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Environment and Communications Legislation Committee
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Inquiry into the Safeguard Mechanism (Crediting) Amendment Bill 2022

Dear Senators

Thank you for the opportunity to make a submission to the Inquiry into the Safeguard Mechanism (Crediting) Amendment Bill 2022.

As Chair of the Independent Review of Australian Carbon Credit Units, I have followed the evidence given to the Inquiry in its public hearings.

I welcome the opportunity to comment on (and clarify) some of the evidence given by others about the Review's findings and recommendations.

The Panel was established from 1 July 2022; the Terms of Reference are available at <https://minister.dccew.gov.au/bowen/media-releases/independent-review-accus>.

The purpose of the Review was to examine governance arrangements and legislative requirements of the ACCU scheme, as well as the integrity of the key methods used, and other scheme settings affecting the integrity of ACCUs.

The Panel was thorough and transparent in gathering information; we consulted widely in developing our recommendations.

The Panel released a public discussion paper and received over 200 written submissions. Every submission was read by at least one Panel member, many by two or more. All insights, evidence and argument was before the Panel as we worked to produce recommendations that were sensible and readily understandable by anybody who read them.

The extensive consultation process is documented in the final report.

The Australian Academy of Science provided advice on the science supporting the human-induced regeneration, avoided deforestation, landfill gas, and carbon capture and storage methods.

The Australian Academy of Science's report and non-confidential submissions, together with the Panel's [Final Report](#) are available on the Department of Climate Change, Energy, the Environment and Water's [website](#).

The Panel concluded that the ACCU scheme arrangements are sound: there is a system of assurance and a regulatory framework that includes appropriate checks and balances at the scheme, method and project level to warrant confidence that abatement credited under the scheme is real and additional.

The Panel made recommendations to ensure the scheme aligns with modern expectations of best practice, including:

- separating functions of integrity assurance, regulation and administration of ACCUs
- maximising transparency of scheme information

- encouraging innovation in method development and project implementation
- supporting greater participation, including by First Nations communities.

The Government has agreed in principle to the 16 recommendations of the Review.

I understand that the Government is preparing an Implementation Plan for release in March and that some measures have been taken already, including revoking the avoided deforestation method and drafting legislative amendments.

It is important to note that the Panel was not asked to review individual projects.

That we did not, I infer, has been represented as either dereliction of our responsibility, or something more base. It was neither. It was out of scope.

Review and administration of individual projects is the role of the Clean Energy Regulator (CER) and its independent auditors. Our Review was not an audit of the CER.

Nevertheless, the Panel had access to confidential data about projects that demonstrate they are administered in a way that should deliver genuine and additional abatement.

We also invited the CER to spell out its compliance tools, powers and processes, including the extensive up-front checks for ACCU scheme participants and projects prior to registration.

We noted that the CER can withhold or require relinquishment of credits, require remedial action or revoke projects on a case-by-case basis. ACCU issuance can be adjusted through the life of the project to address any concerns about over-crediting.

Offsets Integrity Standards

In considering whether the methods met the offsets integrity standards, the Panel reviewed ERAC's interpretation and application of the offsets integrity standards¹.

Additionality is assessed at both the method-level by the ERAC and at the project level by the CER at the time of project registration. The ERAC interprets the additionality standard as requiring the substantial majority of the abatement likely to be credited under the method would not occur in the absence of the incentive provided by the scheme.

The conservativeness standard is assessed at the portfolio level rather at the level of individual projects. This means it can be satisfied if, on average across the total number projects, the method is likely to underestimate the aggregate net abatement amount.

The Panel elaborated on its view of the offsets integrity standards in the body of its final report.

Human-induced regeneration (HIR) method

It is unfortunate that protected information described in the enabling legislation limits the extent to which third parties can interrogate relevant data and draw conclusions that lead to useful discussion.

Accordingly, the Panel recommended that transparency is critical to analysis, debate and improvement and so access should be the norm, subject to decisions made on a case-by-case basis.

¹<https://www.cleanenergyregulator.gov.au/Dhttps://www.cleanenergyregulator.gov.au/DocumentAssets/Documents/Information%20Paper%20on%20the%20Offsets%20Integrity%20Standards.pdf>

This will be addressed by the Government in its response to the Review.

There is nothing in the Panel's recommendations that suggests existing projects under this method are exempt from review, scrutiny and appropriate action.

The Panel has recommended a governance structure that enables the new Integrity Committee and the CER to focus on their respective roles. As the process of review, scrutiny and audit by the CER continues, projects registered ten years ago, or next month, will be subject to the same scrutiny and appropriate actions.

The CER has confirmed to the Committee that it has begun to implement recommendation 8, including for existing projects.

To be clear, as stated above, the CER has the necessary compliance tools, powers and processes to find and address any project non-compliance and to ensure individual projects using any method, are delivering abatement. These include withholding or requiring relinquishment of carbon credits, requiring remedial action, and revoking projects, on a case-by-case basis.

Project reporting and crediting

Issuance of ACCUs is adjusted over the crediting period as the project is subject to reporting, record keeping and auditing requirements².

HIR projects are subject to additional checks, which was one of the core recommendations of the extensive (20 month-long) ERAC Review published in 2019. These five-yearly regeneration and forest attainment 'gateway' checks assess progress towards or attainment of forest cover, and evidence of how the project activities have been and continue to be implemented. Crediting is adjusted if the vegetation is not showing the expected level of regeneration.

FullCAM

The Panel met with CSIRO scientists and FullCAM experts to examine criticisms of the FullCAM model in estimating abatement from HIR projects.

A recent CSIRO study³ shows that the FullCAM model is well calibrated to estimate carbon storage in regions with high project activity including those with a range of both emerging and baseline biomass during the 25-year project crediting period.

The Australian Academy of Science sought advice from Professor Christopher Brack who advised that the science behind FullCAM, and therefore the science behind estimating the carbon stock of *Human-induced regeneration of a permanent even-aged native forest* may be considered efficacious, robust and appropriate.

Associate Professor Brack, an absolute expert in that field who was one of the original authors and creators of the model, concluded that provided the input values, stratification and management drivers are appropriate, the estimates of carbon stocks for *Human-induced regeneration of a permanent even-aged native forest* rely predominately on the science of FullCAM and that it has been well publicised, peer reviewed and validated.

I have Associate Professor Brack's permission to attach the paper to this submission.

² [https://www.cleanenergyregulator.gov.au/About/Freedom-of-information-\(FOI\)/information-publication-scheme-\(ips\)/operational-information](https://www.cleanenergyregulator.gov.au/About/Freedom-of-information-(FOI)/information-publication-scheme-(ips)/operational-information)

³ [Verification of FullCAM's Tree Yield Formula for Regenerating Systems](#)

Landfill gas methods

The Panel was advised by participants that the baselines should be adjusted for new and existing projects and that they would voluntarily move to a new method with adjusted baselines.

The Panel was aware that determining appropriate baselines would require substantial technical work that the Panel could not feasibly complete in the allocated time.

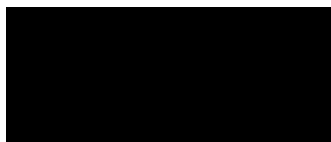
Avoided deforestation

Contrary to the evidence given to the Committee on 27 February, the Panel did not find ‘that the avoided-deforestation method was so bad it should be ceased’ (proof Hansard p 39).

The Panel recommended (recommendation 9) that no further projects should be registered under the Avoided Deforestation method. It is thirteen years since the last eligible land clearing permit could have been issued – and it would be hard to establish that the landholder really intends to clear the land, and that the abatement would really be additional. This recommendation does not apply to existing projects, the vast majority of which were registered within two years of the method commencing.

The eligibility of the method was too narrow and ultimately, we want more people protecting native forests. To address the ongoing challenge of land clearing, the Panel recommended that new methods be developed to incentivise the maintenance of native vegetation.

When all the recommendations are implemented, the scheme will be well prepared for the future with clear and transparent process and protocols to administer existing and new projects that provide confidence that abatement is real and additional.



Professor Ian Chubb AC FAA FTSE (Chair ACCU Review Panel)

2 March 2023