



CMI Policy Positions

November 2023

**Carbon
Market
Institute**



Six policy pillars in 2023 policy positions

1. Strengthen national climate ambition

2. Develop high integrity market-based approaches

3. Accelerate corporate and industrial transition

4. Facilitate positive community outcomes

5. Support shift towards nature positive outcomes

6. Increase international capacity and cooperation



1. Strengthen national climate ambition

- A. Target emissions reductions of well over 70 per cent based on 2005 levels in Australia's 2035 NDC and establish corresponding targets for adaptation to reflect its parallel importance, informed by the National Climate Risk Assessment and National Adaptation Plan
- B. Support a clear economy-wide plan that apportions a carbon budget nationally and to each sector in Australia's 2050 Net Zero Target, and interim ratcheting NDC targets with supportive market-based frameworks where appropriate
- C. Develop a National Carbon Market Strategy to guide the role of markets in Australia's transition towards net zero and negative emissions, including to:
 - i. Support efficient domestic decarbonisation and nature repair;
 - ii. Inform Australia's approach to participating in international carbon markets by assessing the costs and benefits of participation; and
 - iii. Provide policy direction and transparency to investors, businesses and communities about the intended roles for carbon markets, crediting and trading.



2. Develop high integrity market-based approaches

- A. Support scheme wide integrity in Australia's carbon crediting framework
 - i. Progress the ACCU Review Implementation Plan in a timely manner, expediting recommendations that will increase and optimise scheme- and project-level transparency, and establish a fit-for-purpose framework for accreditation, building upon the Australian Carbon Industry Code of Conduct
 - ii. Support development of standards for forward estimates of carbon supply
 - iii. Ensure ACCU scheme buffers reflect appropriate conservativeness, integrate climate risk analysis and are transparent with accounting for cumulative buffers, including incorporating best practice benchmarks for permanence in carbon projects
 - iv. Align Australia's carbon crediting framework and ACCUs with emerging international best practice frameworks to support integrity and fungibility
 - v. Facilitate targeted Government ACCU purchasing towards carbon methods that: a) facilitate emerging abatement and removals technologies; b) support social and environmental co-benefits aligned with the Sustainable Development Goals (SDGs); and c) partner with First Nations groups to support social and economic opportunities, including in remote communities.
- B. Drive industrial decarbonisation through reformed Safeguard Mechanism
 - i. Bring forward the scheduled 2026-27 Review of the reformed Safeguard Mechanism by one year to ensure that the scheme is fit for purpose in driving industrial decarbonisation to contribute to Australia's NDCs before Australia submits its 2035 NDC to the UNFCCC
 - ii. Restrict Safeguard-covered facilities use of ACCUs and Safeguard Mechanism Credits to a rolling five-year vintage window that better aligns with Paris Agreement reporting cycles
- C. Expedite the development of a carbon border adjustment mechanism as a durable solution to address carbon leakage
 - i. Consider early commencement for high-exposure sectors (e.g., Cement and steel) drawing on EU lessons



2. Develop high integrity market-based approaches

- D. Scale market-based mechanisms for the industrial sector and adjacent sectors
 - i. Progressively lower the Safeguard Mechanism's coverage threshold to 25,000 tCO₂-e scope 1 emissions to align with the NGER reporting threshold, maintain a long-term carbon pricing driver for entities whose emissions fall below 100,000 tCO₂-e, and extend coverage to more of the economy in a staged approach, informed by the reformed Safeguard Mechanism's scheduled review
 - ii. Consider opportunities for other market-based sectoral approaches and guidance—particularly for electricity, heavy road transport, aviation—that complement the reformed Safeguard Mechanism
 - iii. Develop a strategy to support the agriculture sector's net zero transition commitment, that carefully balances the sector's own transition against the opportunities for it to support the broader economy transition through sequestration
- E. Guide Australia's engagement with international carbon markets, ensuring high integrity outcomes that support Australia's net zero transition and contribute to global climate action.
 - i. Ensure that the ability to surrender carbon credits in the future, whether using ACCUs or high integrity international credits, does not dilute the driver for the at-point, facility-level decarbonisation of Safeguard Mechanism covered facilities
 - ii. As part of a National Carbon Market Strategy, establish an appropriate sequencing timetable for linking Australia's carbon market to international carbon markets. This should prioritise achieving an ambitious NDC. Careful consideration should also be given to supporting market stability and price in Australia's carbon market and balancing supply/demand outlook.



3. Accelerate corporate and industrial transition

- A. Guide deeper structural transition in Australia's economy to ensure Australian business remains globally competitive in a carbon-constrained economy
 - i. Develop investment frameworks that continue to incentivise R&D innovation and commercialisation of net zero aligned industries to ensure Australia remains attractive as an investment destination against the increasingly competitive global investment landscape
 - ii. Consider the merits of a regulated, planned approach to phasing out fossil fuels in partnership with Australia's key trading partners towards achieving net zero, in alignment with the UNHELG, IPCC and IEA's recommendations where appropriate. Phase out all government fossil fuel subsidies and tax incentives.
 - iii. Establish a more rigorous assessment framework for emissions-intensive developments in Australia by introducing a requirement for new developments to demonstrate their impact on the climate, by establishing a form of climate trigger into the EPBC Act
 - iv. Establish incentives, regulations, and workforce support programs to ensure a just transition, leveraging the expertise of the national Net Zero Authority
- B. Establish standardised climate disclosure regulatory framework for Australian businesses that aligns with international best practice
 - i. Introduce mandatory reporting obligations, including transition planning through a phased approach towards alignment with the International Sustainability Standards Board standards, that balances the cost and complexity of compliance against the benefit that these reforms will provide to business, investors, and the public
 - ii. Facilitate best practice approaches to credibility and integrity in transition plans, including alignment with a 1.5°C pathway
 - iii. Establish a phased approach towards standardised reporting on Scope 3 emissions



3. Accelerate corporate and industrial transition

- C. Support demand side integrity in carbon markets by guiding best practice, high integrity and high ambition corporate action
 - i. Support the evolution of the Climate Active program to more closely align with emerging international best practice net zero transition guidance, such as the developments in VCM Claims Code and ISO Net Zero Guidelines, while encouraging companies to use carbon credits to address their emissions as they pursue science-aligned interim decarbonisation targets
 - ii. Develop additional regulatory guidance to support the credible and high integrity use of market-based solutions in net zero targets and company transition plans, to support the implementation of the ISSB standards
 - iii. Clarify that voluntary efforts, including ACCU cancellations—while nested within Australia’s National Greenhouse Accounts from an international accounting perspective—may be claimed as ‘additional’ to Australia’s NDC
- D. Develop governance framework for investment in carbon removals to support a negative emissions economy
 - i. Develop policy framework to support removals technologies and sustainable renewable fuels, balancing competition risks with clean energy development and land space for agricultural production
 - ii. Develop a governance framework which considers restriction on use of CDR where this would extend the use of fossil fuels or impact the economy-wide carbon budget
 - iii. Concentrate method development on nature-based carbon storage to support achievement of Glasgow Leaders Declaration on Forests and Land Use, in order to halt and reverse forest loss and land degradation by 2030. Scale investment in nature-based solutions and carbon removals while strengthening other regulations to prevent deforestation.
- E. Support Australia’s commitments under the Global Methane Pledge through the development of transparent and accurate measurement, reporting and verification of methane emissions



4. Facilitate positive community outcomes

- A. Support role of Net Zero Authority in guiding just transition in consultation with State and Federal Governments
 - i. Ensure sufficient funding to support Indigenous peoples, communities, and business stakeholders to ensure a sustainable and just economic transition while unabated emission intensive facilities are phased out or transformed
 - ii. Develop sectoral regulations, incentives and programs to guide structural transition of high emitting sectors drawing upon international best practice
- B. Support best practice benefit sharing in Australia's carbon market, including through the ACI Code, and within regional and international cooperation arrangements
 - i. Ensure benefit sharing arrangements in Australia's carbon crediting system facilitate Indigenous participation and outcomes consistent with relevant international law including the UN Convention on Biological Diversity
 - ii. Ensure Article 6 arrangements integrate benefit sharing frameworks for the equitable distribution of results-based finance.
- C. Ensure high integrity carbon markets are promoting and supporting positive and equitable community outcomes in regional jurisdictions. Also ensure adequate community consultation around carbon market strategy development.
- D. Support community-led projects and/or community participation through carbon market literacy development among farmers, Indigenous landholders and conservation managers including through the ACI Code training programs



5. Support shift towards nature positive outcomes

- A. Facilitate integration of co-benefits into Australia's carbon market
 - i. Develop a national framework with criteria to assess and value co-benefits in the Australian carbon market to support transparency of biophysical, social and economic co-benefits and avoid duplication with adjacent biodiversity and nature markets
 - ii. Enhance transparency of co-benefits associated with Australian Carbon Credit Units through inclusion in the registry and access to information on standards used and verification (if applicable)
- B. Support standardisation of corporate nature-related disclosure, data and target setting approaches in accordance with the Taskforce on Nature-related Financial Disclosures (TNFD) framework
 - i. Ensure provenance is appropriately accounted for in standardized TNFD framework
 - ii. Build industry capacity to engage with TNFD framework through skills-gaps assessment and outreach
- C. Support harmonised taxonomies and standards to increase nature-positive financial flows
- D. Establish an effective market framework to incentivise corporate investment in nature repair
 - i. Sequence Nature Positive Plan, including Environment Protection and Biodiversity Conservation Act 1999 reform, to ensure the proposed Nature Repair Market facilitates 'nature positive' outcomes
 - ii. Clarify and support demand drivers for the proposed Nature Repair Market to establish short-to-medium-term incentives while voluntary drivers mature
 - iii. Establish a complementary voluntary program to Climate Active to support nature positive commitments, drawing on the Taskforce on Nature-related Financial Disclosures
- E. Support mutual complementarity between nature and biodiversity markets and carbon markets to minimise or avoid administrative duplication and encourage multiple participation points



6. Increase international capacity and cooperation

- A. Cooperate with regional governments to support the development of best practice carbon market frameworks, including through Article 6 of the Paris Agreement
 - i. Cooperate with regional governments, industry and stakeholders to support the development of best practice and high integrity public and private carbon market frameworks for nature-based climate solutions, as well as transport, energy and other activities supported through Article 6 (including regional or national legal frameworks, governance structures, GHG inventories, project registries, and public investment in pilot projects)
 - ii. Support capacity building and carbon market trading infrastructure development in the Asia-Pacific region (national and regional approaches) to allow for international trade and procurement of appropriate high integrity carbon credits, and associated technologies and expertise
- B. Support voluntary carbon market governance and integrity initiatives
 - i. Support regional government engagement with independent best practice standards, including the IC-VCM Core Carbon Principles, the VCM Claims Code and the ACI Code
- C. Support initiatives to advance high integrity approaches to corporate net zero transition
 - i. Support international policy initiatives to advance high integrity approaches to the corporate net zero transition, including a net zero regulation taskforce, formal linkage between NDCs and transition planning and other linkages with international institutions. Support the further development of UNFCCC Secretariat Recognition and Accountability Framework for non-Party stakeholder climate action.
 - ii. Cooperate with regional governments support the development of best practice to net zero
- D. Support use of carbon markets as a complement to climate finance in developing economies
- E. Support financial commitment to loss and damage, and Bretton Woods institutional reform to better channel finance into climate projects, including through the World Bank and other multilateral development banks



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