

Explainer Integrity Measures in the ACCU Scheme



Introduction

The Australian Carbon Credit Unit (ACCU) Scheme provides a legislative framework for projects that either avoid, reduce or sequester greenhouse gas emissions. Participants can earn an ACCU issued for every tonne of carbon dioxide equivalent (tCO₂-e) emissions that are stored or avoided by a project. ACCUs can then be sold and traded to private sector buyers or the government via the carbon market.

As a legislated scheme, there are numerous safeguards, or 'checks and balances', enshrined within the ACCU Scheme to ensure overall integrity.

At a high level, ACCU Scheme integrity measures include:

- *Governance and administration:* including federal government policy responsibility, regulation and

compliance controls, independent integrity body overseeing integrity standards, third-party verification measures, a regular schedule of reviews and reforms.

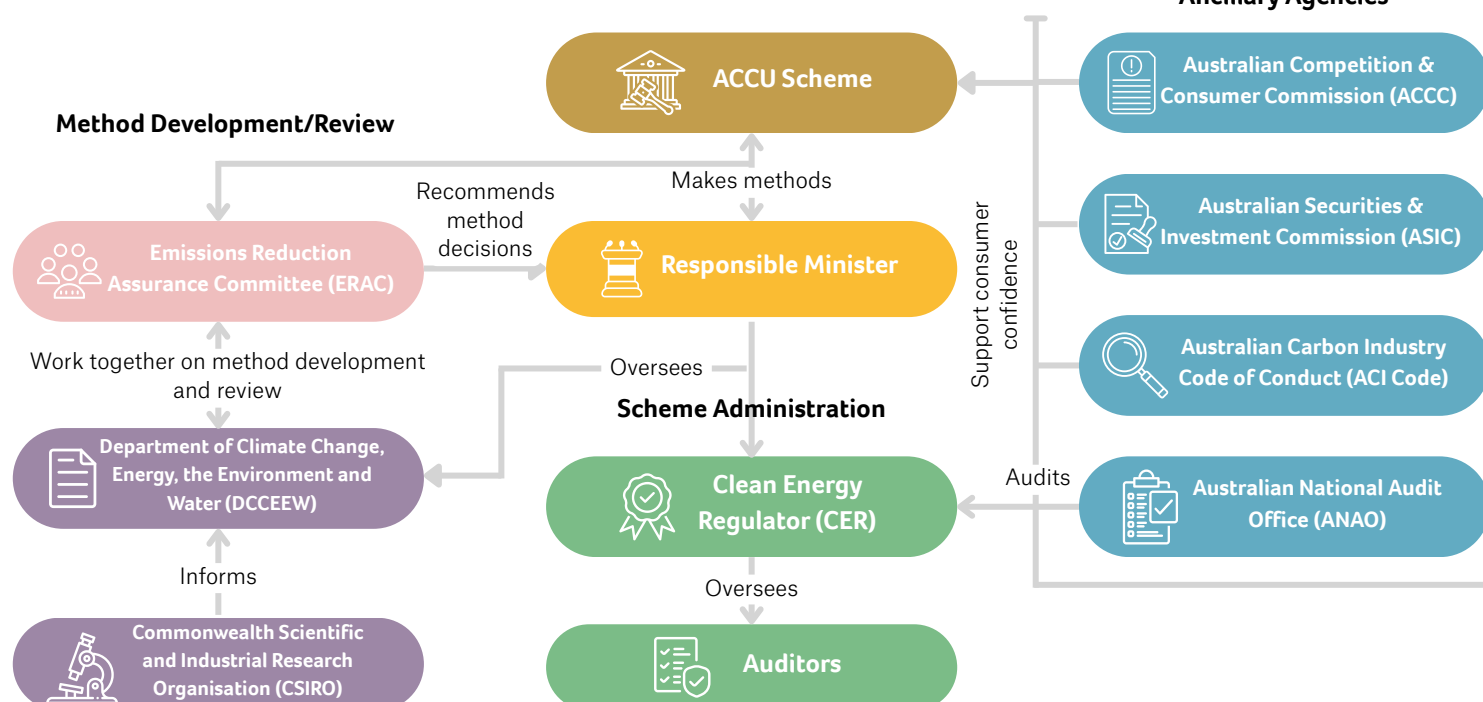
- *Robust and approved methods:* including rigorous process of approval, review and revocation.
- *Project eligibility and reporting requirements:* project checks and restrictions, stringent reporting and mandatory auditing.
- *Conservative measurement and modelling:* scheme wide buffers and project discounts, controls to manage risks and uncertainty.
- *Transparency and disclosure:* public consultations, ACCU Scheme project and contract register.

This explainer provides an overview of current measures in the ACCU Scheme designed to assure integrity.

Governance

Under Australian legislation, the ACCU Scheme is governed by the *Carbon Credits (Carbon Farming Initiative) Act 2011* (CFI Act) and supported by the *Carbon Credits (Carbon Farming Initiative) Rule 2015* (the CFI Rule).

ACCU Scheme governance and integrity is ensured by several bodies, outlined in the diagram. Full descriptions are in the appendix.



Integrity Measures in the ACCU Scheme

Robust Methods and the Offsets Integrity Standards

To ensure that the ACCU Scheme has the greatest chance of delivering genuine abatement, there is a rigorous method development process involving multiple public and scientific consultations before a draft method is submitted to the independent statutory body – the Emissions Reduction Assurance Committee (ERAC). Scheme integrity is underpinned by methods based in robust science.

Methodology determinations, or ‘methods’ set out the activities that are eligible to generate ACCUs and the rules for undertaking the projects and measuring the abatement. The responsible minister can only make a method as a legislative instrument upon advice from the ERAC that it is satisfied the method complies with the Offsets Integrity Standards (OIS).

ACCU project crediting is based on meeting rigorous criteria set out within the methods and in regulatory guidelines that sit alongside the methods.

The CFI Act outlines the process for the approval, review and revocation of methods. As legislative instruments, ACCU methods automatically expire, or ‘sunset’, 10 years after they are made. The ERAC’s functions also include undertaking periodic reviews of methods to ensure they continue to operate as intended and meet current best practice in technological advances and measurement approaches.

Furthermore, ACCUs are regulated financial products under the *Corporations Act 2001* and therefore involve stringent licencing requirements for trading or providing financial advice about them. An Australian Financial Services Licence (AFSL) may be required to carry out business in relation to ACCUs. This permits ASIC to regulate carbon markets and ensure organisations that hold an AFSL are operating fairly and honestly.

Safeguards

There are several additional safeguards for sequestration methods in the ACCU Scheme to ensure that activities undertaken are additional, genuine and conservative. These stand alongside conservative measurement and modelling within methods which means that reductions are more likely to be underestimated rather than overestimated.

Eligible projects under method types, including industrial methods, must also meet the newness, regulatory additionality and government program requirements. This means a project needs to be new (not started prior to registration), not required by law (the activity goes beyond existing legal requirements), and not receiving financial government support (ACCU project should not be receiving incentives from specified government programs).

Box 1: The Offsets Integrity Standards

The OIS are six criteria, which require abatement resulting from a method to be:

- **Additional:** abatement would not be generated in the absence of the activities in the method;
- **Measurable and verifiable:** methods must contain rigorous, reliable means of measuring or estimating and then verifying abatement;
- **Eligible Abatement:** carbon abatement generated must be counted in Australia’s national inventory;
- **Evidence-based:** Methods, and their measurement and verification, must be supported by clear, supporting, scientific evidence;
- **Project emissions:** any material emissions generated as a result of the project activity are deducted from overall abatement calculations; and
- **Conservative:** Methods must be conservative so that abatement and resulting ACCUs are more likely to be under- rather than over-calculated.

Integrity Measures in the ACCU Scheme

Eligibility restrictions

To ensure that ACCU Scheme projects deliver genuine carbon abatement restrictions are set around eligible project sites and activities for projects. For land-based methods, these restrictions may include criteria such as:

- The project must involve implementation of one, or several new, or materially different eligible land management activities to be eligible to earn credits;
- Specific bioregions and/or land use requirements, and/or project area size;
- Areas that have not been comprehensively cleared within a specified period;
- Method-specific sequestration potential – through national mapping data; and
- Crediting only within carbon estimation areas (CEAs).

Ensuring conservative abatement

Risk buffers are designed to mitigate against potential risk of reversals in carbon projects and their long-term durability, acting as a scheme-wide insurance against risks posed. A discount rate is the percentage of ACCUs automatically deducted from the total issuance to account for any variation in calculation and ensure that the amount represents genuine abatement. Scheme-wide and method-specific levers include:

Risk of Reversal Buffer: An ACCU scheme-wide buffer designed to mitigate the risk of reversals, or carbon loss and applies to all sequestration projects. This blanket buffer typically reduces the total ACCUs issued to a project by 5% to protect the Scheme against the potential loss of carbon (eg. by fire or other natural disturbance) and cover other risks that cannot be managed through permanence arrangements.

Permanence Period Discount Rate: If a project uses a sequestration-based method with a 25-year permanence period, it is subject to an additional discount rate of 20%. This means a 25-year project will be credited 75% of the verified abatement (20% permanence period discount plus the 5% risk of reversal buffer).

Conservative project-level controls to manage uncertainty

Compliance approach

The current range of land-based ACCU methods are designed to be inherently conservative such that proponents are likely to receive less credits than the abatement that occurs. For example, plantings and vegetation regeneration are only credited for achieving forest cover. However, projects achieve abatement beyond compliance including in growth of sub-forest vegetation and carbon stored in soils as a result of the project.

Box 2: Carbon Estimation Areas

CEAs are defined areas within a land-based ACCU project where eligible activities are conducted, and carbon is stored or managed. CEA boundaries are not fixed and can change over the project's lifetime to delineate the areas with potential.



Figure 1: CEA in Environmental Plantings project shown in light blue. Pre-existing vegetation, and areas of land not included in the project are excluded. Source: Digital Atlas of Australia with WA Fisheries Area Based ERF Projects Layer.

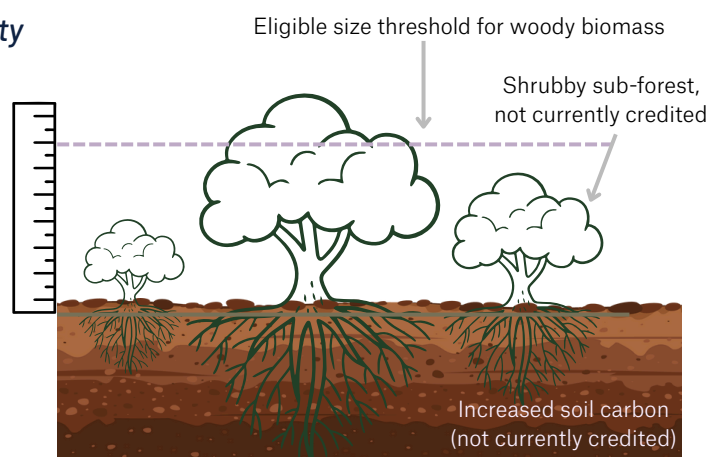


Figure 2: Example of different carbon pools across a project. What is credited is restricted by the method used.

Integrity Measures in the ACCU Scheme

Incremental crediting based on performance and comprehensive administrative controls

Vegetation ACCU methods depend on factors that are variable, including complex ecosystems, geolocation and local vegetation specificity, condition of vegetation and soils, land management practices and historical land use. Projects therefore can have variable outcomes, necessitating in-field data and reliable project-level measurements to demonstrate performance, facilitate verification, and manage risks associated with uncertainty.

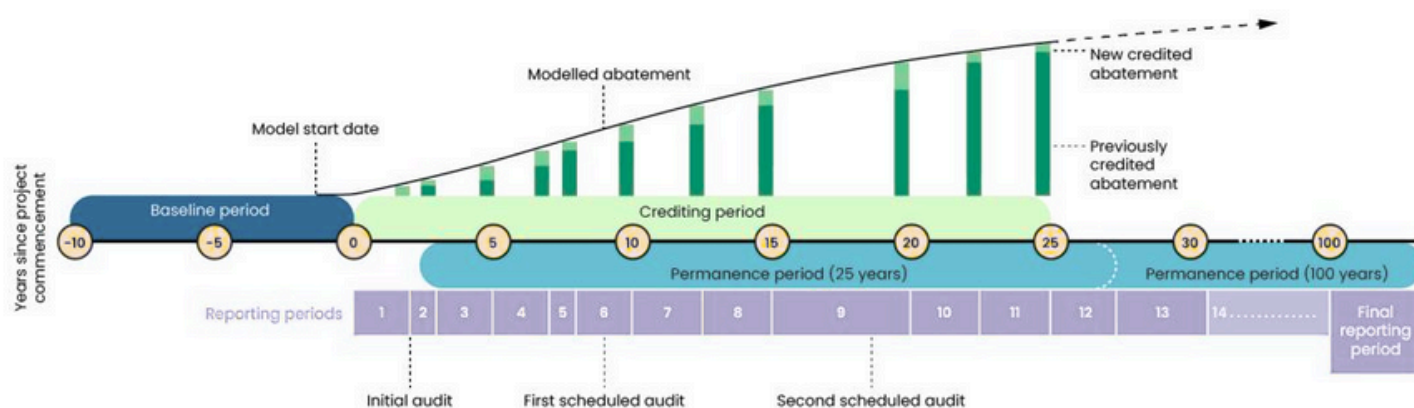


Figure 3: Example project timeline for a sequestration project, including reporting periods, audits and crediting. Source: ACCU Scheme Project Timelines, Clean Energy Regulator, accessed 20/06/25. Access [here](#).

Crediting is informed by the provision of this information. Regeneration, for example must meet sequestration requirements or be removed from the CEAs. Project proponents must review and refine CEAs at each reporting period, known as re-stratification. This responsive measure ensures that crediting aligns with observed results.

Crediting of ACCUs occurs incrementally alongside measurement, reporting and verification (MRV) to manage the risk of over-crediting. If project reporting and audits uncover underperformance, there are options, such as pauses to crediting, to balance abatement with crediting.

The Assurance Framework

Project checks and balances

When a project proponent applies to register a new carbon abatement project, they must provide the CER with sufficient evidence to show there is potential for the project to earn carbon credits in accordance with an ACCU Scheme method, including:

- Statement demonstrating the legal right to conduct the project;
- Eligible interest holder consents;
- Project plans; and
- Forward abatement estimates.

Box 3: Registering an ACCU Scheme Project



Demonstrate that project has potential to earn carbon credits in accordance with method



Project proponent satisfies fit and proper person test, and demonstrates legal right to undertake project



CER confirms that project meets eligibility and regulatory requirements, before registering and publicly listing

Integrity Measures in the ACCU Scheme



ACCU methods detail the rules that must be followed by the project proponent and prescribe what evidence must be provided to the CER throughout the project's lifecycle to demonstrate that abatement has occurred.

To generate ACCUs, a project proponent must apply to the CER for a declaration that a project is an 'eligible offsets project'. It is then listed in the publicly accessible [ACCU Scheme Project Register](#).

To declare a project as eligible, the CER must be satisfied that it meets the following criteria:

- the project is carried out in Australia;
- the project meets the requirements of the applicable method, and any other applicable eligibility requirements;
- the project meets the additionality eligibility requirements (newness, regulatory additionality, government program additionality); and
- the project cannot be an excluded project.

Persons who wish to be the registered participant for the project (known as 'project proponents') must also satisfy other requirements, for example that they:

- are considered a 'Fit and Proper Person' to run a carbon project, under the CER's criteria which includes demonstrating capability, solvency and having no prior convictions.
- have the legal right to carry out the project and claim the credits and have obtained the consent of any eligible interest holder in the land on which the project will be conducted.

Project reporting and mandatory audit schedule

Each ACCU method details the MRV requirements for projects registered under that method. MRV requirements can include ongoing monitoring of a project to ensure it is performing as intended, clear record keeping of project management activities, disturbances and reversal events, and regular reporting to the CER on project performance. ACCU projects are subject to minimum and maximum reporting periods, to demonstrate that they are delivering genuine abatement.

The minimum reporting requirements are:

- At least every 2 years for emissions avoidance projects (e.g. Savanna Fire Management)
- At least every 5 years for sequestration projects (e.g. Environmental Plantings).

Some ACCU Scheme methods may be subject to additional audits to support integrity and provide additional assurance. This is the case with projects under the now-expired Human-Induced Regeneration (HIR) method whereby a process of 'gateway checks' or forest attainment checks was introduced. These are independent audits by CER-appointed auditors on a five yearly basis to determine whether a CEA remains eligible to receive ACCUs. Sample groups of gateway checks undergo review by an independent academic to add an additional layer of assurance that HIR projects are delivering abatement.

Box 4: Audits in the ACCU Scheme

There are three main types of audits in the ACCU Scheme:

- **Initial audits:** required no later than with the first application for ACCUs;
- **Subsequent audits:** additional audits throughout the project reporting period, in line with the audit schedule; and
- **Unscheduled, or triggered audits:** the CER may request an additional audit if the calculations in a report accompanying a request for ACCUs are beyond the variance audit threshold established by the CER at project registration, or if a project is claiming over 100,000 tCO₂-e abatement for a single reporting period.

For more information on audits in the ACCU Scheme, view our explainer [here](#).



Integrity Measures in the ACCU Scheme

Transparency and disclosure of information

Following the 2022 Independent Review of the ACCU Scheme (ACCU Review), the government has been implementing a suite of recommendations to improve transparency of information in the ACCU Scheme.

These include:

- Publication of carbon estimation area data for individual projects;
- Description of suppression mechanism(s);
- Type of estimation approach used;
- Project crediting period dates;
- Permanence period start date; and
- Names of all agents and/or people significantly involved in a project's registration or administration.

The above information is progressively being published on the CER's ACCU Scheme Project Register to allow members of the public to search and obtain project-specific information.

Compliance and enforcement

The ACCU scheme relies on a robust compliance and enforcement framework to ensure that participants are acting in good faith and providing accurate information and that projects are compliant with methods and credits issued are genuine and permanent. Non-compliance refers to situations where scheme participants fail to adhere to the rules or regulations administered by the CER and/or projects and credits are compromised. If non-compliance occurs, the CER can use a range of compliance tools:

Relinquishment Notice: If ACCUs are over-issued to a project or there is a significant reversal event (greater than 5% of the CEA) that releases abated emissions (e.g. because vegetation is destroyed by an avoidable fire), the CER can order a project proponent to return an equivalent amount of ACCUs.

Carbon Maintenance Obligation: If there is a significant reversal event that the CER determines to have been avoidable, they may issue the project proponent with a carbon maintenance obligation (CMO). CMOs place requirements upon the project proponent to protect remaining carbon stores to prevent further losses. A project proponent will not receive any ACCUs while a CMO is in effect – generally until they can demonstrate that they have restored the lost carbon.

Civic Penalties: If the project proponent is found to contravene the CFI Act, or any of the specific requirements contained in the applicable methodology, the CER can apply for a civic penalty order against the proponent.

Project Suspension: If a project is found to not be compliant with the ACCU methodology, or if an audit delivers an adverse conclusion, the CER can suspend the project's registration until the project is compliant again.

The CER can also issue enforceable undertakings to persons or organisations who are not complying with the CFI Act (e.g. failing to meet requirements on reporting deadlines, eligible 'fit and proper person' status, providing false or misleading information). If they fail to adhere to the enforceable undertaking within the given timeframe, the CER can issue an infringement notice or initiate court proceedings.

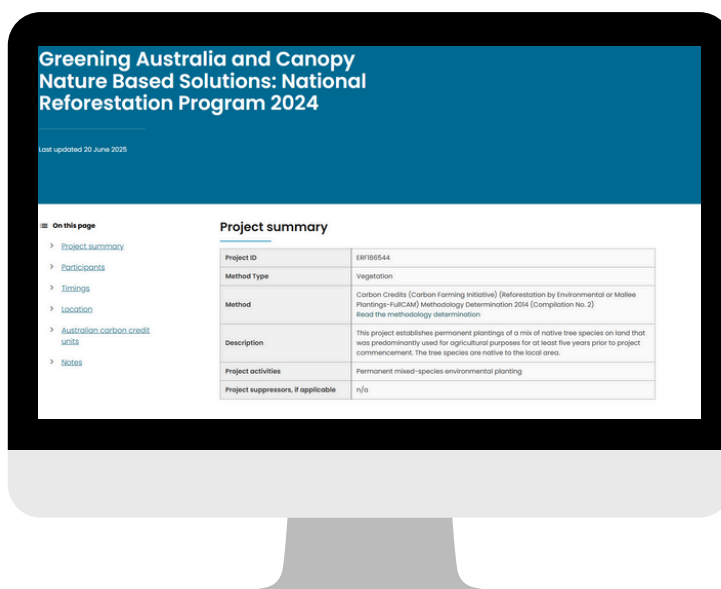


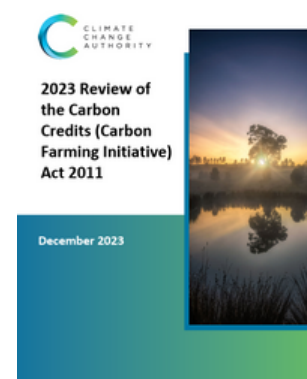
Figure 4: Example of ACCU Scheme Project Registry page for the project in Figure 1.

Integrity Measures in the ACCU Scheme

External Reviews of the ACCU Scheme

Periodic reviews by the Climate Change Authority (CCA)

To ensure that the ACCU Scheme continues to function as intended, the CFI Act includes a requirement that the CCA undertakes a review of the Scheme every 3 years. The CCA must review the operation of the Act, any associated regulations, as well as any instruments made under the Act – the methods themselves – before submitting a report on the function of the ACCU Scheme to the Minister for Climate Change and Energy. To ensure that the ACCU Scheme continues to be aligned with best practice, the CCA may use their reviews to make recommendations to the government to improve the Scheme.



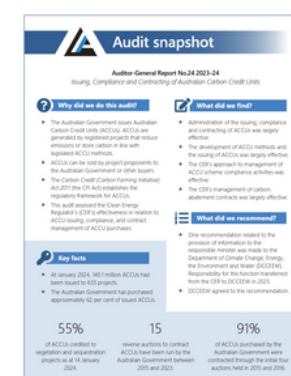
2022 Independent Review

In addition to the legislated periodic reviews by the CCA, the Federal Government can also request an independent review of the ACCU Scheme. Following its election in 2022 and amidst claims that the ACCU Scheme was not delivering genuine abatement, the Federal Government requested former Chief Scientist, Professor Ian Chubb AO to undertake an independent review of the Scheme's function (ACCU Review). The ACCU Review found the Scheme to be "sound", but nevertheless made 16 recommendations to improve Scheme governance, transparency and integrity arrangements, ensuring that the Scheme remains aligned with best practice principles. The Department of Climate Change, Energy, the Environment and Water is currently implementing this suite of recommendations. Updates on progress can be found [here](#).



ANAO Audits of the CER

To ensure that the CER's management of the ACCU Scheme remains compliant with best practice, the Australian Government can request the Australian National Audit Office (ANAO) to conduct an audit of the CER's administrative processes. In 2023 the ANAO was tasked with undertaking an audit of the CER under the Auditor-General Act 1997. This was the second audit of the CER's administration of the ACCU Scheme. The first was undertaken in 2016-17 and also found that administration was effective, with some opportunities for improvement. The 2023-24 audit was requested in recognition of the role that the ACCU Scheme will play in achieving Australia's legislated commitment to net zero. The audit found that the CER's administration of the Scheme was largely effective, and that ACCUs had been issued in accordance with legislative requirements. Project compliance activities were also confirmed to be effectively administered.



Conclusion

The ACCU Scheme is unique globally in that it is a government-led carbon market, with stringent requirements around methods including that they are legislative instruments. The ACCU Scheme is nestled within an ecosystem of integrity, which this document has outlined. Importantly, the Scheme is live and constantly adapting and evolving to domestic and global innovations in best practice and integrity.

Integrity Measures in the ACCU Scheme

Appendix

ACCU Scheme Governance: Who does what

Method Development

Minister of Climate Change and Energy: The Minister is responsible for making proposed methods as legislative instrument, following public and scientific consultation, and advice from the ERAC to do so. The Minister may also vary or revoke methods based on the recommendations of the ERAC.

Emissions Reduction Assurance Committee: The ERAC is an independent body established by the CFI Act, which oversees the design and operation of methods based on the Offsets Integrity Standards. The ERAC also undertakes periodic reviews of methods, and public consultation in relation to reviews or making of new methods.

Department of Climate Change, Energy, the Environment and Water: DCCEEW is responsible for developing and maintain the Full Carbon Accounting Model (FullCAM), used to measure results in many land-based projects. DCCEEW also writes methods (or rewrites in the case of ERAC reviews) for consideration and approval by the ERAC and the Minister.

Commonwealth Scientific and Industrial Research Organisation: CSIRO provides the science that underpins development of FullCAM and makes suggestions to DCCEEW regarding updates for FullCAM's parameters when appropriate.

Scheme Administration

Clean Energy Regulator: The CER is a non-corporate Commonwealth entity established by the Clean Energy Regulator Act 2011 to oversee Australia's suite of environmental schemes that reduce emissions. The CER registers eligible offsets projects, as well as checking that they are complying with reporting obligations. The CER also publishes project and ACCU Scheme information, as well as responding to non-compliance in projects.

Auditors: Registered Greenhouse and Energy Auditors undertake reasonable assurance audits for ACCU projects to ensure they meet eligibility requirements and are delivery additional abatement. A reasonable assurance audit must accompany any application to receive ACCUs. Lead auditors must attain and maintain Category 2 certification and must demonstrate to the CER that they are undertaking ongoing training as well as regularly participating in audits.

Ancillary Agencies

Australian Securities & Investment Commission: ASIC ensures that organisations trading or providing advice on ACCUs hold a valid Australian Financial Services License (AFSL). ASIC also ensures that AFSL-holding organisations and individuals remain compliant with the requirements of the License, such as being solvent.

Australian Competition & Consumer Commission: The ACCC provides guidance to companies on how they can talk about their use of ACCUs to achieve climate change goals, to avoid the risk of greenwashing. The ACCC also handles complaints related to environmental claims, which can extend to claims regarding an ACCU's co-benefits if these are false.

Australian National Audit Office: The ANAO audits the CER to ensure that its processes around project registration, data management, administration, ACCU issuance and compliance action, are effective.

Australian Carbon Industry Code of Conduct: the ACI Code is a voluntary code of conduct and best practice engagement framework for carbon market participants. Signatories to the ACI Code undertake annual compliance reviews and are subject to disciplinary action if found to be materially non-compliant. The ACI Code also receives, investigates and resolves any complaints regarding Code Signatories and other stakeholders engaged in market-based activities.