



Climate Active Consultation
Draft Guideline: Accounting for
Carbon Sequestration from Tree
Plantings
submission

October 2022





Climate Active draft guideline: Accounting for Carbon Sequestration from Tree Plantings

CMI submission

The Carbon Market Institute (**CMI**) welcomes this opportunity to respond to the **Climate Active Consultation on Accounting for Carbon Sequestration from Tree Plantings**, which opened for consultation on 6 September 2022.

CMI is an independent member-based industry association championing best practice for businesses in the transition to net zero emissions. CMI's 140+ strong membership includes organisations from across the entire carbon value chain, including primary producers, carbon service providers, legal and financial institutions, technology firms and emissions intensive companies.

CMI's Board annually updates the CMI Advocacy Policy Positions in consultation with – but independent of – members. Our positions include supporting policies aligned with Australia's fair share of effort to achieve the high-ambition Paris Agreement goal to limit warming to 1.5°C, evolving Australia's carbon markets to guide investment and opportunities in the transition, and ensuring rigorous governance, integrity and disclosure on carbon crediting.¹

CMI administers the Australian Carbon Industry Code of Conduct, which was established in 2018 to promote and steward consumer protection and market integrity.²

The positions put forward in this submission are CMI's view, independent of members, and do not represent any CMI individual, member company, or industry sector.

Strategic outlook

CMI supports Climate Active's role as an ongoing partnership between the Australian Government and businesses in driving climate action through its carbon neutral certification. CMI recognises the importance of carbon neutrality, which enables entities to address their emissions now to achieve net zero overall emissions, by reducing where possible and compensating for their remaining carbon footprint by investing in carbon projects.

As entities seek to achieve carbon neutrality under Climate Active's certification, CMI supports incentivising carbon sequestration from tree plantings within an entity's supply chain and/or operational control (insetting) as an additional nature-based solution to complement the purchase of carbon credits. We recognise the benefits of this approach in terms of enabling an additional avenue for mitigation action and to facilitate a more complete picture of entities' emissions profiles for the purposes of assessing carbon neutral certifications.

At the same time, we highlight the need for Australia's legal and regulatory framework to provide a harmonised governance approach to the recognition and oversight of climate action to ensure integrity.

¹ CMI 2021 '[Advocacy Policy Position Statement 2021](#)'.

² More information can be found on [the Code website](#).



While we appreciate that Climate Active certifies voluntary action undertaken by entities, we note that Climate Active certification provides significant reputational benefits to participating entities, that in large part stems from it being a government-administered scheme.

As CMI elaborated in our recent response to the Independent Review of Australian Carbon Credit Units (ACCU Review),³ it is important that Australia does not establish competing regulatory frameworks and institutions that may result in inconsistent approaches to integrity.

Over time, we also believe that Australia should work towards establishing legal standards for net-zero targets by non-state actors that reflect harmonised international guidance.⁴

Accordingly, while it may not be appropriate at this time to impose the same level of obligations on voluntary actors as might be expected in compliance markets, we consider that a consistent level of assurance and regulatory oversight should be established for all government-recognised climate action. This would support greater public confidence in the integrity of these actions and indeed the government's certification of them.

Recommendations

Having regard to the need for a consistent level of assurance and regulatory oversight across all government-endorsed climate action, CMI recommends that the government:

1. Establish additional safeguards in the guideline to support enduring emissions removals into the future

The proposed permanence protections for ensuring the certainty of emissions removals⁵ arising from sinks accounted for in Climate Active certifications should be strengthened and outlined in greater detail. Exploring the possibility of placing a covenant on land where tree plantings occur is one avenue that may provide greater permanence protections that ensure emission removals endure beyond the year(s) of the carbon neutral certifications they support.

CMI finds the proposed protections – in particular, that a clearing event would trigger a responsible entity to retire carbon credits⁶ equivalent to claimed reductions – unsatisfactory. This quantum may only represent a portion of the carbon sequestered in the tree planting. Moreover, without further penalties or safeguards, this 'protection' implies that it is acceptable for an entity to 'inset' a portion of their Climate Active carbon account through tree plantings in one year and clear these plantings in another, so long as they 'offset' the volume of inseting originally claimed. The reality is, carbon credits cannot compensate for the local ecosystem services, biodiversity value and other co-benefits lost when land is cleared.

CMI suggests that, at a minimum, the guideline should specify that any compensatory carbon credits be ACCUs from land-based sequestration project types, such as the environmental plantings method on which the draft guideline is based. Such credits would represent the closest approximation to the original tree planting.

³ See further CMI Submission to the Independent Review into Australian Carbon Credit Units, [Available here](#).

⁴ See further CMI Submission to the UN High-Level Expert Group on Net-Zero Commitments of non-State Entities, [Available here](#).

⁵ The consultation paper refers to sequestration achieved through tree plantings in terms of emissions 'reductions'. However, CMI finds it more accurate to refer to these as 'removals' and does so throughout this submission.

⁶ Please note that CMI replaces the term 'offsets' with 'carbon credits' in this consultation response, as we find this a more accurate descriptor of the unit described.



The guideline should also clarify use of the term “responsible entity”. The current version states that the “responsible entity” must retire carbon credits equivalent to claimed reductions. However, it does not specify *who* the responsible entity is – for example, if the land containing the tree planting is sold or changes hands.

2. Ensure that oversight of government-recognised climate action, including removals accounted for through both carbon credits and insetting, is administered by common regulatory institutions to provide consistent assurance and enforcement

Robust oversight is critical to the effectiveness of the proposed guideline in delivering climate abatement. Given that Climate Active is a government-administered scheme, CMI considers that insetting accounting methods should be regulated with equivalent assurance, investigation, and enforcement powers as applies to carbon crediting under the Emissions Reduction Fund (ERF). We note that in circumstances where an entity is required to retire carbon credits to guarantee sequestration permanence, it is unclear how this would be enforced. CMI questions whether Climate Active has sufficient regulatory powers, beyond cancelling certification and removing entities from the Climate Active scheme, to uphold this protection.

It may be more appropriate for the guidelines to be regulated by an alternative body with appropriate statutory powers to enforce permanence protections. One option for consideration is for the guidelines to sit with the Clean Energy Regulator (CER), that also regulates the ACCU methods on which this guideline is based. The CER’s regulation of this activity should not impact Climate Active’s ability to certify entities’ use of this approach in the context of carbon neutral certification, as Climate Active certification already considers entities’ use of ACCUs for the same purpose. Regulation by the CER could also enable additional permanence protections. For example, the CER could require permanence plans as is required under the ERF, which obligate sequestration project proponents to outline how they will ensure permanence of credited abatement.⁷

In the coming years, CMI foresees greater linkages and overlap between ACCU project developers and Climate Active program participants. In particular, agricultural producers – who are trade exposed and a major source of land-based removal credits that make up over half of all ACCUs issued to date⁸ – will face increasing pressures to address their own emissions.⁹ Unified regulatory oversight of carbon crediting and accounting frameworks will enable careful management in cases where ACCU project owners might also like to make use of insetting guidelines under Climate Active, to prevent double claiming and counting of land-based sequestration outcomes.

⁷ Clean Energy Regulator (CER), ‘Permanence obligations’, <https://www.cleanenergyregulator.gov.au/ERF/Choosing-a-project-type/Opportunities-for-the-land-sector/Permanence-obligations>.

⁸⁸ CER, ‘ERF Project Map’, <https://www.cleanenergyregulator.gov.au/maps/Pages/erf-projects/index.html>.

⁹ The European Union’s Carbon Border Adjustment Mechanism (CBAM) and Global Methane Pledge, of which Australia is now a signatory, are two examples of a growing number of international policies and initiatives that may apply pressure on Australia’s agriculture industry down the track.



3. Defer any decision on the final guideline and its governance until after the conclusion of the ACCU Review, due 31 December 2022.

This would ensure that the introduction of the proposed guideline is made in consideration of Professor Chubb and the Independent Panel's final report and recommendations.¹⁰ As noted above, we have made a broad range of recommendations to the ACCU Review including with respect to the governance of Australia's carbon crediting framework and Climate Active that should be carefully considered before further changes are made.

We also note the intention to develop additional guidelines for other insetting activities into the future. We consider that these should similarly be developing, having regard to the ACCU Review findings and government response.

CMI would welcome the opportunity to discuss this submission in greater detail.

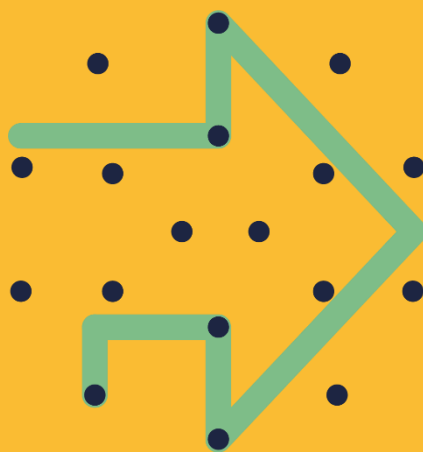
Should you have any questions about CMI's submission, please contact **Gabriella Warden**, Manager, Research and Government Relations, at gabriella.warden@carbonmarketinstitute.org.

Yours sincerely

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¹⁰ While not specified in the terms of reference, CMI expects the ACCU Review Panel – in responding to matters raised through the public consultation process – to consider aspects of the Climate Active program beyond requirements for the use of ACCUs. For example, [CMI's submission to the ACCU Review](#) (p. 14) highlights the importance of ensuring a unified governance framework for the regulation of carbon crediting methods in Australia – including with reference to this Climate Active insetting consultation.



for more information please contact

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The Carbon Market Institute is at the centre of climate change policy and business in Australia. Independent and non-partisan, we bring business, policy makers and thought leaders together to drive the evolution of carbon markets towards a significant and positive impact on climate change.

Engaging leaders, shaping policy and driving action, we're helping business to seize opportunities in the transition to a low carbon economy.



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