

Treasury

2025-26 Pre-Budget Consultation

submission

January 2025





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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 the 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 welcomes this opportunity to submit our 2025-26 pre-Budget considerations to Treasury.

As everyday Australians grapple with the immediate challenge of rising expenses, it is critical that Australia's 2025-26 Budget includes funding for shorter-term measures to address immediate cost of living pressures. At the same time, the Budget should fund durable policy and investment frameworks to address the longer-term cost-of-living multipliers of climate change and biodiversity loss, as highlighted by the International Chamber of Commerce and NSW Treasury, among others.³

The importance of decarbonisation for Australia's long-term economic prosperity is broadly understood across the political spectrum, underscored by the advent of our bipartisan Net Zero 2050 Target.⁴ In this context, CMI's pre-Budget submission provides recommendations to fund and build on the government's existing climate policy work program and futureproof the Australian economy against the interconnected climate and biodiversity crises.

CMI's 2025-26 Pre-Budget submission asks for funding for policy measures that build on the existing government's foundational climate policy suite and accelerate Australia's net-zero and -negative emissions,

¹ CMI 2024, 'CMI Policy Advocacy Positions', <https://carbonmarketinstitute.org/app/uploads/2024/10/CMI-Policy-Advocacy-Positions-October-2024.pdf>.

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

³ See: 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_iqr_ttrp_-_an_indicative_assessment_of_four_key_areas_of_climate_risk_for_the_2021_nsw_intergenerational_report.pdf.

⁴ 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 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/australiamust-decarbonise-or-face-economic-isolation-dutton-says/news-story/4ae2fcdc67c957eba9da4d7adbb4e756>).



nature positive transition in cooperation with regional partners. These pre-budget positions link to the objectives outlined in CMI's Policy Advocacy Positions, which aim to:⁵

- 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 2025-26 Pre-Budget Recommendations

To guide Australia's decarbonisation, future-proof the economy against longer-term climate- and nature-related cost of living risks, and support the corresponding jobs and skills needs, CMI puts forward the following funding recommendations for the 2025-26 Budget:⁶

- 1. Fund DCCEEW to finalise the Net Zero Plan to guide the strategic application of carbon markets⁷** in sectoral transition alongside other market-based solutions and cross-cutting issues.⁸
- 2. Build on the \$48 million committed in the 2024-25 Budget over 4 years to support ACCU Scheme management and integrity reforms, including additional funding to:**
 - a. accelerate DCCEEW's ongoing implementation of the 2022 ACCU Review recommendations⁹ and finalise prioritised ACCU methods, particularly the Integrated Farm and Land Management (IFLM) method, new savanna burning method, and revised landfill gas methods,
 - b. ensure appropriate independence of the Emissions Reduction Assurance Committee (to be Carbon Abatement Integrity Committee) and its Secretariat from government,
 - c. finalise revisions and updates of FullCAM and SavCam, with appropriate industry consultation and lead time for implementing changes,

⁵ CMI 2023, 'CMI Policy Positions', https://carbonmarketinstitute.org/app/uploads/2023/11/CMI-Policy-Advocacy-Positions_FINAL-2023.pdf.

⁶ See last year's CMI Pre-Budget submission at: CMI 2024, 'Treasury 2024-25 Pre-Budget submission' https://carbonmarketinstitute.org/app/uploads/2024/01/FINAL_CMI_2024-25-pre-budget-submission.pdf.

⁷ 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)

⁸ 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)

⁹ 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/accus-implementation-plan>.



- d. finance an Australian Government partnership with the Australian Carbon Industry Code of Conduct, as state governments have done,¹⁰ noting the ACCU Review Panel's recognition of the Code's role supporting ACCU Scheme integrity (ACCU Review Recommendation 12),¹¹ and
 - e. support Indigenous participation in both carbon and nature markets, building on the initial \$12.2 million allocated to this in the \$40.3 million ACCU Scheme 2024-25 Budget allocation.
3. **Disclose and ringfence the dollar figure of remaining Powering the Regions Fund monies that is earmarked for ACCU purchases**, and ensure revenue raised from fixed carbon abatement contract exit fees is returned to this funding pool.¹²
 4. **Fund DCCEEW to provide guidance on high-integrity voluntary corporate climate action to combat greenwashing,**¹³ including through implementing Climate Active program reform—including to support transitional arrangements for current Climate Active program participants as well as ongoing funding for DCCEEW to support the increased oversight required to administer, monitor and enforce a more stringent voluntary climate action standard.¹⁴
 5. **Provide funding for technical policy design and research into opportunities for market-based approaches in sectoral decarbonisation plans that address related carbon leakage risks**, particularly for heavy road transport, aviation and electricity, or bring these sectors into the reformed Safeguard Mechanism.¹⁵
 6. **As corporate drivers to act on nature-related risks and opportunities mature, fund initiatives to crowd in private investment that delivers dual carbon and nature positive outcomes.** These funds could be administered by the CEFC and could support, for example, projects that meet key criteria in the Nature Repair Market or ACCU Scheme.
 7. **Step up Australia's regional climate leadership by funding a strategy that integrates the cooperative use of carbon markets into Australia's diplomatic, trade and foreign aid agenda;** this could harness the newly finalised Paris Agreement Article 6 arrangements and build on the historical Indo-Pacific Carbon Offsets Scheme, shifting focus to regional carbon market capacity building and

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 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.

¹³ See more detail in: CMI 2024, 'Senate Inquiry into Greenwashing CMI submission', https://carbonmarketinstitute.org/app/uploads/2025/01/CMI-Submission_Senate-Inquiry-into-greenwashing_FINAL.pdf.

¹⁴ 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).

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, pp. 21-23.



knowledge transfer, including pilot projects—noting that these are all ‘no-regrets’ measures that would support Australia’s bid to co-host COP31 with the Pacific.¹⁶

- 8. Fund a Trusted Data Plan to grow Australia’s digital capability for a net zero, nature positive future**, as outlined by IoT Alliance Australia, CMI, Australian Industry Group, Climateworks Centre and the Tech Council’s November 2024 Communique.¹⁷

CMI would welcome the opportunity to attend the 2025-26 Budget Lock-up.

Should you wish to discuss CMI’s 2025-26 Pre-Budget submission or attendance at the lock-up, please contact Gabriella Warden (gabriella.warden@carbonmarketinstitute.org).

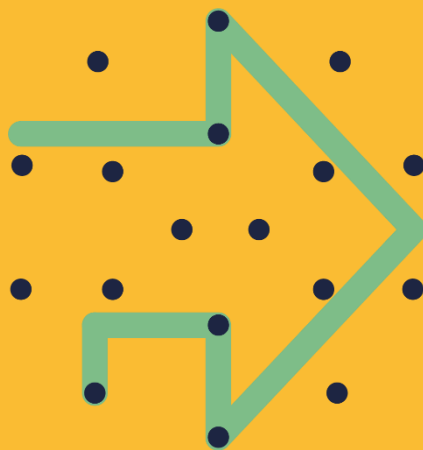
Yours sincerely

Kurt Winter

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¹⁶ 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/>).

¹⁷ For full details of the communique, see CMI’s media release: CMI 2024, ‘Australia needs a Trusted Data Plan to grow digital capability for a net zero, nature positive future’, <https://carbonmarketinstitute.org/2024/11/13/australia-needs-a-trusted-data-plan-to-grow-digital-capability-for-a-net-zero-nature-positive-future/>.



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 negative emission, nature positive economy.

