

Treasury

2026-27 Pre-Budget Consultation

submission

January 2026



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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 140+ 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 2026-27 pre-Budget considerations to Treasury.

Everyday Australians continue to grapple with a cost-of-living crisis fuelled by global geopolitical instability and exacerbated by the worsening impacts of climate change. It is critical that Australia's 2026-27 Budget includes funding for shorter-term measures to address immediate cost of living pressures, while concurrently funding longer-term durable policy and investment frameworks to address the cost-of-living multipliers of climate change and biodiversity loss. Modelling released by Treasury to accompany the Federal Government's Net Zero Sector Plans confirms that while the cost of addressing climate change and transitioning to net zero is significant, the cost of delaying the transition is substantially greater, potentially reducing Australia's economic growth by up to \$2 trillion by 2050.³

Addressing the impacts of climate change and biodiversity loss requires a holistic approach across government. Carbon and nature markets are part of the portfolio of measures to assist Australia in achieving its net zero emissions goal, as outlined in the Net Zero Plan⁴. Focus areas of the plan that require sufficient and dedicated resourcing are:

- Continuous improvement of the ACCU Scheme:
 1. Improving scheme governance, reinforcing integrity and transparency
 2. Bringing forward high-integrity supply
 3. Facilitating interoperability with the Nature Repair Market
 4. Strengthening synergies between carbon removals and other land uses
- The Safeguard Mechanism and its ability to support the Australian Government's sector emissions reduction plans
- International carbon trading

In this context, CMI's pre-Budget submission provides recommendations to fund and build on the government's existing climate policy work program and related budget measures – particularly focussing on

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 Treasury 2025, 'Australia's Net Zero Transformation: Treasury Modelling and Analysis', <https://treasury.gov.au/sites/default/files/2025-11/p2025-700922.pdf>.

⁴ DCCEEW 2025, 'Net Zero Plan', <https://www.dcceew.gov.au/climate-change/publications/net-zero-plan>.



the key priority areas, as outlined above – to futureproof the Australian economy against the interconnected climate and biodiversity crises.

CMI's 2025-26 Pre-Budget submission 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 2026-27 Pre-Budget Recommendations

To support the achievement of Australia's Net Zero Plan – recognising the role of well-functioning carbon and nature markets as a critical vehicle to drive public sector investment into achieving public good objectives – and 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 2026-27 Budget.⁶

1. Finalise implementation of the 2022 Independent Review of the ACCU Scheme Recommendations and continue to strengthen Scheme-level integrity.

In line with the Net Zero Plan focus area 9.3.1 – continuous improvement of the ACCU Scheme, the government should augment the foundational 2024-25 budget commitment of \$48 million over 4 years, and provide additional funding to:

- a. Prioritise completion of the 2022 ACCU Review recommendations, including developing clear standards for free, prior & informed consent with Indigenous stakeholders;
- b. Build on funding for the establishment of the Carbon Abatement Integrity Committee (previously ERAC) and its Secretariat as an independent body from government to ensure delivery of timely, investable, high-integrity ACCU methods that address gaps, build scale and boost supply;
- c. Prioritise revisions and updates of FullCAM and SavCam, with appropriate industry consultation and lead time for implementing changes, noting these tools' critical importance in underpinning ACCU Scheme integrity;
- d. Finance an Australian Government partnership with the Australian Carbon Industry Code of Conduct, as state governments have done,⁷ noting the ACCU Review Panel's recognition of the Code's role supporting ACCU Scheme integrity (ACCU Review Recommendation 12);⁸

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 2025, 'Treasury 2025-26 Pre-Budget submission' https://carbonmarketinstitute.org/app/uploads/2025/02/FINAL_TSY-2025-26-pre-budget_CMI-submission.pdf.

⁷ 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/>).

⁸ See the ACCU Review Panel's commentary under Recommendation 12 (I Chubb, A Bennett, A Gorring & 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.)



- e. Clarify how the \$12.2 million allocated to legal support for Indigenous participation in the 2024-25 Budget allocation, has been utilised, and can be extended to provide appropriate support for Indigenous participation in the ACCU Scheme; and
- f. Provide additional funding for regional Natural Resource Management bodies to act as trusted independent advisors to landholders participating or considering participation in the ACCU Scheme.⁹

2. Fund revision of ACCU Scheme method development process to strengthen efficiency, enable innovation and build supply.

As noted in CMI’s response to the Climate Change Authority’s 6th statutory review of the ACCU Scheme, the current prolonged method development process and issues with the interim proponent-led process are impacting market certainty and investor confidence. Importantly, delays may impact the credit supply pipeline and organisations’ ability to meet their obligations under the Safeguard Mechanism. CMI asks that the 2026-27 budget provide funding to:

- a. Review the current interim proponent-led method development process and consider the merits of a resourced:
 - i. method development sandbox
 - ii. Independent method development authority
 - iii. EOI and co-development model¹⁰
- b. Undertake a systematic ACCU methods gap analysis to create a pipeline of future priority methods that can support the achievement of Australia’s goals and pledges under international frameworks.

3. Fund the development of a national data platform to grow public confidence in Australia’s environmental market outcomes. The 2022 ACCU Review recommended that the government explore use of a national data platform to share information and data pertaining to ACCU projects.¹¹ However we note that Australia’s growing suite of environmental markets necessitates a broader scope of any such platform, particularly considering the interaction between Nature Repair Market and ACCU Scheme projects. Data transparency is essential to building trust and confidence that all of Australia’s environmental market schemes are delivering outcomes in line with Australia’s climate goals.

4. Direct government investment towards a Nature Positive Fund to stimulate the Nature Repair Market and establish a price signal for nature restoration and enhancement projects, as private sector demand signals mature. Much as the Emissions Reduction Fund was established to stimulate ACCU demand, a Nature Positive Fund would direct investment towards Nature Repair Market projects, as well as carbon projects stacked with nature outcomes. This in turn could be leveraged to attract large-scale private investment into nature conservation whilst contributing to meeting national nature targets and priorities.

5. Provide ongoing funding for the Carbon Farming Outreach Program expanding its scope to fill skills gaps necessary for the carbon industry to scale up and address hard-to-abate emissions. The CFOP has

⁹ See: CMI 2025, ‘Climate Change Authority: Enhancing the ACCU Scheme to support Australia’s 2035 emissions reduction target submission’, Recommendation 9, https://carbonmarketinstitute.org/app/uploads/2025/12/FINAL_CMI-CCA-ACCU-Scheme-Review-submission.pdf.

¹⁰ For further detail on each potential approach, view: Ibid., Recommendation 1.

¹¹ Chubb, I., Bennett, A., Gorring, A., Hatfield-Dodds, S., 2022, Independent Review of ACCUs, p. 8, <https://www.dcceew.gov.au/sites/default/files/documents/independent-review-accu-final-report.pdf>.



already delivered a series of outreach programs to educate landholders on the ACCU Scheme, however there are still critical skills gaps. The transfer of the CFOP to the Department of Agriculture, Fisheries and Forestry presents an opportunity to reframe the CFOP to focus on training and jobs that will stimulate necessary investment in the ACCU Scheme.

- 6. Fund a regional climate leadership strategy for Australia that integrates the cooperative use of carbon markets into Australia's diplomatic, trade and foreign aid agenda.** The COP31 co-presidency between Australia, hosts - Türkiye and the Pacific will provide a unique opportunity for Australia to cement its position as a climate leader in the region and to elevate cooperation of NDC achievement through international markets. To support this, funding should centre around strategic carbon markets engagement options— particularly those under Article 6 of the Paris Agreement – as a tool to drive investment into the region, support capacity building and knowledge transfer, and enhance resilience, building adaptation responses. The international compliance and voluntary carbon markets may present an additional demand source for Australian Carbon Credit Units.
- 7. Fund DCCEEW to provide guidance on high-integrity voluntary corporate climate action to combat greenwashing,¹² including through implementing Climate Active program reform or an alternate scheme.** This should include support for transitional arrangements for current Climate Active program participants as well as ongoing funding for DCCEEW, or another third-party organisation, to support the increased oversight required to administer, monitor and enforce a more stringent voluntary climate action standard,¹³ which could be aligned with the Coalition to Grow Carbon Markets' Shared Principles¹⁴ and other international best practice guidance.
- 8. Fund research on Carbon Markets and Adaptation to contribute to broader adaptation policy development.** The Productivity Commission has recently recommended that the Climate Change Authority be awarded responsibility for monitoring, evaluating and learning to inform governments and the public about progress in adapting to climate change¹⁵. Carbon and nature markets are increasingly recognised for their role in driving adaptation projects through Article 6 mechanisms, adaptation-linked credits and nature-based solutions. Strategic research on the role of carbon markets should be funded to underpin adaptation policy decisions.
- 9. Review the adequacy of Government incentives for industrial decarbonisation, including the Future Made in Australia package, Safeguard Transformation Stream and other competitive grants under the Powering the Regions Fund, to ensure they appropriately support timely at-source decarbonisation initiatives.** While the Australian Government's revised 2035 climate target and sectoral

¹² 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.

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 The Coalition to Grow Carbon Markets 2025, 'Shared Principles for Growing High-Integrity Use of Carbon Credits by Companies and Other Buyers', https://coalitiontogrowcarbonmarkets.org/wp-content/uploads/2025/11/The-Coalition-to-Grow-Carbon-Markets_Shared-Principles.pdf.

¹⁵ Australian Government Productivity Commission 2025, 'Investing in cheaper, cleaner energy and net zero transformation', Interim Report https://assets.pc.gov.au/2025-09/Executive%20summary.pdf?VersionId=aXzj9iXXF_H6j4zfpz1wVsg37kKlcRKp



plans signal accelerated economy-wide decarbonisation, CMI has heard that many companies cannot access existing grant funding due to narrow, non-technology-neutral criteria and capital-matching requirements. These constraints particularly disadvantage new facilities and can prevent low-emissions technologies being specified at the design stage, when they are most cost-effective. Consideration should also be given to how financial incentives interact with the Safeguard Mechanism Credit (SMC) market, including opportunities to support future market liquidity through the Government's scheduled 2026–27 Safeguard Mechanism Review.

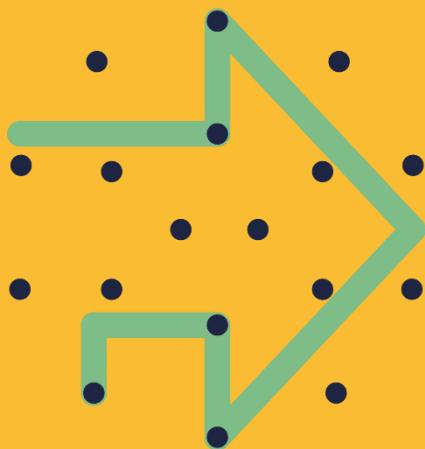
Should you wish to discuss CMI's 2025-26 Pre-Budget submission please contact Emily Tammes (emily.tammes@carbonmarketinstitute.org).

Yours sincerely

Janet Hallows

Janet Hallows

Director, Climate Programs and Nature-based Solutions



for more information please contact

Emily Tammes

Policy & Project Coordinator

emily.tammes@carbonmarketinstitute.org

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.