



Carbon Market Institute federal election priorities for a Net Zero, Nature Positive Economy

The 2025 federal election is looming against a backdrop of immediate cost of living concerns. The impacts of climate change are also materialising with associated costs to business, communities and households.¹

Australia's Net Zero 2050 target is supported by both major parties and now enshrined in law, and the importance of decarbonisation to Australia's future economic prosperity is understood across the political spectrum.²

Leveraging proven technologies and market mechanisms today will be more far more efficient and effective in mitigating the impacts of climate change than waiting for future technology breakthroughs.³

Ambitious climate targets and corresponding policies are therefore more important than ever to support policy stability and bring forward investment decisions aligned with a net zero, nature positive economy.

Alongside a necessary focus on measures to address current cost of living pressures, the Carbon Market Institute (CMI) is calling on all political parties to put forward comprehensive climate policy proposals that will support business certainty and ensure Australia plays its part to limit dangerous global heating in line with the Paris Agreement.

CMI's election policy priorities

To limit the long-term costs of unmitigated climate change, CMI calls on Australian political parties to:

1. Lodge a 2035 Nationally Determined Contribution (NDC) to reduce Australia's emissions by more than 70 percent based on 2005 levels, with corresponding targets for adaptation in alignment with Paris goals.

Australia's bipartisan Net Zero 2050 target reinforces international investment drivers, including the Paris Agreement, and provides a long-term decarbonisation signal to the private sector. Starting with a 2035 NDC of at least 70 percent emissions reductions based on 2005 levels, five-yearly NDCs will reinforce this long-term signal. Ambitious, ratcheting interim targets will guide investment into earlier emissions cuts

¹ The International Chamber of Commerce estimates that extreme weather events have already cost the Australian economy AUD \$52.5B over the past decade. See International Chamber of Commerce (7 November 2024), The economic costs of extreme weather events, Available at <https://iccwbo.org/wp-content/uploads/sites/3/2024/11/2024-ICC-Oxera-The-economic-cost-of-extreme-weather-events.pdf>. Delaying action to address climate change will be costlier still, with production losses in the Australian agriculture sector alone projected to approach between \$750M and \$1.5B annually by 2061, depending on the level of warming. See further NSW Treasury 2021, 'An indicative assessment of four key areas of climate risk for the 2021 NSW Intergenerational Report', https://www.treasury.nsw.gov.au/sites/default/files/2021-04/2021_igr_ttrp_-_an_indicative_assessment_of_four_key_areas_of_climate_risk_for_the_2021_nsw_intergenerational_report.pdf.

² The Labor Government sees Australia's transformation into a renewable energy superpower as a key opportunity associated with decarbonisation (The Hon. Chris Bowen MP 2023, 'Speech on Australia as a Renewable Energy Superpower, Australian Embassy, Japan', <https://minister.dcceew.gov.au/bowen/speeches/speech-australia-renewable-energy-superpower-australian-embassy-japan>), while Opposition Leader, the Hon Peter Dutton MP acknowledged in October 2024 that decarbonisation is a key pillar of Australia's future economic prosperity (J. Olbrycht-Palmer 2024, 'Australia must decarbonise or face economic isolation, Dutton says', <https://www.news.com.au/national/politics/australia-must-decarbonise-or-face-economic-isolation-dutton-says/news-story/4ae2fcdc67c957eba9da4d7adbb4e756>).

³ This perspective is supported by the Climate Change Authority's recent Sectoral Pathways Review (2024) Available at <https://www.climatechangeauthority.gov.au/sites/default/files/documents/2024-09/2024SectorPathwaysReview.pdf>.



that are crucial for keeping emissions within a carbon budget commensurate with Australia's fair share contribution to limiting global heating to bipartisan backed Paris Agreement goals.

2. Broaden and deepen Australia's climate policy suite across the economy, including the Safeguard Mechanism, to support the high-ambition 2035 NDC, informed by a national carbon market strategy.

Sitting beneath economy-wide NDCs and the long-term Net Zero 2050 target, Australia needs sector-specific and market-based policy frameworks to guide business action and scale investment to achieve and exceed these targets.

CMI continues to advocate for strengthening the Safeguard Mechanism by exploring opportunities to expand the scheme, including by dropping the threshold for coverage, extending coverage to other sectors and strengthening its guardrails to sharpen long-term investment signals. Complementary market-based frameworks should also be established to drive transformational investments in the energy, transport and aviation sectors alongside deeper structural transition initiatives to support Australia's competitiveness in a decarbonising global economy.

A national carbon market strategy should inform the evolution of Australia's climate policy suite, as recommended by the Climate Change Authority.⁴ As detailed in CMI's National Carbon Market Strategy policy brief,⁵ this should address matters including the coverage threshold and carbon credit use under the Safeguard Mechanism, transition towards investment in removals, the government's purchasing role, deeper structural adjustment policies and international linkages between markets.

3. Strengthen investment and community confidence in Australia's carbon crediting framework to accelerate scaled climate solutions through appropriate reform, governance and resourcing.

For over a decade, the ACCU Scheme has been the lynchpin of Australian climate change policy, providing incentives for farmers, First Nations groups, landholders and investors to reduce Australia's emissions.

The ACCU Scheme will continue to play a critical role in Australia's economy-wide transition, particularly for hard-to-abate sectors with complex, long-term decarbonisation pathways. A robust, high-integrity carbon crediting framework is not only critical to the success of the reformed Safeguard Mechanism but can also assist achievement of nature repair and longer-term net negative emission goals.

While there has been important recent momentum in strengthening the crediting framework following the Independent ACCU Review, continued commitment and resourcing is necessary to accelerate ACCU method development, as well as legislative and integrity reforms.⁶

⁴ See Recommendation 7 in: Climate Change Authority (CCA) 2022, 'Review of international Offsets', <https://www.climatechangeauthority.gov.au/sites/default/files/Review%20of%20International%20Offsets%20-%20Report%20-%20August%202022.pdf> p. 41. See also: CCA 2023, '2023 Review of the Carbon Credits (Carbon Farming Initiative) Act 2011', <https://www.climatechangeauthority.gov.au/sites/default/files/documents/2023-12/2023%20Review%20of%20the%20Carbon%20Credits%20Act%202011%20-%20publication.pdf>, pp. 79-81.

⁵ For information on what such a strategy should contain, see: CMI 2024, 'A National Carbon Market strategy for Australia – CMI policy brief', https://carbonmarketinstitute.org/app/uploads/2024/06/2024.06_FINAL_National-carbon-market-strategy_CMI-policy-brief.pdf.

⁶ See further CMI Submission to the ACCU Review Discussion Paper (October 2023) https://carbonmarketinstitute.org/app/uploads/2023/10/2023.10_CMI_ACCU-Review-Discussion-Paper_submission.pdf See also CMI Submission to the Proposed ACCU Scheme transparency changes (October 2024) https://carbonmarketinstitute.org/app/uploads/2024/10/FINAL_CMI-Submission_CFI-Rule-Exposure-Draft_transparency_signed.pdf.



4. Retain and strengthen the government-backed Climate Active certification program to align with best practice net zero guidance and standards and provide voluntary net zero pathways.

Government guidance has an important role to play in uplifting capability and driving high-integrity, ambitious voluntary climate action as a complement to regulation such as the Safeguard Mechanism and mandatory climate-related financial disclosure. Well-designed best practice guidance and certification can support consumer trust and build business confidence to invest in climate solutions beyond what might be achieved through regulation and compliance frameworks alone. Clarifying the important role of carbon markets in private sector commitments to net zero transition should be prioritised by government in alignment with important steps to ensure prevention of “greenwashing” or misleading claims.

The UK Government recently released principles to guide voluntary carbon and nature market integrity in that it will consult on in early 2025.⁷ Notably, leaders in business and government across the Asia Pacific, including in Japan and Singapore, are looking to the Climate Active program as a model for guidance. With an already established government-backed certification program, the Australian Government has a unique opportunity to demonstrate international leadership and drive high integrity and high ambition approaches to voluntary corporate climate action and the use of carbon markets. Reforming Climate Active to move away from carbon neutral certification and align with maturing international best practice on net zero will build investment and community confidence in private sector leadership on climate action and demand-side integrity in the use of carbon markets.⁸

5. Guide alignment of Australia’s interconnected Net Zero and Nature Positive goals.

Australia needs a national framework with criteria to assess and value co-benefits in the ACCU Scheme. This will support transparency of environmental, social and economic co-benefits and ensure interoperability and alignment with adjacent biodiversity and nature markets. A co-benefit framework should be developed alongside registry reforms and the establishment of a Nature Repair Market.

Australia should also progress national environmental law reforms, integrating systemic planning towards restoration of nature, and allocating public funding investment towards dual carbon and nature positive outcomes to drive corresponding private sector investments through the ACCU Scheme and Nature Repair Market.

Since 2017, CMI’s Carbon Farming Industry Roadmap has sought to support market development and positive community outcomes. There is an opportunity for Government to support its evolution to integrate nature repair outcomes in 2025.

6. Articulate a strategy for the integration of carbon markets and international cooperation in Australia’s diplomatic, trade and foreign aid agenda.

Australia should advance cooperative approaches in partnership with our trading partner countries across the Asia-Pacific region to support the maturity and interoperability of compliance carbon markets and accelerate the transfer of climate finance, technology and knowledge sharing.

⁷ UK Government, 2024, ‘Policy paper: Principles for voluntary carbon and nature market integrity’, <https://www.gov.uk/government/publications/voluntary-carbon-and-nature-market-integrity-uk-government-principles/principles-for-voluntary-carbon-and-nature-market-integrity>.

⁸ See CMI submissions to Senate Greenwashing Inquiry https://carbonmarketinstitute.org/app/uploads/2025/01/CMI-Submission_Senate-Inquiry-into-greenwashing_FINAL.pdf and Climate Active Consultation https://carbonmarketinstitute.org/app/uploads/2023/12/CMI-Submission_Climate-Active-Program-Direction-Consult_Dec-2023_FINAL.pdf



Following the negotiation breakthroughs on Paris Agreement carbon markets at COP29 and as Australia looks to host COP31, Australia should harness its significant carbon market experience and advance cooperation with its Pacific neighbours. Through Article 6, Australia could support the achievement of their NDCs and associated development goals, including through capacity building and pilot projects.

CMI's National Carbon Market Strategy policy brief,⁹ recommends key focus areas in guiding Australia's engagement with international carbon markets, ensuring high integrity outcomes that support Australia's net zero transition and contribute to global climate action.

⁹ For information on what such a strategy should contain, see: CMI 2024, 'A National Carbon Market strategy for Australia – CMI policy brief', https://carbonmarketinstitute.org/app/uploads/2024/06/2024.06_FINAL_National-carbon-market-strategy_CMI-policy-brief.pdf.