



Department of Climate Change,  
Energy, the Environment and Water  
Reform Options for ACCU Scheme  
Landfill Gas Methods  
**submission**

June 2024





# Department of Climate Change, Energy, the Environment and Water: Reform Options for ACCU Scheme Landfill Gas Methods

## submission

The Carbon Market Institute (**CMI**) welcomes this opportunity to respond to the Department of Climate Change, Energy, the Environment and Water's (**DCCEEW**) discussion paper, 'Reform options for ACCU Scheme landfill gas methods: Implementing recommendation 10 of the ACCU Review' (**LFG Options Paper**), which opened for consultation on Friday, 3 May 2024.

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. Our 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.<sup>1</sup> CMI also administers the Australian Carbon Industry Code of Conduct (**ACI Code**), which was established in 2018 to steward consumer protection and market integrity.<sup>2</sup>

While CMI's submission to the LFG Options Paper has been informed by member insights, ultimately the positions put forward are CMI's and do not represent any CMI individual, member company or industry sector.

### Strategic outlook

CMI continues to support the Albanese Government's climate policy reform agenda, including through the interlinked Safeguard Mechanism reforms and ongoing implementation of the 2022 Independent Review of Australian Carbon Credit Units (**ACCU Review**) findings.<sup>3</sup> We recently welcomed the additional support announced in the 2024-25 Budget to accelerate Australia's clean energy investments and support broader reforms to Australia's carbon market.<sup>4</sup>

CMI is also actively engaged in the Government's development of its six sectoral decarbonisation plans and overarching economy-wide Net Zero Plan,<sup>5</sup> within which a national carbon market strategy should inform the

<sup>1</sup> CMI (2023), 'CMI Policy Positions', [https://carbonmarketinstitute.org/app/uploads/2023/11/CMI-Policy-Advocacy-Positions\\_FINAL-2023.pdf](https://carbonmarketinstitute.org/app/uploads/2023/11/CMI-Policy-Advocacy-Positions_FINAL-2023.pdf).

<sup>2</sup> CMI (2024), 'Australian Carbon Industry Code of Conduct', <https://carbonmarketinstitute.org/code/>.

<sup>3</sup> See, for example: CMI (2023), 'ACCU Review Implementation Plan provides clarity, shines light on urgent priorities' (CMI media release), available at: <https://carbonmarketinstitute.org/2023/06/09/accu-review-implementation-plan-provides-clarity-shines-light-on-urgent-priorities/>; CMI (2022), 'Australian Government Independent Review of ACCUs submission' (CMI submission) available at:

<https://carbonmarketinstitute.org/app/uploads/2022/10/FINAL-CMI-ACCU-Review-submission.pdf>; CMI (2023), 'Department of Climate Change, Energy, the Environment and Water ACCU Review Discussion Paper submission' (CMI submission), available at:

[https://carbonmarketinstitute.org/app/uploads/2023/10/2023.10\\_CMI\\_ACCU\\_Review-Discussion-Paper\\_submission.pdf](https://carbonmarketinstitute.org/app/uploads/2023/10/2023.10_CMI_ACCU_Review-Discussion-Paper_submission.pdf); CMI (2023), Department of Climate Change, Energy, the Environment and Water Safeguard Mechanism Rules: Consultation on proposed design' (CMI submission), available at: [https://carbonmarketinstitute.org/app/uploads/2023/02/FINAL\\_Carbon-Market-Institute-submission\\_Draft-Safeguard-Rules-1.pdf](https://carbonmarketinstitute.org/app/uploads/2023/02/FINAL_Carbon-Market-Institute-submission_Draft-Safeguard-Rules-1.pdf). (A full record of CMI submissions on the ACCU Review and Safeguard Mechanism is available at: <https://carbonmarketinstitute.org/resource-category/submissions/>).

<sup>4</sup> CMI (2024), 'Budget 2024: Important down-payments in carbon market renovation and nature repair market establishment' (CMI media release), available at: <https://carbonmarketinstitute.org/2024/05/15/budget-2024-important-down-payments-in-carbon-market-renovation-and-nature-repair-market-establishment-future-investment-decisions-important/>.

<sup>5</sup> See: CMI (2024), 'Department of Climate Change, Energy, the Environment and Water Electricity and Energy Sector Plan discussion paper submission' (CMI submission), available at: [https://carbonmarketinstitute.org/app/uploads/2024/04/2024.04\\_CMI-Submission\\_Electricity-and-Energy-Sector-Plan\\_FINAL.pdf](https://carbonmarketinstitute.org/app/uploads/2024/04/2024.04_CMI-Submission_Electricity-and-Energy-Sector-Plan_FINAL.pdf); CMI (2023), 'Department of Agriculture, Fisheries and Forestry Agriculture and Land Sectoral Decarbonisation Plan consultation submission' (CMI submission), available at: [https://carbonmarketinstitute.org/app/uploads/2023/12/2023.12\\_FINAL\\_CMI-submission\\_DAFF-Sectoral-Plan-consultation.pdf](https://carbonmarketinstitute.org/app/uploads/2023/12/2023.12_FINAL_CMI-submission_DAFF-Sectoral-Plan-consultation.pdf).



role of markets and the Australian Carbon Credit Unit Scheme (**ACCU Scheme**) in cross-sectoral decarbonisation towards net zero emissions by 2050.

The ACCU Scheme remains a foundational pillar of Australia's climate policy suite that can facilitate substantial abatement investment and contribute towards Australia's national emissions reduction targets. To ensure the ACCU Scheme's integrity and success, it is critical that the Government expedites its proposed reforms following the ACCU Review.

CMI's response to the LFG Options Paper take a principles-based, outcomes-focused and holistic approach.

In the context of still-nascent complementary policy and regulatory drivers for methane abatement, the LFG methods can play a vital role in delivering additional abatement through investable market-based incentives for emissions avoidance and reduction activities.

Revision to the LFG methods should facilitate improved accuracy and increased baselines over time to ensure the method delivers high-integrity outcomes.

Consideration should also be given to supporting investment certainty alongside additionality, in terms of how baselines are increased and to facilitate some differentiation for small, regional landfills to accommodate their different economic outlook.

To deliver longer-term and more holistic reforms, the Australian Government's economy-wide Net Zero Plan and sectoral decarbonisation plans should also seek to coordinate federal, state and local policies and programs, supporting waste diversion and guiding a systemic shift to a circular economy.

CMI elaborates on the above through our six positions on the LFG Options Paper in the following **Attachment**.

Should you wish to discuss CMI's submission in more detail, please contact Gabriella Warden ([gabriella.warden@carbonmarketinstitute.org](mailto:gabriella.warden@carbonmarketinstitute.org)).

Yours sincerely

Kurt Winter

**Director, Corporate Transition**



## ATTACHMENT

### CMI Positions

CMI puts forward six positions in response to the LFG Options Paper. Our positions also touch on method revision processes more generally, as well as broader ACCU Scheme reform.

- 1. The evaluation criteria—integrity, practicality, investor confidence—are appropriate, however clearer definitions of each as well as stronger, evidence-based rationale for the proposed weighting of criteria in the assessment of each option would be welcome.**

To support greater transparency and understanding of proposed options, CMI encourages DCCEEW to clarify the definition of each criterion as well as the rationale and evidence behind the weighting of each criterion in assessing options.

We recognise that DCCEEW has placed greater emphasis on integrity (weighted at 5) in its options evaluation due to the ACCU Review findings and the connection between the Safeguard Mechanism and ACCU Scheme. However, it is unclear why investor confidence has been given the lowest weighting (weighted at 2). Investment is required to support new projects and therefore increase method participation.<sup>6</sup> Investor confidence is also important for existing projects, given continuing investment needs.

CMI further suggests that to ensure the revised LFG methods are high integrity, practical and investible, instead of only assessing each option for revising the LFG methods in isolation, DCCEEW should also assess the net effect of combined options.

- 2. Revised LFG methods, other than flaring-only projects at closed landfills, should require direct measurement of methane proportions.**

CMI supports the LFG Options Paper's preferred option of requiring direct measurement of methane proportions, except for flaring-only projects at closed landfills.

CMI understands that several LFG project operators directly measure methane proportions of captured LFG as part of regular site monitoring and operation, as noted in the Supporting Technical Report.<sup>7</sup> In such cases, we consider embedding this requirement into the revised LFG methods is a practical step that will strengthen the integrity of the LFG methods by improving the accuracy of calculated abatement.

However, we note that there may be data gaps in direct methane measurement at certain project sites due to equipment defects or other challenges. In these cases, methodologies used to address these gaps provided for in the final revised methods should be available and robust.

CMI understands that the assumption in the Supporting Technical Report that the cost of handheld sensors used in flaring-only projects is “low” at about \$10,000 each may not hold true for all project sites.

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<sup>6</sup> DCCEEW (2024), 'Reform options for ACCU Scheme landfill gas methods: Supporting Technical Report', p. 25, available at: [https://storage.googleapis.com/files-au-climate/climate-au/p/prj2dbd510328cb4757bbdc4/page/Supporting\\_Technical\\_Report\\_Reform\\_options\\_for\\_ACCU\\_scheme\\_landfill\\_gas\\_methods\\_2024.pdf](https://storage.googleapis.com/files-au-climate/climate-au/p/prj2dbd510328cb4757bbdc4/page/Supporting_Technical_Report_Reform_options_for_ACCU_scheme_landfill_gas_methods_2024.pdf).

<sup>7</sup> DCCEEW (2024), 'Reform options for ACCU Scheme landfill gas methods: Supporting Technical Report', pp. 13-14, available at: [https://storage.googleapis.com/files-au-climate/climate-au/p/prj2dbd510328cb4757bbdc4/page/Supporting\\_Technical\\_Report\\_Reform\\_options\\_for\\_ACCU\\_scheme\\_landfill\\_gas\\_methods\\_2024.pdf](https://storage.googleapis.com/files-au-climate/climate-au/p/prj2dbd510328cb4757bbdc4/page/Supporting_Technical_Report_Reform_options_for_ACCU_scheme_landfill_gas_methods_2024.pdf).



### **3. CMI supports the proposal to increase baselines over time and considers the approach should support investment certainty alongside additionality.**

In line with recommendation 10 of the ACCU Review, CMI supports the proposal to introduce upwards-sloping baselines under the revised LFG methods.<sup>8</sup>

CMI encourages DCCEEW to propose an evidence-based rate that ensures additionality while maximising LFG capture. The latter is particularly important given Australia's commitments under the Global Methane Pledge and the increasing recognition of the need to address methane emissions.<sup>9</sup>

It may be appropriate for the rate of upwards baseline increase not to be linear, but rather reflect the diminishing rate of additional abatement that progressive project upgrades can achieve as maximum LFG capture is approached at landfill sites over time.

As noted in the Options Paper,<sup>10</sup> under current ACCU Scheme conditions, crediting periods can only be varied once following a recommendation from the Emissions Reduction Assurance Committee (ERAC) and allowing the future Carbon Abatement Integrity Committee (CAIC) to advise on additional extensions will require legislative change to the *Carbon Credits (Carbon Farming Initiative) 2011* (Cth) (CFI Act). CMI highlights that extended crediting periods would support longer-term investment certainty and may be particularly beneficial in the context of upwards scaling baselines under revised LFG methods.

Given the value of carbon markets in incentivising behavioural and practice change to avoid emissions and the need to incentivise higher-order material management, CMI notes that longer crediting periods could also be beneficial in the context of waste diversion methods, such as food organics, garden organics (FOGO) and anaerobic digestion.

### **4. CMI supports increasing default baseline factors for projects under the revised LFG methods, with some differentiation for small, regional landfills to accommodate the different economic outlook and encourage new projects to come online at these sites and maximise methane abatement.**

CMI understands that smaller regional landfills face high operating or set up costs for LFG capture due to their remoteness. Smaller regional landfills are often not subject to regulatory requirements to address emissions under business as usual. At such sites, the LFG flaring method is an important incentive for capturing and destroying methane.

If upwards scaling baselines are introduced to the revised LFG methods (see Position 3, above), it may be appropriate for a lower default baseline factor to apply for flaring only projects at small regional landfills or other sites where these barriers are demonstrable. This would ensure there is still an incentive to address emissions at smaller, more remote landfills under the revised methods.

### **5. Method review and revision processes under the ACCU Scheme should be transparent, collaborative, evidence-based and completed in a timely manner.**

CMI recognises DCCEEW's collaborative approach to LFG method revision with the Technical Working Group, as well as the high degree of technical information and process transparency provided to support

<sup>8</sup> See 'Recommendation 10' in: I Chubb, A Bennett, A Gorring and S Hatfield-Dodds (2022), 'Independent Review of Australian Carbon Credit Units: Final Report', p. X-XI, available at: <https://www.dcceew.gov.au/sites/default/files/documents/independent-review-accu-final-report.pdf>.

<sup>9</sup> Department of Industry, Science and Resources (DISR) (2023), 'Australia joins international methane mitigation agreement', available at: <https://www.industry.gov.au/news/australia-joins-international-methane-mitigation-agreement>.

<sup>10</sup> DCCEEW (2024), 'Reform options for ACCU Scheme landfill gas methods: Supporting Technical Report', pp. 32-33, available at: [https://storage.googleapis.com/files-au-climate/climate-](https://storage.googleapis.com/files-au-climate/climate-au/p/prj2dbd510328cb4757bbdc4/page/Supporting_Technical_Report_Reform_options_for_ACCU_scheme_landfill_gas_methods_2024.pdf)

[https://storage.googleapis.com/files-au-climate/climate-au/p/prj2dbd510328cb4757bbdc4/page/Supporting\\_Technical\\_Report\\_Reform\\_options\\_for\\_ACCU\\_scheme\\_landfill\\_gas\\_methods\\_2024.pdf](https://storage.googleapis.com/files-au-climate/climate-au/p/prj2dbd510328cb4757bbdc4/page/Supporting_Technical_Report_Reform_options_for_ACCU_scheme_landfill_gas_methods_2024.pdf).



consultation—including the LFG Options Paper and Supporting Technical Report. We would welcome this approach setting a standard for future ACCU method reviews.

CMI notes that timelines for delivering the LFG method revisions, alongside broader implementation of ACCU Review recommendations, have slipped and cautions that ongoing delays may impact investment decisions and future project uptake.

We welcome the allocation of a further \$48 million in the 2024-25 Budget to support ongoing ACCU Scheme reforms and stress the importance that this funding ensure the timely revision of the LFG methods as well as priority scheme-wide reforms and associated CFI Act amendments.<sup>11</sup>

**6. To maximise abatement outcomes from the waste and resource recovery sector, the Australian Government should spearhead federal, state, territory and local government coordination towards broadscale, systemic waste and recovery policy reform to support the shift to a circular economy.**

CMI recommends the Government utilise its economy-wide Net Zero Plan and sectoral decarbonisation plans to articulate a more holistic policy approach to the circular economy, as we recently elaborated in our response to the Climate Change Authority's consultation on sectoral pathways.<sup>12</sup>

While CMI recognises the need to support the revision of the LFG methods as a matter of priority, long-term, more holistic policies are also required to effectively manage broadscale waste and resource recovery to support Australia's emissions reduction ambitions.

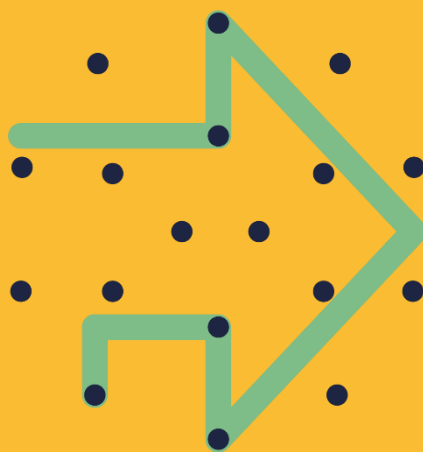
CMI highlights the important role the Government can play in coordinating harmonised policies and programs with state and territory governments, including to:

- clarify the treatment of landfills under the reformed Safeguard Mechanism;
- support the diversion of organics and non-residual waste from landfill and incentivising higher-order material management to avoid the creation of LFG; and
- guide a systemic shift to a circular economy that designs out waste.

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<sup>11</sup> Australian Treasury (2024), 'Budget 2024-25: Budget Paper No. 2', p. 55, available at: [https://budget.gov.au/content/bp2/download/bp2\\_2024-25.pdf](https://budget.gov.au/content/bp2/download/bp2_2024-25.pdf).

<sup>12</sup> See Recommendation 6 in: CMI (2024), 'Climate Change Authority Issues Paper: Targets, Pathways and Progress' (CMI submission), available at: [https://carbonmarketinstitute.org/app/uploads/2024/05/2024.05\\_CMI-submission\\_CCA-Targets-Pathways-Progress-Issues-Paper.pdf](https://carbonmarketinstitute.org/app/uploads/2024/05/2024.05_CMI-submission_CCA-Targets-Pathways-Progress-Issues-Paper.pdf).



## **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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