rule changes
(excluded offsets projects)

submission

March 2022



About the Carbon Market Institute

The Carbon Market Institute (CMI) is the independent industry association for business leading the transition to net-zero emissions. CMI has over 130 corporate and associate members representing the spectrum of business engaged in emissions reduction and carbon sequestration from primary producers to emissions intensive companies. CMI's 2050 vision is for 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.

A. Introduction

On 3 March 2022 the Department of Industry, Science and Energy and Resources (DISER) opened a consultation on a proposed change to the Carbon Credits (Carbon Farming Initiative) Rule 2015 related to excluded carbon offsets projects. A range of projects are currently excluded from participating in the Emissions Reduction Fund (ERF), with these exclusions spread across the Carbon Credits (Carbon Farming Initiative) Rule 2015 (the Rule), and the Carbon Credits (Carbon Farming Initiative) Regulations 2011 (the Regulations). Noting that the Regulation is due for sunset on 1 April 2022, DISER is proposing to shift excluded projects noted in the Regulation, into the Rule, in order to:

- Streamline the ERF scheme's regulatory framework by removing the need for the Regulations, while maintaining important protections against potential adverse environmental, social and economic impacts; and
- Ensure that existing project exclusions remain in place (not affected by sunset of the Regulation).

As with the Regulations the amended Rule will continue to be subject to oversight by the Parliament and would be implemented to ensure there is no overlap in the effect of the provisions.

CMI's position is that any legislative (including Rule or Regulation) change should be aligned with Australia's Paris Agreement commitments. In the case of this proposed change, any amendments made should ensure that Australia remains able to deliver on the goal to reverse forest loss and degradation, as part of its formal endorsement of the [Glasgow Leaders' Declaration on Forests and Land Use](#) at COP26.

Acknowledging the short timeline, CMI has consulted with its membership across industry to develop its response, which is outlined below. We note that the positions put forward are not representative of any CMI individual, member company, or industry sector.

B. CMI Position

CMI is supportive of the proposed legislative streamlining, but notes that in making amendments, the Government should ensure that:

1. Existing project exclusions are transferred without substantial change.

Research and feedback from industry and other stakeholders suggests that the current list of project exclusions are still valid, and important foundations of integrity within the ERF. Additionally, this list maintains important protections against potential adverse environmental, social and economic impacts. One item of note however, relates to the following excluded project provision:

- *'Specified tree planting. In addition, the Regulations set out circumstances where 'specified tree planting' projects are not considered to be excluded offsets projects, including where planting of trees is unlikely to have a material adverse on the availability of water due to its location in a specified region'* – CMI is supporting of the recent changes made to tree planting and water usage, which has enabled more opportunity for plantation forestry activities to take place across Australia. The Government should ensure that any implications of these recent amendments to the water rules should appropriately carry across from Regulation to Rule. We note that rainfall limits are still an issue for several market participants, and so additional review of these limits in future that may open up additional abatement opportunities, is supported.



2. The Government should ensure that these amendments do not result in backsliding of delivery against emissions reductions commitments and climate mitigation gains resulting from the ERF.

Industry is concerned that if any of the listed project exclusions were removed, that Australia would see backsliding in delivery against its climate commitments under the Paris Agreement, and domestic emissions targets. Keeping these project exclusions in place ensures particularly that the adverse effects of land clearing legislation in various sub-national jurisdictions (or potential relaxing of any such laws) do not decrease the emissions reductions benefits of the ERF. Of particular concern to industry stakeholders is where illegal land clearing has taken place, and listed project exclusions prevent land managers from seeking inappropriate funding gains from the ERF.

3. If there are any substantial changes in language proposed following consultation, the Government should share these publicly for feedback before such changes are tabled in Parliament.

Acknowledging the short time frame between the consultation period and the sunset of the regulation, it is important that stakeholders are kept up to date with any material changes to the list of exclusions that arise following consultation. Given the current volatile carbon market environment, visibility of process and material changes will assist in providing a stable short-term environment in which to operate. CMI remains available to provide feedback in a short time frame if required, and can convene stakeholders if further industry input is available.

C. DISER Consultation Question Response

In response to the Specific consultation questions posed by DISER, CMI believes that:

- it is still necessary to exclude the existing project types from participation in the ERF;
- these exclusions and relevant definitions remain appropriately drafted and fit for purpose (noting that these may need to see minor changes to support a move from Regulation to Rule).
- to date the Regulation and Rule together have worked appropriately, and there is no reason to expect a streamlined list provided in the Rule would behave otherwise.
- there are of course other important policy and regulatory tools that can support the management of unintended adverse impacts on ERF projects, however they should be applied in concert with this formal list of excluded projects, rather than as an alternative to it.

CMI has an ongoing commitment to increased environmental integrity within the domestic carbon industry, and as such suggests deeper review and revision of excluded project provision in future (that provides a longer consultation period), as part of the Government's regular review cycle.



for more information please contact

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