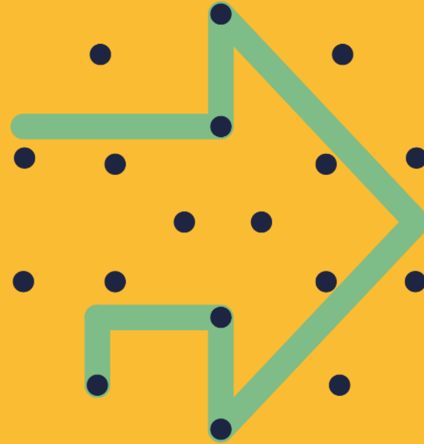

# Department of Climate Change, Energy, the Environment and Water: Carbon Credits and Other Legislation Amendment (Integrity and Transparency) Bill Consultation

# **submission**

May 2026

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The Carbon Market Institute (**CMI**) welcomes this opportunity to respond to the Department of Climate Change, Energy, the Environment and Water's (**DCCEEW**) public consultation on integrity and transparency legislative amendments to the *Carbon Credits (Carbon Farming Initiative) Act 2011* (**CFI Act**), and the *National Greenhouse and Energy Reporting Act 2007* (**NGER Act**), which opened on 30th April. CMI welcomes the proposed suite of amendments as part of ongoing implementation of the recommendations of the 2022 Independent Review of Australian Carbon Credit Units (**ACCU Review**), critical in strengthening overall integrity in the Australian Carbon Credit Unit (**ACCU**) Scheme.

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 140+ primary producers, carbon service providers, First Nations organisations, legal and financial institutions, technology firms, emissions-intensive companies and nature & conservation organisations in Australia and Asia Pacific. The CMI Board develops CMI's Policy Positions, which draw on practical insights from - but are ultimately independent of - members.[1] CMI also established the Australian Carbon Industry Code of Conduct (**ACI Code**) in 2018 to steward consumer protection, market integrity and best practice across Australia's carbon market. The ACI Code is now administered through a dedicated entity to strengthen governance independence, oversight and confidence in the integrity of the market.[2]

## Strategic Outlook

CMI commends the Australian Government on progressing implementation of the recommendations of the ACCU Review, as well as several recommendations made by the Climate Change Authority (**CCA**) in its 2023 Review of the ACCU Scheme. Timely implementation of review recommendations is essential to supporting confidence in the ACCU Scheme, its projects and outcomes. However, given the time elapsed between recommendation and implementation, it is important that reforms reflect current market conditions and operational realities.

Importantly, the ACCU Scheme is already a highly regulated market, underpinned by a robust framework that supports integrity at all stages of project development and delivery. The proposed reforms should enhance and complement existing processes, while identifying opportunities to streamline and future proof the Scheme. CMI welcomes the integrity improvements proposed in the Exposure Draft Bill, but notes that, in some instances, the proposed reforms extend beyond those recommended by the ACCU Review and the CCA's Review. Where this occurs, careful consideration should be given to market readiness, implementation pathways and maintaining investor confidence.

CMI particularly acknowledges the significant step towards mandating free, prior and informed consent (**FPIC**) with Indigenous parties in carbon projects. The proposed two-step consent process has the potential to strengthen Indigenous participation and inclusion in the ACCU Scheme in line with the United Nations Declaration on the Rights of Indigenous People, while also providing necessary clarity for project proponents

[1] CMI 2023, 'CMI Policy Positions', https://carbonmarketinstitute.org/app/uploads/2024/10/CMI-Policy-Advocacy-Positions-October-2024.pdf.
[2] CMI 2024, 'Australian Carbon Industry Code of Conduct', https://carbonmarketinstitute.org/code/.

and landowners regarding best practice engagement. The Bill also introduces important flexibility measures that enable landholders to respond to changing project circumstances while maintaining the integrity of the Scheme. Broadly, if implemented effectively, the proposed reforms in the Bill should strengthen investment confidence in the ACCU Scheme and enhance its role in supporting Australia's climate targets.

**CMI recommends the following priority actions to strengthen the integrity, effectiveness and investment certainty of the ACCU Scheme through the Draft Bill:**

- Clarify implementation considerations for expanded Eligible Interest Holder consent for Native Title Claimants to support uptake and ensure interoperability
- Remove the Integrity Risk Method Declaration and clarify Government expectations regarding method transition
- Ensure the Carbon Abatement Integrity Committee (CAIC) Secretariat has functional independence
- Clarify how proposed amendments to the OIS newness criterion with respect to research & development will function
- Define what is meant by "value for money" abatement in potential future government purchases
- Improve flexibility of permanence period variation arrangements
- Prioritise amendments to enable integrated methods allowing single ACCU projects for avoidance and sequestration activities
- Expedite development of a National Data Platform
- Consider inclusion of proposed ACCU Scheme Principles into the objects of the CFI Act
- Implement accreditation requirements for carbon service providers and market advisors

## Consultation response:

CMI's response to the consultation is grouped in three categories:

- Positive integrity improvements
- Areas for refinement
- Gaps to be addressed

CMI acknowledges the importance of these amendments in strengthening confidence in the operations and outcomes of the ACCU Scheme. However, reforms should reflect a commitment to continuous improvement while providing clear and durable signals of regulatory certainty to investors regarding the integrity and stability of the Scheme's underlying market architecture.

### Positive integrity improvements:

Several proposals in the Bill respond directly to the recommendations made in the ACCU Review and CCA Review. Given the time elapsed since these two reviews were undertaken, the introduction of these recommendations as amendments to the CFI Act sends an important signal to industry on the future direction of the ACCU Scheme. CMI supports several proposed amendments in the Bill and acknowledges their contribution to strengthening overall Scheme integrity.

- **Introduction of a two-step consent process:** CMI has long supported the removal of conditional project registration and welcomes the proposed two-step consent process as better aligning the ACCU Scheme with the principles of FPIC. These reforms will strengthen Indigenous participation and inclusion in ACCU projects, while providing clear expectations of engagement for project proponents, interested parties and Claimants. These changes also better reflect Claimants' rights to negotiate as recognised in the Native Title Act and improve alignment between the ACCU Scheme with the Nature Repair Market, supporting cross-scheme interoperability.

- **Finalisation of the proponent-led method development (PLMD) process:** the introduction of a final PLMD process provides clarity to industry on pathways to method development, alongside a more transparent framework for engagement on method development. The PLMD process will create new opportunities for methods to evolve in response to market circumstances and emerging priorities.

- **Project transfer from 25 to 100-year permanence periods:** Projects being able to transfer from 25 to 100-year permanence periods and access a portion of the ACCU held in the permanence period buffer is a welcome flexibility mechanism. This proposal may incentivise greater tracts of Australian land to be sustainably managed over longer timeframes, while maintaining the integrity objectives of permanence obligations. The ability to transition towards longer permanence periods also reflects evolving international best practice expectations on permanence periods in carbon crediting.

- **Government purchasing shifted from least-cost-abatement:** the shift in Government purchasing powers from a least-cost-abatement to a value-for-money mandate is a welcome move towards flexibility in considering broader policy outcomes and a signal toward priority procurement targets in addition to price. As noted by DCCEEW, this amendment better aligns carbon purchasing arrangements with broader Commonwealth procurements policies.

- **Expansion of the fit and proper person (FPP) test:** expanding the FPP test to include agents and other actors, not just proponents, will ensure that all individuals and organisations participating in the ACCU Scheme uphold appropriate standards of conduct, and have a clear understanding of their obligations and responsibilities. These reforms assign greater discretion to the Regulator to consider a broader range of conduct and risk factors, reinforcing the need for high standards of behaviour across advisors, aggregators and service providers.

- **Introducing flexibility to the newness Offsets Integrity Standard:** CMI welcomes greater flexibility in the newness provision to allow proponents to undertake research & development for new methods, as well as for applicants to commence project activities upon submitting their project application. This flexibility is likely to improve participation, while encouraging investment in method development and responsible innovation.

- **Establishment of Carbon Abatement Integrity Committee (CAIC):** CMI welcomes the formal establishment of the CAIC, including expanded advisory powers and broader expertise to support Scheme-level integrity. The strengthened role of the CAIC in the PLMD process is also a welcome integrity enhancement as well as empowering the CAIC to advise on priorities for method development.

### Areas for refinement:

While the Bill represents a significant step forward in implementing the recommendations of several reviews and ensuring that the ACCU Scheme remains aligned with best practice, there are several sections that warrant refinement. CMI suggests the below as priority actions for refinement to ensure that the reforms strike the right balance between integrity and implementation.

**Clarify implementation considerations for expanded Eligible Interest Holder consent for Native Title Claimants to support uptake and ensure interoperability**

The Bill introduces significant amendments to the Eligible Interest Holder (**EIH**) consent process as it pertains to Indigenous interests in land on which area-based projects will be undertaken. Expanding EIH recognition from Native Title Holders to Registered Claimants will better align the ACCU Scheme with other land-based industries such as mining, while recognising the often-lengthy process to progress from Claimant to Holder status. This reform also acknowledges Claimants' rights to negotiate and supports more inclusive participation in carbon projects

However, implementation of this change will require careful consideration of the practical challenges associated with engaging Claimant groups. Unlike Native Title Holders, Claimants may not yet have an established legal representative, such as a Prescribed Body Corporate (**PBC**), through which to facilitate engagement and decision-making. Registered claimants are unincorporated groups that potentially face a lack of administrative infrastructure and information asymmetry. While previous Commonwealth budgets have allocated legal support funding for Indigenous groups, current arrangements are unlikely to be sufficient to support informed Native Title Holder and Claimant participation in the ACCU Scheme at scale. CMI therefore requests that the Government clarify funding arrangements to support implementation of these reforms. Funding should be available to both Native Title Claimants and Holders, as well as landholders who are often not equipped to undertake engagements processes of this complexity.

CMI further recommends the development of guidance on a codified and mapped engagement process, to support transparency and consistency in project application and registration processes. Due consideration should be given to the practical operation of consent timeframes and an agreed statutory period. Process guidance should include reasonable timelines for obtaining registered claimant consent, extension mechanisms, pathways to arbitration should consent not be obtained, and processes for addressing circumstances where new Claimants emerge after a project has commenced. Such guidance should provide clarity for proponents and Indigenous parties on key elements of project design and implementation including co-design expectations, benefit-sharing arrangements and monetary rights. It should also be made clear that a Native Title party can freely withdraw stage 1 consent at any stage. Consideration should additionally be given to identifying early-stage mediation mechanisms and an appropriate independent body to mediate disputes between parties where required.

CMI specifically notes that section 7(d) of the proposed amendment to subsection 27(5), which allows the Clean Energy Regulator to approve a project based on previously provided consent, may adversely impact groups seeking to revisit historical Indigenous Land Use Agreements (ILUAs) and/or community benefit agreements. There is a risk that the provision may inadvertently limit opportunities for Indigenous communities to re-negotiate legacy arrangements where circumstances, representation or expectations have changed.

Finally, the Government should ensure that the FPIC process remains aligned with the Nature Repair Market to support Scheme interoperability. CMI notes that while the two-step process reform is broadly aligned across the Schemes – i.e. requiring a second round of consents to project activities prior to issuance of outcomes – an inconsistency remains in the treatment of Registered Native Title Claimants, who are recognised as EIHs under the proposed ACCU reforms but not under the Nature Repair Market. While CMI supports recognition of Claimants' interest in lands on which carbon and nature projects are undertaken, consent requirements should be consistent across both Schemes to avoid circumstances where Indigenous groups are consulted for one project type but not another, on the same land.

**Remove the Integrity Risk Method Declaration, and clarify Government expectations regarding method transition**

CMI notes that the proposed Integrity Risk Method Declaration (**IRMD**) appears to stem from Recommendation 1 of the CCA's 2023 Review of the CFI Act[3] which proposed that projects should transition to updated methods, tools and models over time to support continuous improvement alongside a role for the CAIC in advising on serious integrity concerns. However, the structure and intent of the proposed IRMD extends beyond the original recommendation and risks creating significant uncertainty for project proponents and investors.

CMI is not supportive of the proposed IRMD which risks sending an unintended signal to investors and the broader market that the ACCU Scheme contains systemic or unresolved integrity concerns. While the Bill includes safeguards to ensure the IMRD would only be deployed as a measure of last resort, the existence of such a mechanism may nevertheless undermine confidence and certainty for investors as it may be interpreted as an acknowledgment that approved methods are materially unreliable or subject to retrospective challenge, despite having undergone Government-led development, scientific scrutiny and legislative approval. This creates additional sovereign and regulatory risk at a time when Government is seeking to attract private capital into emissions reduction projects and strengthen confidence in long-term ACCU supply.

Under the ACCU Scheme, proponents make long-term investment decisions based on the expectation that compliance with approved methods provides regulatory certainty and that ACCUs generated in accordance with Scheme rules will retain their integrity and value. The proposed IRMD risks weakening this regulatory compact by shifting disproportionate responsibility for evolving integrity concerns onto proponents, despite Government retaining responsibility for method development, approval and oversight. Rather than adopting a more balanced approach to risk-sharing, this imbalance may discourage investment, particularly in innovative, long-duration land sector projects, and reduce confidence among ACCU buyers (such as Safeguard Mechanism liable entities) in entering long-term forward contracts where credits may be exposed to retrospective intervention.

Importantly, the Bill provides insufficient clarity regarding what constitutes a "material risk to the integrity of the Scheme", creating uncertainty around the threshold for intervention and the circumstances in which an IRMD may be exercised. Without clear evidentiary standards, governance arrangements and procedural safeguards, there is a risk that the mechanism could create market disruption or become subject to shifting

[3] Climate Change Authority, 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.

policy priorities over time. This concern is heightened by the proposed Ministerial discretion to issue an IRMD, rather than grounding decisions in independent expert advice through the CAIC.

CMI considers that the ACCU Scheme already contains a robust integrity architecture, including the OIS, periodic method reviews, expert oversight, audit requirements, legislative amendment processes and regulatory oversight by the CER. Rather than introducing a new and potentially disruptive intervention mechanism, DCCEEW should prioritise strengthening existing integrity processes and providing clear expectations regarding how method transitions would occur where improvements become available. At a minimum, Government should clearly articulate the intended purpose, evidentiary threshold and practical operation of the IRMD, including worked examples demonstrating how proponents would be supported to transition between methods where material integrity concerns arise.

**Ensure the Carbon Abatement Integrity Committee (CAIC) Secretariat has functional independence, with distinct responsibilities**

CMI recalls Recommendation 2 of the ACCU Review, which called for the Emissions Reduction Assurance Committee (**ERAC**) to be re-established as the CAIC supported by sufficient resourcing and an independent secretariat.[4] Whilst the Bill establishes the CAIC, it retains the existing administrative arrangements and architecture of the Secretariat being housed within DCCEEW and the Chair reporting to the Minister in charge of the Scheme. This approach does not fully reflect the intent of the ACCU Review's recommendation, but rather a continuation of current arrangements. As a result, there remains a risk that the CAIC may not operate with sufficient institutional independence in fulfilling its integrity assurance function.

CMI considers the CAIC should be more explicitly empowered to set method priorities, and to oversee expression of interest rounds under the PLMD in accordance with this. This would position the CAIC to operate at the intersection of industry and government, to set priorities for methods that are likely to achieve strong uptake and deliver abatement in line with Australia's climate targets.

To strengthen the independence and effectiveness of the CAIC, CMI considers that best-practice governance would be for the CAIC to be established as an independent statutory body. Similar to the CER and the CCA, such a model would allow the CAIC to operate at arm's length from Government, with reporting arrangements independent of a responsible Minister. This governance structure would better support perceived and actual independence, provide greater assurance of integrity oversight, and ensure the CAIC is appropriately resourced to perform its functions effectively. However, CMI recognises the practical and feasibility challenges associated with establishing a new statutory body in the near term. In the absence of structural reform, two relatively contained and readily implementable changes could materially strengthen the independence and effectiveness of the CAIC.

First, DCCEEW staff comprising the CAIC Secretariat should report directly and exclusively to the Chair of the CAIC in relation to Secretariat functions, rather than through broader departmental reporting lines. This would strengthen operational independence, reduce the perceptions of conflict, and better support the CAIC to exercise independent judgement. Second, clear and direct lines of communication should be established between the CAIC Chair and the Minister's Office to ensure independent technical advice on Scheme integrity and method priorities can be communicated transparently and without unnecessary administrative filtering.

[4] I Chubb, A Bennett, A Gorring & S Hatfield-Dodds 2022, *Independent Review of Australian Carbon Credit Units: Final Report*, p. 4, https://www.dcceew.gov.au/sites/default/files/documents/independent-review-accu-final-report.pdf.

These changes would be straightforward to implement, provide immediate practical benefits, and materially strengthen confidence in the CAIC's independence and effectiveness while longer-term governance arrangements are considered.

**Strengthen and futureproof Scheme governance on purchasing to reduce potential integrity concerns**

CMI welcomes the shift of future government purchasing from the CER to DCCEEW, noting that this was recommended by the ACCU Review to remove any potential conflict of interest from the CER. This shift will also allow the CER to focus more effectively on its regulatory role, with greater independence from the development of methods, as well as purchasing. However, CMI urges that appropriate boundaries and guidelines be developed to ensure that DCCEEW does not replicate similar perceived conflicts of interest, or that responsibility for government purchasing is not subsequently shifted to another administrative arrangement without clear structural safeguards. As currently draft, the Bill places a broad range of responsibilities onto DCCEEW – similar to the CER's function prior to the ACCU Review. There is a risk that comparable perceived or actual conflict of interest could emerge under the proposed structure. Furthermore, given the delays associated with the transfer of method development to DCCEEW, questions arise as to the appropriateness of also assigning DCCEEW any potential future government purchasing role.

**Clarify how the proposed amendments to the OIS newness criterion with regards to research & development will function**

In principle, CMI is supportive of the proposed amendments to allow project proponents to undertake research & development (**R&D**) that informs method development, without this being considered as breaching the newness OIS. However, we ask that DCCEEW clarify through subordinate legislation how this will work in practical terms. R&D can be a costly process, often involving significant changes to routine activities or infrastructure. The requirement to pause R&D activities prior to project development is likely to present significant challenges to many proponents and is not representative of the reality of R&D to commercialisation practices. This may limit opportunities for necessary R&D, while disincentivising sustainable practice changes through the ACCU Scheme. CMI suggests that the requirement to cease R&D prior to project registration to be removed, and rather than any abatement achieved during the R&D period is recognised.

**Define what is meant by "value for money" abatement in potential future government purchases.**

CMI welcomes the removal of the "lowest cost abatement" mandate for government purchasing, in line with the ACCU Review recommendations. As Australia's carbon market transitions to one with greater private sector engagement under the reformed Safeguard Mechanism, the Government's purchasing role should be revised to support strategic investment priorities and avoid market distortions where the government competes with private market participants for least-cost ACCUs. Therefore, DCCEEW should develop a clear definition and assessment framework for its proposed "value for money" mandate. To ensure operationalisation of the new purchasing mandate, CMI recommends that the Section 20G, 3(b) of the Bill be modified from 'maximise the amount of carbon abatement that the Commonwealth can purchase' to 'optimise'.

CMI suggests that the Draft Bill or supporting rules be strengthened by requiring DCCEEW to publish a clear, legislatively anchored definition of "value for money" in the context of the ACCU Scheme and an associated procurement assessment framework. This framework should set out transparent criteria and weightings for

government purchasing decisions, including how abatement cost, durability, risk, scalability and co-benefits will be assessed in a consistent and comparable way. In addition, the framework should include clear requirements for the identification, measurement and verification of co-benefits, consistent with Recommendation 13 of the ACCU Review.

Such provisions would reduce ambiguity and help ensure that future government purchasing decisions are not misinterpreted as signalling relative method quality or integrity. Importantly, the Bill or supporting rules should also include safeguards clarifying that procurement decisions do not constitute an endorsement of particular methods, thereby reducing the risk of unintended market distortion and preserving investor confidence across the full range of eligible ACCU Scheme activities.

**Improve flexibility of permanence period variation arrangements**

CMI is supportive of the allowance for projects to transfer from 25 to 100-year permanence period, with release of some ACCUs held in the permanence period discount buffer. However, we suggest that a similar flexibility mechanism be incorporated to allow projects with 100-year permanence periods to transfer to 25-year permanence periods. This would further improve flexibility for landholders participating in ACCU Scheme projects and is likely to address social license risks associated with succession planning and property sales on long-term permanence projects.

To address the reduction in permanence, CMI suggests that there could be a deadline during the crediting period at which a proponent can indicate a desire to reduce their permanence period. This should align with a sufficient duration for the proponent to be able to contribute an appropriate volume of ACCUs into a permanence period discount buffer.

## Gaps to be addressed:

**Prioritise amendments to enable integrated methods that allow properties to undertake a single ACCU project for avoidance and sequestration activities**

CMI does not support the suggestion that “amending the CFI Act to allow both types of project activities to occur in a single method may not deliver significant efficiencies in project administration.”[5] It is likely that if it were efficient to undertake two separately registered projects on a property, there would be increasing uptake to date. The development of the Integrated Farm and Land Management (**IFLM**) method is intended to address this structural gap in a more coherent and scalable way. While there are likely to be instances where separate audits may be required for project activities, a single framework method provides the greatest opportunity to ensure that these audits accurately reflect project conditions.

The IFLM method has the potential to provide this framework method, supported by a unified set of equations to account for all pools of carbon and interactions. This approach offers strategic integrity advantages, including that meta-equations will ensure that flows between carbon pools are accurately accounted for. The approach proposed in Section H of the consultation paper represents leakage risk for projects, while also being impractical to implement.

CMI urges DCCEEW and the ERAC/CAIC to finalise the development of the IFLM method in 2026, with a modular design that allows for future expansion to additional land management activities. As noted in CMI’s

[5] DCCEEW, 2026, *Carbon Credits and Other Legislation Amendment (Integrity and Transparency) Bill: Consultation Paper*, p. 39, https://storage.googleapis.com/files-au-climate/climate-au/p/prj3c44c68acaad1c5c29a1e/page/Consultation_paper_FINAL.pdf.

submission to the ERAC consultation on the draft method in February 2026, consideration should be given to a timeline for future module development and progression.[6] The IFLM method should remain a key priority to enable land managers across Australia to undertake integrated land management practices that streamline reporting requirements, and improve productivity and resilience. In this vein, CMI is supportive of the proposal to amend the CFI Act's definition of "sequestration offsets project" to enable the uptake of fully integrated ACCU Scheme projects.

#### Expedite development of a National Data Platform

The Bill does not address Recommendation 4.2 of the ACCU Review to develop a National Data Platform.[7] As the Nature Repair Market begins to experience higher participation, and Environmental Information Australia is established to support the introduction of the Federal Environmental Protection Authority, CMI considers that a National Data Platform should be a priority to support best practice and transparency across the full suite of Australia's environmental markets. A National Data Platform was outlined in the ACCU Review as a priority to support public confidence in the outcomes of the ACCU Scheme but should also be considered in the context of the growing suite of environmental markets. Exclusion of the development of a National Data Platform in the current Bill is an oversight that risks Australia falling behind as a leader in the carbon market space. CMI urges that a National Data Platform be prioritised to support voluntary data sharing, and public understanding of interaction between Australia's environmental markets.

#### Consider inclusion of proposed ACCU Scheme Principles into the objects of the CFI Act.

In its submission into the ACCU Review Discussion Paper in October 2023, CMI recommended the Scheme Principles proposed in the paper be integrated into the CFI Act so as to improve ACCU Scheme governance and market clarity. Scheme principles were put forth to complement the Offsets Integrity Standards, including: integrity; transparency; equitable access, participation and benefit-sharing; practicality; environmental and regional sustainability; and respect for First Nations. CMI also suggested additional principles to address no net harm and leakage be considered.

#### Clarify deployment of ACCU Scheme buffers

The existing permanence period and risk of reversal discounts in the ACCU Scheme are intended to appropriately manage the risk of impermanence of long-term sequestration or reversal of carbon stored. These buffers also help ensure that ACCU issuance is conservative and projects are not over-credited. However, relinquishment requirements and other risk management provisions in the instance that the reversal was avoidable, sit outside of this framework. It is unclear how the existing discounts are intended to be used, particularly with regards to unavoidable natural disturbances where the proponent did everything in their power to avoid the disturbance event.

Outlining a clear function for the existing buffers to be deployed in circumstances where a natural disturbance was unavoidable, and the proponent attempted to address it, would provide greater investor certainty in the ACCU Scheme. The CCA Review highlighted the need for greater transparency around the deployment of

[6] CMI, 2026, *Emissions Reduction Assurance Committee: Integrated Farm and Land Management Draft Method submission*, p. 6, https://carbonmarketinstitute.org/app/uploads/2026/03/CMI-ERAC-IFLM-Draft-Method-Submission-FINAL.pdf.
[7] I Chubb, A Bennett, A Gorring & S Hatfield-Dodds 2022, *Independent Review of Australian Carbon Credit Units: Final Report*, p. 9, https://www.dcceew.gov.au/sites/default/files/documents/independent-review-accu-final-report.pdf.

these buffers,[8] and clarity around implementation in the above context would provide critical market confidence. As part of this suite of reforms, DCCEEW should prioritise the development of a framework for remediation of unavoidable reversals.

**Tighten technical terminology to ensure that it is reflective of current market conditions**

CMI notes several instances in the Bill where technical terminology does not reflect current market conditions.

1) **ACCUs are still called Kyoto ACCUs.** Although the CFI Act was introduced while the Kyoto Protocol was still the international carbon market framework, the Protocol's second period – Doha Amendment – ended at the close of 2020. All units accounted for under the United Nations Framework Convention on Climate Change are now covered by the Paris Agreement Carbon Market (**PACM**) under Article 6. National emissions reductions are account for under Article 6.4 of the Agreement, and are referred to as Article 6.4 emissions reductions units (**A6.4 ERs**) Although the Government has not committed to international trading under the PACM, CMI recommends that the terminology used to refer to ACCUs is updated to reflect the closure of the Kyoto Protocol.
2) **Projects are still referred to as "Offsets Projects".** The continued reference to projects registered under the CFI Act as "Offsets Projects" is creating ongoing market confusion around the purpose and use of these projects. Since the inception of the CFI Act, market understanding of projects has matured and there is now a stronger understanding of the different purposes of projects. Just as the Bill proposes to change references to the Emissions Reduction Fund to the "ACCU Scheme" and references to the "ERAC" to "CAIC", CMI suggests that references to "Offsets Projects" should be amended to "ACCU projects." Changing this terminology would better reflect the evolution of the market, while enabling discussions around how ACCU projects and ACCUs can contribute to at-point decarbonisation, insetting or offsetting. Additionally, the government should amend the CFI Act 'Offsets Integrity Standards' and rename them 'Carbon Credit Integrity Standards', to better reflect the use case for ACCUs, which is broader than as offsets—including the role of the ACCU Scheme in supporting demand-side decarbonisation policy under the reformed Safeguard Mechanism.

**Implement accreditation requirements for carbon service providers and market advisors, including agents**

The ACCU Review identified a clear role for the Australian Carbon Industry Code of Conduct (**ACI Code**)[9] to play in enhancing market engagement and conduct through accreditation.[10] The exclusion of an accreditation and regulation framework for market participants is a missed opportunity to strengthen the overall integrity of the ACCU Scheme. Although it is assumed that the ACI Code will play a complementary role to many of the reforms outlined in the Bill, formally defining this role will uplift performance standards across the market as a whole. CMI suggests that performance standards for market participants, including through a requirement to become a Signatory to the ACI Code, is implemented as part of the Bill package.

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[8] Climate Change Authority, 2023, *2023 Review of the Carbon Credits (Carbon farming Initiative) Act 2011,* p. 42, https://www.climatechangeauthority.gov.au/sites/default/files/documents/2023-12/2023%20Review%20of%20the%20Carbon%20Credits%20Act%202011%20-%20publication.pdf.

[9] CMI 2024, 'Australian Carbon Industry Code of Conduct', https://carbonmarketinstitute.org/code/.

[10] I Chubb, A Bennett, A Gorring & S Hatfield-Dodds 2022, *Independent Review of Australian Carbon Credit Units: Final Report*, p. 28, https://www.dcceew.gov.au/sites/default/files/documents/independent-review-accu-final-report.pdf.

**Ensure alignment with the Carbon Credits (Carbon Farming Initiative) Rule 2015 (CFI Rule)**

With the CFI Rule due to sunset on 1st April 2027, DCCEEW is considering amendments to increase transparency and further refine regulatory settings, as needed as part of the remake process. As the CFI Rule is the legislative instrument supporting the CFI Act, it is critical that the changes to the Act are reflected in Rule changes and that corresponding updates are made but also, that Scheme participants are aware of legal mechanisms to ensure market stability and prevent regulatory gaps during the interim, or transitional period.

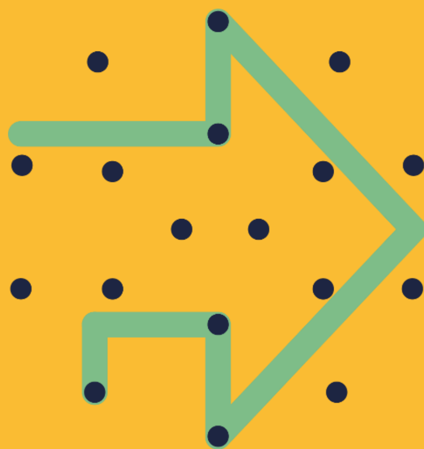
Should you wish to discuss CMI's submission in more detail, please contact Emily Tammes (emily.tammes@carbonmarketinstitute.org).

Yours sincerely

*Janet Hallows*

Janet Hallows

**Director, Climate Program and Nature-based Climate Solutions**



## 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.