



Department of the Treasury
2024-25 Pre-Budget Consultation
submission

January 2024





Treasury: 2024-25 Pre-Budget consultation

submission

The Carbon Market Institute (**CMI**) is an independent, member-based institute that promotes the use of market-based solutions and supports best practice in decarbonisation to limit warming to 1.5°C.

CMI's membership includes 150+ primary producers, carbon service providers, First Nations organisations, legal and financial institutions, technology firms and emissions-intensive companies in Australia and Asia Pacific. The CMI Board updates CMI's Policy Positions annually, which draw on practical insights from—but are ultimately independent of—members.¹

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

Strategic outlook

CMI recognises the Albanese Government's continued efforts through the Powering Australia plan to build up Australia's climate policy suite and safeguard Australia's prosperity in a decarbonising global economy. We welcome this opportunity to submit CMI's 2024-25 pre-Budget considerations to Treasury in support of this ongoing work.

We commend the Government's actions in the previous year, including in particular:

- the reform and commencement of the strengthened Safeguard Mechanism on 1 July 2023;
- ongoing efforts to strengthen Australian Carbon Credit Unit Scheme (**ACCU Scheme**) integrity and governance following the Independent Review of ACCUs (**ACCU Review**);
- work to introduce mandatory climate-related financial disclosure for Australian businesses;
- the announcement of work on six sectoral decarbonisation plans and an economy-wide Net Zero Plan, including consideration of the strategic role of carbon markets;
- the leadership demonstrated by Minister Bowen and Assistant Minister McAllister at the United Nations Framework Convention on Climate Change (**UNFCCC**) 28th Conference of the Parties (**COP28**) in Dubai; and
- Australia's bid to host the 31st Conference of the Parties (**COP31**) in 2026, in partnership with neighbouring Pacific countries.

However, further investment and targeted policy solutions are needed to scale up emissions avoidance, reductions and removals and accelerate Australia's decarbonisation.

The 2024-25 Budget is an opportunity to build on the above actions and deliver a proportionate policy and investment response to the twin climate and biodiversity crises. This budget will be particularly important with Australia's 2035 Nationally Determined Contribution (**NDC**) due to the UNFCCC in 2025, and the Government

¹ CMI 2023, 'CMI Policy Positions', https://carbonmarketinstitute.org/app/uploads/2023/11/CMI-Policy-Advocacy-Positions_FINAL-2023.pdf.

² More information on the ACI Code webpage: CMI 2024, 'Australian Carbon Industry Code of Conduct', <https://carbonmarketinstitute.org/code/>.



undertaking work to determine Australia's overarching net zero by 2050 pathway. CMI reiterates that the 2035 NDC should target emissions reductions of well over 70 percent based on 2005 levels.³

CMI's ten **2024-25 Pre-Budget Positions** synthesise our advocacy over the last 12 months, which has called for the considered application of carbon markets and other market-based policy approaches to accelerate Australia's net-zero and -negative emissions transition. These pre-budget positions also link to the pillar objectives outlined in CMI's latest Policy Positions statement, which aim to:⁴

- strengthen national climate ambition;
- develop high integrity market-based approaches to reduce emissions;
- accelerate corporate and industrial decarbonisation;
- facilitate positive community outcomes;
- support the shift to nature positive outcomes; and
- increase international capacity and cooperation.

CMI's 2024-25 Pre-Budget Positions

To accelerate Australia's decarbonisation and support the jobs and skills needs associated with the transition to net-zero and -negative emissions, CMI encourages the Government to consider the following positions in the 2024-25 Budget:

1. **Commence work on a national carbon market strategy (Strategy)**⁵ to guide the appropriate and considered application of market-based approaches in the six sectoral decarbonisation plans and Net Zero Plan.⁶
2. **Disclose and ringfence the dollar figure of remaining Powering the Regions Fund (PRF) monies that is earmarked for ACCU purchases**, and ensure revenue raised from fixed carbon abatement contract (CAC) exit fees is returned to this PRF funding pool.⁷

³ CMI 2023, 'Setting, tracking and achieving Australia's emissions reduction targets submission',

https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL_CMI-submission_CCA-2023-consultation.pdf.

⁴ CMI 2023, 'CMI Policy Positions', https://carbonmarketinstitute.org/app/uploads/2023/11/CMI-Policy-Advocacy-Positions_FINAL-2023.pdf.

⁵ The Climate Change Authority (CCA) has recommended the Government consider a National Carbon Market Strategy in 2022 and 2023 (see: CCA 2022, '2022 Review of International Offsets', available at: <https://climatechangeauthority.gov.au/publications/2022-review-international-offsets>; CCA 2023, '2023 Annual Progress Report',

https://www.climatechangeauthority.gov.au/sites/default/files/documents/2023-11/2023%20AnnualProgressReport_0.pdf)

⁶ The Strategy should aim to support efficient decarbonisation and nature repair, inform Australia's approach to participating in international markets, and provide policy direction and transparency to investors, business and communities about the intended role of carbon markets, crediting and trading (details in: CMI 2023, 'ACCU Review Discussion Paper submission',

https://carbonmarketinstitute.org/app/uploads/2023/10/2023.10_CMI_ACCU-Review-Discussion-Paper_submission.pdf; CMI 2023,

'Setting, tracking and achieving Australia's emissions reduction targets submission',

https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL_CMI-submission_CCA-2023-consultation.pdf)

The Government has noted its 'in principle' acceptance of the CCA's recommendations, however CMI maintains that a National Carbon Market Strategy should be considered explicitly, rather than as part of the broader Net Zero Plan (see: CMI 2023, 'Agriculture and Land Sectoral Decarbonisation Plan submission', https://carbonmarketinstitute.org/app/uploads/2023/12/2023.12_FINAL_CMI-submission_DAFF-Sectoral-Plan-consultation.pdf)

⁷ See further in: CMI 2023, 'ACCU Review Discussion Paper submission',

https://carbonmarketinstitute.org/app/uploads/2023/10/2023.10_CMI_ACCU-Review-Discussion-Paper_submission.pdf, pp. 7, 15.



- 3. Reinforce funding to support timely implementation of the ACCU Review recommendations,**⁸ noting the following priority areas:
- a. the future of Commonwealth ACCU purchases**, which CMI considers as having a continuing but evolving role in ACCU market development and should be informed by the Strategy; in addition to disclosing available PRF funds (see Position 2 above), the Government should clarify its intentions with respect to:
 - i. criteria that will guide ACCU purchases, which should evolve beyond the ‘least cost’ mandate and target ACCUs from priority methods; and
 - ii. the responsible purchasing agency (ACCU Review Recommendation)⁹;
 - b. building on the 2023-24 Budget’s welcome foundational \$20 million Carbon Funding Outreach Program** to provide enhanced outreach and extension support for broader ACCU market landholders and stakeholders;
 - c. an Australian Government partnership with the Australian Carbon Industry Code of Conduct (ACI Code), joining other state governments,**¹⁰ noting the ACCU Review Panel’s recognition of its role in supporting ACCU Scheme integrity (ACCU Review Recommendation 12);¹¹ and
 - d. expediting the national data platform** (ACCU Review Recommendation 4.2) to begin consultation in 2024, which could be integrated with Environment Information Australia.¹²
- 4. Fund and implement Climate Active program reform**—including increased departmental resourcing to support the management of greater program administration and enforcement requirements, and funding for a pilot of the Voluntary Carbon Market Integrity Initiative’s (VCMI) Carbon Integrity Claims Tiers within a strengthened Climate Active program.¹³
- 5. Fund an implementation plan to support net zero economy skills and workforce development needs** alongside the National Energy Workforce Strategy to ensure Australian businesses and workers benefit from global shift towards a green economy.¹⁴

⁸ Department of Climate Change, Energy, the Environment and Water (DCCEEW) 2023, ‘Independent Review of Australian Carbon Credit Units (ACCU): Implementation Plan’, <https://www.dcceew.gov.au/climate-change/publications/accu-implementation-plan>.

⁹ Detail on CMI’s recommendations regarding the future direction of the Commonwealth ACCU purchasing role can be found in: CMI 2023, ‘ACCU Review Discussion Paper submission’, https://carbonmarketinstitute.org/app/uploads/2023/10/2023.10_CMI_ACCU-Review-Discussion-Paper_submission.pdf, p. 15; CMI 2023, ‘Setting, tracking and achieving Australia’s emissions reduction targets submission’, https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL_CMI-submission_CCA-2023-consultation.pdf, p. 17.

¹⁰ The Queensland, New South Wales and Western Australian state governments are already government partners of the ACI Code, recognising the value the ACI Code provides in managing risks associated with public funding of domestic carbon abatement (see: ACI Code 2023, ‘Government Partners’, <https://carbonmarketinstitute.org/code/stakeholders/government-partners/>).

¹¹ See the ACCU Review Panel’s commentary under Recommendation 12 (I Chubb, A Bennett, A Goring & S Hatfield-Dodds, ‘Independent Review of Australian Carbon Credit Units: Final Report’, <https://www.dcceew.gov.au/sites/default/files/documents/independent-review-accu-final-report.pdf>, p. 28.)

¹² See: CMI 2023, ‘ACCU Review Discussion Paper submission’, https://carbonmarketinstitute.org/app/uploads/2023/10/2023.10_CMI_ACCU-Review-Discussion-Paper_submission.pdf, p. 12)

¹³ CMI highlights the potential for a strengthened Climate Active program to support broader international efforts to advance high integrity approaches to corporate net zero transition, enabling Australia to show regional climate leadership as Asian economies consider their own government policies and programs to ratchet climate ambition (see: CMI 2023, ‘Climate Active Program Direction submission’, https://carbonmarketinstitute.org/app/uploads/2023/12/CMI-Submission_Climate-Active-Program-Direction-Consult_Dec-2023_FINAL.pdf).

¹⁴ See the Clean Energy Council and Energy Efficiency Council’s ‘Careers for Net Zero’ campaign: Careers for Net Zero 2023, ‘Joint Statement: Careers for Net Zero calls for government to grow the clean economy workforce’, <https://careersfornetzero.org.au/articles/careers-for-net-zero-calls-for-government-to-grow-the-clean-economy-workforce>.



6. **Develop a governance framework for investment in carbon removals** that considers restrictions on the use of removals where this would extend the use of fossil fuels or impact the economy-wide carbon budget.¹⁵
7. **In 2024–25 Cooperative Research Centre (CRC) grant rounds, prioritise industry-led research collaborations focussed on low, zero and negative emissions technologies** that can unlock step-changing economic decarbonisation.
8. **Consider opportunities for market-based sectoral approaches in sectoral decarbonisation plans**, particularly for heavy road transport, aviation and electricity, or bring these sectors into the reformed Safeguard Mechanism.¹⁶
9. **Extend the Indo-Pacific Carbon Offsets Scheme (IPCOS), shifting focus to capacity building**, including pilot projects, to support regional market readiness, engagement and robust governance arrangements.¹⁷ This is important in the context of voluntary carbon market growth, and proliferating bilateral agreements and other opportunities under Paris Agreement Article 6 arrangements.
10. **Implement the COP31 Collaboration Group's proposed budget measures to support Australia's bid to host COP31 in 2026**, including dedicated funding to ensure the event is well organised and delivers value to communities in Australia and the Pacific, as well as enhanced global climate collaboration in the UNFCCC.
11. **Fund a national plan to support digitally enabled emissions data capture and management to address data challenges that businesses and governments will face in the transition towards achieving a net zero and nature positive economy**; this could be carried out by a central entity—Office of GreenData—as outlined by IoT Alliance Australia & CMI's December 2023 discussion paper.

CMI would welcome the opportunity to attend the 2024-25 Budget Lock-up.

Should you wish to discuss CMI's 2024-25 Pre-Budget submission or attendance at the lock-up, please contact Gabriella Warden (gabriella.warden@carbonmarketinstitute.org).

Yours sincerely

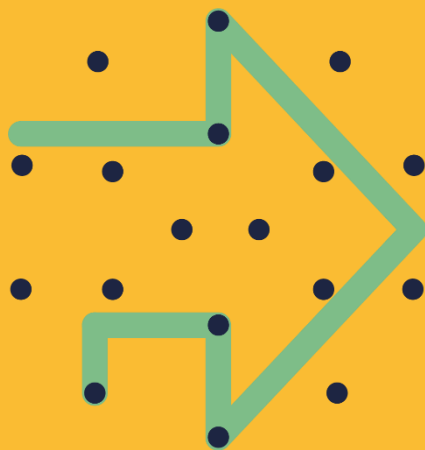
John Connor

CEO

¹⁵ See CMI Policy Position 3(D) in: CMI 2023, 'CMI Policy Positions', https://carbonmarketinstitute.org/app/uploads/2023/11/CMI-Policy-Advocacy-Positions_FINAL-2023.pdf.

¹⁶ CMI 2023, 'Setting, tracking and achieving Australia's emissions reduction targets submission', https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL_CMI-submission_CCA-2023-consultation.pdf, pp. 21-23.

¹⁷ For example, CMI has received an Australian Government grant that is supporting capacity building and knowledge exchange in the Pacific by assisting the Fijian Government's development of a National Carbon Market Strategy Roadmap that explores options for its engagement in carbon markets (see: CMI 2023, 'Fiji National Carbon Market Roadmap Strategy', <https://carbonmarketinstitute.org/international-markets-fiji/>).



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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 negative emission, nature positive economy.



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