

Senate Environment and Communications References Committee**ANSWERS TO QUESTIONS ON NOTICE****Inquiry into oil and gas exploration and production in the Beetaloo Basin**

Appearance before Committee on 22 March 2022

-
- 1. Can you provide to the Committee a copy of the emissions reduction agreement that was signed by the Northern Territory government and the Commonwealth, as well as a copy of the MOU that was entered into on 15 November 2018?**

The Northern Territory Government is in negotiations with the Commonwealth Government for an Energy and Emissions Reduction Bilateral Agreement. The Agreement is not yet finalised.

A copy of the Memorandum of Understanding Northern Territory Government Gas Industry Development, signed on 15 November 2018 is at Attachment A.

- 2. When Dr David Ritchie meets with stakeholders in the Community, as Independent Oversight of Hydraulic Fracturing Inquiry recommendations, is there a translator that attends with him?**

None of the community members or stakeholders that have made contact with or requested a meeting with Dr Ritchie have asked for an interpreter or translator to attend or assist.

- 3. Provide the public report in relation to what has been successfully implemented (for Hydraulic Fracturing Inquiry recommendations).**

The Hydraulic Fracturing Inquiry Implementation website details the current status of all 135 Inquiry recommendations and is updated every six months, in accordance with reporting timeframes for government and the Independent Oversight of the Hydraulic Fracturing Inquiry recommendations, Dr David Ritchie.

The status of each recommendation is publicly available at this link <https://hydraulicfracturing.nt.gov.au/action-items>. The status is current as at 31 October 2021, which is the most recent six monthly reporting period. The next reporting period will cover 01 November 2021 – 30 April 2022.

Dr David Ritchie also publishes his correspondence to the Chief Minister and government containing his assessment on how implementation is progressing and being managed. Dr Ritchie was previously a member of the Independent Scientific Inquiry into Hydraulic Fracturing that was chaired by the Hon. Justice Rachel Pepper. All of Dr Ritchie's correspondence to government is available on the Hydraulic Fracturing Inquiry Implementation website at <https://hydraulicfracturing.nt.gov.au/about/governance/independent-oversight>.

- 4. Provide a copy of the Draft Greenhouse Gas Offset Policy to the Committee.**

The Draft Policy is at Attachment B.



MEMORANDUM OF UNDERSTANDING

NORTHERN TERRITORY GAS INDUSTRY DEVELOPMENT

MEMORANDUM OF UNDERSTANDING FOR COLLABORATION TO SUPPORT THE DEVELOPMENT OF THE NORTHERN TERRITORY GAS INDUSTRY

BETWEEN

the **Commonwealth of Australia** as represented by the Department of Industry,
Innovation and Science
ABN 74 599 608 295

and

the **Northern Territory of Australia** as represented by the Department of Trade,
Business and Innovation
ABN 84 085 734 992

Date of Operation

This Memorandum of Understanding (**MOU**) comes into operation on the date of execution of this MOU by both parties.

Parties

This MOU is made between the following Parties:

1. the **Commonwealth of Australia** as represented by the Department of Industry, Innovation and Science
ABN 74 599 608 295, Industry House, 10 Binara Street, Canberra, Australian Capital Territory
(the **Commonwealth**)
2. the **Northern Territory of Australia** as represented by the Department of Trade, Business and Innovation
ABN 84 085 734 992, Development House, 76 The Esplanade, Darwin, Northern Territory of Australia
(the **Territory**)

Context

This MOU is made in the following context:

- A. The Commonwealth and the Territory (together, the **Parties**) recognise that the Northern Australia offshore gas resources and Northern Territory onshore gas resources are nationally and internationally significant.
- B. Following a comprehensive scientific inquiry into hydraulic fracturing the Northern Territory has lifted the moratorium on hydraulic fracturing and is advancing the necessary regulatory reforms to facilitate development of onshore gas.
- C. The Commonwealth and the Territory recognise that the potential timing and scale of gas production, and lead times for supporting infrastructure investment, workforce development and business capacity building, necessitates a focus by both governments on scoping of actions and investments by industry and governments in the development of the gas industry.
- D. The Commonwealth and the Territory agree that a proactive approach to planning and investment is critical to ensure an efficient delivery of infrastructure that minimises cost, environmental and social impacts and maximises long-term benefit to the Northern Territory, Northern Australia and Australia as a whole.
- E. The Commonwealth and the Territory acknowledge the existing areas of collaboration in development of the Northern Territory Gas Industry, including:

- (i) the Geological and Bioregional Assessment Program,
- (ii) the partnership with CSIRO to deliver technical frameworks, guidelines and enforceable Codes of Practice,
- (iii) the agreement with CSIRO for implementation of a Gas Industry Social and Environmental Research Alliance,
- (iv) the proposed secondments of specialist staff.

1. Purpose of MOU

- 1.1.1. The purpose of this MOU is to set out the intentions of the Parties to collaborate to support the development of the Northern Territory Gas Industry and gas leveraged industries.

2. Objectives of the Parties

- 2.1.1. The Parties share the objective of developing the Northern Territory Gas Industry to meet social, environmental and economic outcomes. Objectives include:
- a. contributing to national energy security,
 - b. establishing the Northern Territory as a world class gas production, manufacturing and services hub by:
 - i. expanding the Northern Territory LNG export hub,
 - ii. growing the Northern Territory service and supply industry,
 - iii. establishing gas based manufacturing and energy intensive industries,
 - iv. growing the Northern Territory research, innovation and training capacity,
 - v. contributing to Australia's energy security by supplying gas to the Eastern Gas Market, and
 - c. manage social and environmental impacts,
 - d. driving industry collaboration, including around:
 - i. infrastructure investment,
 - ii. Aboriginal economic development,
 - iii. common industry practices, and
 - iv. opportunities for research, innovation and training.

3. Utilising existing initiatives

- 3.1.1. The Parties agree to consider the application of existing programs to achieve the shared objectives, including:

- a. whole of government coordination through the Major Project Facilitation Agency to support offshore and onshore gas projects and gas leveraged projects,
- b. identifying potential programs to support the Middle Arm Industrial Precinct, including with pre-feasibility assessments,
- c. identifying opportunities for collaboration with the Industry Growth Centres to assist in development of the Northern Territory Gas Industry and its alignment with industry development priorities,
- d. the Regional Deal proposed for the Barkly region and how it complements the overall objectives of this MOU in relation to economic development of the region,
- e. working collaboratively to identify key supply chain routes for the Beetaloo Sub-basin and associated industry to facilitate efficient movement of freight and improved safety,
- f. supporting eligible offshore and onshore gas projects and gas leveraged projects through the North Australia Infrastructure Facility (NAIF) to support strategic project development within the areas identified in the MOU. The Commonwealth and Northern Territory Governments note that this support recognises that funding decisions by the NAIF board are made independently,
- g. expanding secondment arrangements between Commonwealth and the Territory to facilitate the sharing of expertise to support the implementation of this MOU including enabling activities such as the implementation of the recommendations of the Scientific Inquiry into Hydraulic Fracturing in the Territory.

4. Forward Work Program and Delivery

4.1. General

- 4.1.1. The Parties acknowledge that collaboration may, over time, broadly comprise:
 - a. participation in, and secondment of expertise to support, the delivery of the shared objectives,
 - b. technical, environmental and other expert studies to support development of the Northern Territory Gas Industry and gas leveraged industries, and
 - c. delivery of infrastructure and programs in support of the Northern Territory Gas Industry and gas leveraged industries.
- 4.1.2. The Parties acknowledge the importance of strategic planning and studies in shaping future development and industry competitiveness of the Northern Territory.

4.2. Forward Work Program

- 4.2.1. The Parties agree to develop and progress a Forward Work Program that may include, but is not limited to, technical, environmental and other expert studies in the following areas:
- a. economic and social infrastructure,
 - b. logistics planning,
 - c. environmental and social assessments,
 - d. economic and commercial assessments,
 - e. workforce development,
 - f. business capability and
 - g. research, innovation and training.
- 4.2.2. The Parties agree to work together to develop an initial Forward Work Program as a priority.
- 4.2.3. The Parties agree to:
- a. identify sources of funds to support a Forward Work Program,
 - b. develop supporting principles, including for:
 - i. co-investment in a Forward Work Program,
 - ii. procurement of actions under a Forward Work Program,
 - iii. ownership of intellectual property in materials developed for and in connection with actions under a Forward Work Plan.
- 4.2.4. The Parties agree that a Forward Work Program needs to be responsive to the pace of offshore and onshore development.
- 4.2.5. The Parties acknowledge that the initial focus of a Forward Work Program will be on supporting development of offshore gas fields and onshore shale gas development in the Beetaloo Sub-basin and that it will be expanded over time to include other areas in the Northern Territory that are suitable for onshore gas development.
- 4.2.6. The Parties agree that a Forward Work Program may be further developed and amended, by agreement of both Parties in accordance with this MOU.

4.3. Delivery of infrastructure and programs

- 4.3.1. The Parties acknowledge that a Forward Work Program will deliver supporting information and materials that provide the basis for potential infrastructure investments and programs to support development of the Northern Territory Gas Industry and gas leveraged industries.

- 4.3.2. The Parties agree to give due consideration to infrastructure and program proposals.

4.4. Governance arrangements

- 4.4.1. The Parties agree that a Forward Work Program Committee (**FWPC**) will be established under this MOU to progress the Forward Work Program.
- 4.4.2. Each Party will nominate one (1) member for the FWPC and agree that nominees will be at least the equivalent of a Deputy Chief Executive Officer or Deputy Secretary unless otherwise agreed.
- 4.4.3. The FWPC will:
- a. meet as soon as practical after the execution of this MOU, and then as agreed by the members of the FWPC, and
 - b. regularly report to the responsible Ministers in each jurisdiction:
 - i. on progress in developing an initial Forward Work Program, and
 - ii. once agreed, on the progress of activities under the Forward Work Program.
- 4.4.4. A detailed Terms of Reference for the FWPC will be prepared setting out governance arrangements, including membership, meeting arrangements, leadership, and roles and responsibilities.

5. General

5.1. Term of MOU

- 5.1.1. This MOU will have effect for five (5) years from the date of execution by both Parties unless the Parties agree in writing to extend the operation of this MOU to a specified date.

5.2. Effect of MOU

- 5.2.1. The Parties acknowledge the importance of this MOU and confirms their intention to comply with its terms as they apply to that party. However, this MOU does not create legally enforceable obligations between the Parties.

5.3. Representatives

- 5.3.1. The Commonwealth and Territory have each appointed a representative identified in item 1 of Schedule 1 (*Notice Details - Party Representatives*). A party may change its representative by notice to the other party.
- 5.3.2. The Parties will ensure that the appointed representatives are authorised to act in relation to this MOU. The appointed representative is the first point of contact for the other party in relation to any disputes arising under this MOU.

- 5.3.3. A notice that is given by a Party may be signed by that Party's representative or other authorised officer.

5.4. Variation

- 5.5. This MOU can only be varied with the written agreement of both Parties.

5.6. Termination

- 5.6.1. Subject to clause 5.1, this MOU will continue to have effect unless it is terminated by one of the Parties providing written notice of termination.
- 5.6.2. The Parties agree to work together to agree and implement any transition arrangements following the termination of this MOU.

Signatures

SIGNED by Senator The Honourable)
Matthew Canavan for and on behalf)
of the **Commonwealth of Australia:**)

Signature

Signature of Witness

Date: 15 November 2018

The Hon Ken Vowles
Name of Witness

SIGNED by The Honourable)
Michael Gunner MLA for and on)
behalf of the Northern Territory of)
Australia:

Signature

Signature of Witness

Date: 15 November 2018

JASON SCHODWEESEN
Name of Witness

SCHEDULE 1

For the purposes of this MOU, the representatives are as listed below:

A. NOTICE DETAILS - PARTY REPRESENTATIVES

Party	Representative	Position	Email
Commonwealth	Mike Lawson	Deputy Secretary	mike.lawson@industry.gov.au
Territory	Michael Tennant	Chief Executive Officer	michael.tennant@nt.gov.au

Greenhouse Gas Emissions Offsets Policy and Technical Guidelines

Northern Territory Offsets Framework

NOT GOVERNMENT POLICY
DRAFT FOR CONSULTATION
JANUARY 2022

Document title	Greenhouse Gas Emissions Offsets Policy and Technical Guidelines
Contact details	Department of Environment, Parks and Water Security
Approved by	Not approved – under development
Date approved	Not approved – under development
Document review	2 years
TRM number	NTEPA2020/0034-006~0012

Version	Date	Author	Changes made
0.1	1 September 2021	Environment Policy	Draft for consultation
0.2	10 December 2021	Environment Policy	Revised draft for internal discussion
0.3	25 February 2022	Environment Policy	Revised draft for consultation

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DRAFT

1. Purpose of the Greenhouse Gas Emissions Offsets Policy and Technical Guidelines

The Northern Territory Government (NT Government) has committed to achieving net zero greenhouse gas (GHG) emissions by 2050¹. Meeting this target will require significant effort to decarbonise the Northern Territory (the Territory) economy. Avoiding or mitigating GHG emissions (emissions) is the preferred approach. Offsets provide a mechanism of last resort to compensate for emissions that cannot be avoided or mitigated.

The purpose of the Greenhouse Gas Emissions Offsets Policy and Technical Guidelines (the policy) is to establish how and when to use offsets in the Territory to compensate for emissions. The policy seeks to ensure that offsets can be used where the NT Government considers it appropriate to support achievement of the net zero by 2050 target and any interim targets or strategies used to help achieve this overarching target. The policy is a statutory instrument given effect under section 125(2) of the *Environment Protection Act 2019* (EP Act), and is a component of the Northern Territory Offsets Framework (the NT Offsets Framework).

In this policy, a reference to the term 'emissions' includes carbon dioxide, methane, nitrous oxide, sulphur hexafluoride, hydrofluorocarbons, and perfluorocarbons. A standard unit called a 'carbon dioxide equivalent' or CO₂-e is used to quantify the relative impact of these different types of gases on the atmosphere, and is usually expressed in tonnes of CO₂-e (tCO₂-e).

2. The Northern Territory Offsets Framework

The NT Offsets Framework, illustrated in Figure 1 below, is established under section 125(1) of the EP Act to enable the consistent and transparent use of offsets in the Territory. It allows the use of offsets under the EP Act or an Act prescribed by the Environment Protection Regulations 2020 (Prescribed Acts).

Drafting note: The NT Government intends to prescribe the *Petroleum Act 1984* in conjunction with the commencement of this policy. This will mean the *Petroleum Act 1984* will be a Prescribed Act for the purpose of the NT Offsets Framework.

¹ See the NT Government's '*Climate Change Response: Towards 2050*' which can be found on the Department of Environment, Parks and Water Security website (<https://depws.nt.gov.au>).

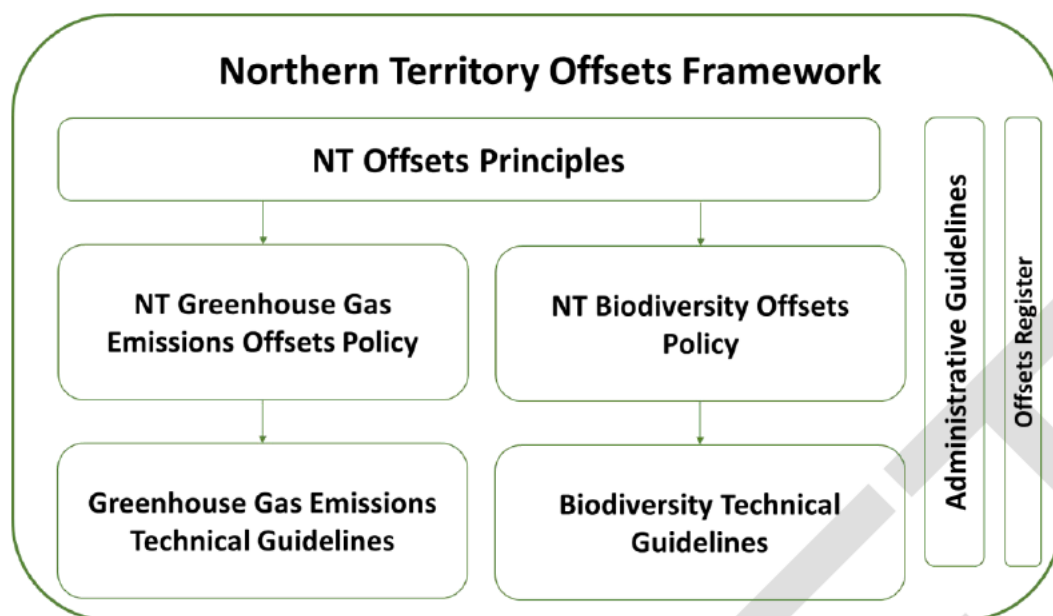


Figure 1: The Northern Territory Offsets Framework

The Northern Territory Offset Principles (the NT Offset Principles) are a key component of the NT Offsets Framework, establishing the expectations for policies and guidelines under the framework, and any offsets required by the framework. The NT Offset Principles establish that:

1. Offsets must contribute to relevant Territory targets
2. Offsets must be designed to deliver maximum benefit to the Territory
3. Benefits of offsets must be additional and secured
4. Offsets must be knowledge-based and design must be responsive
5. Stakeholder engagement, disclosure and transparency is required
6. Duplication of offsets must be avoided.

These principles are further explained in detail in the NT Offset Principles document.

This policy applies to offsets in relation to emissions only (emissions offsets). Biodiversity offsets are subject to a separate biodiversity offset policy and technical guidelines. The Administrative Guidelines establish roles, requirements and responsibilities for the development and implementation of both emissions offsets and biodiversity offsets. A public offset register is used to maintain transparent records of offsets secured under the NT Offsets Framework.

For further information about the NT Offsets Framework, including the above principles, policies and guidelines, refer to the Department of Environment, Parks and Water Security (DEPWS) website².

² <https://depws.nt.gov.au>

3. Use of emissions offsets in the Northern Territory

Decarbonising the Territory economy and achieving net zero emissions by 2050 will require all sectors of the economy to manage and abate emissions.

3.1. NT Government emissions management and abatement expectations

The 'Greenhouse Gas Emissions Management for New and Expanding Large Emitters'³ policy (the Large Emitters Policy) outlines the NT Government's emissions management and abatement expectations for proponents of development proposals. This includes emissions production thresholds that establish when these NT Government expectations apply to a development proposal.

Where a development exceeds the emissions thresholds, and requires assessment under the EP Act or Petroleum (Environment) Regulations 2016, the Large Emitters Policy requires proponents to provide a Greenhouse Gas Abatement Plan (a GGAP) with the development proposal. The GGAP must outline how the proponent will use avoidance, mitigation, and then offsets, to achieve net zero emissions by 2050, or justify why an alternative target is appropriate.

Any offsets proposed under a GGAP must satisfy the NT Offsets Framework.

3.2. Applying offset requirements

Under the NT Offsets Framework, offset requirements can be applied by the NT Government to environmental approvals under the EP Act or statutory approvals under a Prescribed Act⁴. This enables the NT Government to ensure that proponents use offsets as a tool of last resort where appropriate to compensate for emissions produced by development, such as land clearing, resource exploration and extraction, or the establishment and ongoing operation of a facility.

For developments assessed under the EP Act or a Prescribed Act, the NT Government may consider and apply offset requirements during assessment and approval processes. The NT Government may apply offset requirements based on what is proposed by the proponent, for example within a GGAP, or may apply different offset requirements where appropriate.

The NT Offset Principles identify the need to apply the mitigation hierarchy to development as a pre-condition before offsets can be considered and applied to an approval. Accordingly, the NT Government will only consider the use of offsets where the mitigation hierarchy has been appropriately applied by proponents to a project. This means the NT Government must be satisfied that proponents have demonstrated they have taken all reasonable steps to first avoid or mitigate emissions. Any remaining emissions that cannot be avoided or mitigated are called residual emissions. Emissions offsets can only be used to compensate for residual emissions.

³ The Large Emitters Policy is available at https://depws.nt.gov.au/environment-information/large-emitters-policy/large-emitters-policy?SQ_VARIATION_1042148=0

⁴ For example, an environment management plan under the Petroleum (Environment) Regulations 2016.

Where an emissions offset is considered appropriate, the decision maker for the approval may require residual emissions to be offset as a condition of the approval (an emissions offset approval condition). For development that requires an environmental approval under the EP Act, the Minister for Environment is the decision maker for the grant of approval. The Northern Territory Environment Protection Authority (NT EPA) is the entity responsible for assessing the development proposal, and may recommend to the Minister for Environment that an emissions offset approval condition should be applied to the project. The assessing entity and decision maker for a statutory approval under a Prescribed Act is determined by the Prescribed Act⁵. For further information about the assessment and approval of development under the EP Act, refer to the NT EPA website⁶.

3.3. Designing and delivering emissions offsets

All offsets required by an emissions offset approval condition must be designed and delivered to satisfy the NT Offset Framework. Prior to undertaking any activities subject to an emissions offset approval condition, proponents must ensure they have acquired the necessary NT Government approval for their offset proposal demonstrating how offsets will satisfy this policy. The Administrative Guidelines provide further information about developing and acquiring NT Government approval of an offsets proposal.

4. Policy scope

This policy applies to the use of emissions offsets under the EP Act or Prescribed Acts.

The policy does not bind decision makers on when to apply emissions offsets and the quantity of offsets required. Decision makers will apply emissions offsets approval conditions as appropriate to individual development proposals and to satisfy any particular emissions management requirements under the relevant legislative framework⁷. Decision makers will consider this policy in deciding when to apply an emissions offset approval condition and the quantity of offsets required by the condition.

The policy establishes requirements for the design and delivery of emissions offsets required to be offset under an emissions offset approval condition. This includes offset requirements in relation to any scope⁸ of emissions subject to the emissions offset approval condition.

An offset that is developed and delivered to satisfy an emissions offset approval condition must satisfy this policy.

⁵ For example, DEPWS is the assessing entity and the Minister for Environment is the decision maker for an environment management plan under the Petroleum (Environment) Regulations 2016.

⁶ <https://ntepa.nt.gov.au/>

⁷ For example, either the EP Act or a Prescribed Act, depending on which framework the development proposal is assessed under.

⁸ This may include scope 1, 2 or 3 emissions, depending on which scope of emissions the emissions offset approval condition relates to. The different types of emissions scope are explained further in the Large Emitters Policy.

5. Policy application

The policy informs:

- assessing entities and decision makers in applying an emissions offset approval condition to a statutory approval
- proponents in identifying potential offset requirements, developing offset proposals, and delivering offsets to satisfy an emissions offset approval condition
- DEPWS in assessing and approving offset proposals
- regulators undertaking monitoring, compliance and enforcement activities related to the delivery of offsets to satisfy an emissions offset approval condition.

The policy is designed to be read in conjunction with the NT Offset Principles and the Administrative Guidelines.

6. Relationship with the Commonwealth Safeguard Mechanism

Offsets may also be required under the Commonwealth Safeguard Mechanism (the Safeguard Mechanism) for emissions produced by projects in the Territory. Under the Safeguard Mechanism, large emitting facilities may be required to set a baseline limit on the amount of emissions they produce. Where they exceed or expect to exceed this baseline, the Safeguard Mechanism provides a number of options, including the use of offsets to compensate for excess emissions, or adjustment of the baseline.

The NT Offsets Framework applies in addition to the Safeguard Mechanism. This means some emissions may be subject to offset requirements under both frameworks. To prevent duplication in offset delivery between the frameworks, any emissions that are offset to satisfy the Safeguard Mechanism may be subtracted from the amount of emissions required to be offset by an NT emissions offset approval condition. The purpose of this is to ensure that proponents are not required to offset the same emissions twice. For more information on the Safeguard Mechanism, refer to the Clean Energy Regulator website⁹.

7. Target for emissions offsets

The NT Offsets Principles require offset policies and guidelines to apply a target-based implementation model to offsets in the Territory. This model is designed to ensure offsets make appropriate contributions to priority targets for the Territory.

The overarching target that applies to emissions in the Territory is the NT target of **net zero greenhouse gas emissions by 2050**. There may also be additional or interim targets set in the future by the NT Government to help achieve this target.

Emissions offsets must make a material and meaningful contribution towards achieving the Territory's target of net zero emissions by 2050, as well as any additional or interim targets set to achieve this 2050 target.

⁹ <http://www.cleanenergyregulator.gov.au/>

8. Applying emissions offset requirements

The section outlines how assessing entities and decision makers should:

- determine whether offsets are required
- determine the amount of emissions that need to be offset
- express offset requirements in an emissions offset approval condition.

This can also be used to guide proponents in identifying when and how offset requirements may apply to their project.

8.1. Determining when offsets are required

In general, the application of an offset requirement will be considered by the decision maker where the development is assessed on the basis of its estimated emissions under the EP Act¹⁰ or a Prescribed Act¹¹ and residual emissions will be produced.

Emissions may be produced and identified over periods of time over the life of a project (for example, annually or every five years) or through a more distinct or “one off” emitting event such as land clearing¹². Residual emissions include any emissions remaining once all reasonable steps have been taken to first avoid or mitigate the production of emissions.

Assessing entities and decision makers are responsible for determining whether the quantity of residual emissions produced by the development over time, or through a single emitting event, must be offset. In making this determination, considerations may include:

- the estimated emissions¹³ produced by the project, either annually or for a single event
- the projected emissions profile over the life of the project
- the target for emissions offsets identified in Section 6 of this policy
- the overall impact on the Territory's emissions profile and trajectory towards the Territory's target of net zero emissions by 2050, based on:
 - the emissions produced by the project
 - the cumulative emissions produced across a proponent's enterprises in the Territory
 - the emissions associated with the relevant industry.

¹⁰ The NT EPA provides guidance information about when proponents can expect their development proposal to be assessed on the basis of their emissions under the EP Act.

¹¹ DEPWS provides guidance information about when proponents can expect petroleum development to be assessed under the Petroleum (Environment) Regulations 2016.

¹² It is important to note that land clearing not only results in emissions released to the atmosphere, but also prevents the long term sequestration of carbon in the cleared area.

¹³ Emissions should be estimated in accordance with the emissions estimation and reporting requirements for organisations under the Commonwealth *National Greenhouse and Energy Reporting Act 2008*.

- the capacity of the project, proponent and industry to avoid, mitigate or offset emissions
- the advice of any assessing entities for the project (for example, the NT EPA for projects assessed under the EP Act)
- national and international emissions reduction targets, strategies and obligations.

8.2. Expressing offset requirements in an emissions offset approval condition

An emissions offset approval condition should specify the amount of emissions that need to be offset for each emitting event or period. Alternatively, this may be specified in an overarching plan or strategy for managing emissions (e.g. a GGAP) that has been prepared by the proponent, and approved and built into an emissions offset approval condition by the decision maker.

For each emitting event or period, the amount of emissions that need to be offset should be expressed as:

- a fixed amount of emissions; or
- an emissions threshold, above which any emissions will need to be offset.

A fixed amount of emissions may be more appropriate when there is high degree of confidence in the estimated emissions used to inform project assessment and approval (for example, a shorter term project using well known technology).

An emissions threshold may be more appropriate where there is lower confidence in the estimated emissions used to inform project assessment and approval, and consequently a greater likelihood of variation (for example, a longer term project intending to use new technology as it becomes available). This approach provides a simple mechanism to ensure the amount of offsets delivered is responsive to actual measured emissions.

9. Types of emissions offsets

All emissions offsets required by an emissions offset approval condition must be delivered through activities that reduce, remove or capture emissions. The amount of emissions abatement achieved is represented by emissions offset units. Emissions offsets must be delivered using emissions offset units that are recognised as legitimate by the Australian Government. This includes Australian Carbon Credit Units administered and regulated by Commonwealth legislation, or eligible offset units listed under Commonwealth Climate Active Neutral Standards (alternative emissions offset units). Under these frameworks, one emissions offset unit represents the abatement of one tCO₂-e.

9.1.1. Australian Carbon Credit Units

The preferred type of emissions offset unit is an Australian Carbon Credit Unit (ACCUs). ACCUs are regulated financial products under the Commonwealth *Carbon Credits (Carbon Farming Initiative) Act 2011* (the Commonwealth ACCU Framework) and administered by the Clean Energy Regulator.

9.1.1.1. Eligibility of ACCUs

Any ACCUs acquired under the Commonwealth ACCU Framework are eligible for use as direct emissions offsets under the NT Offsets Framework. However, the Commonwealth ACCU framework contains a range of requirements that may restrict ACCU use in the Territory, such as regulatory additionality requirements, or requirements that apply to ACCU purchase, generation and surrender. These requirements prevent an ACCU that is used to satisfy an emissions offset approval condition in the Territory from being sold on by the proponent. If an ACCU used to meet an emission offsets approval condition was sold on by the proponent, it would no longer satisfy the emissions offset approval condition. Further information on these Commonwealth requirements can be found on the Clean Energy Regulator website¹⁵.

9.1.1.2. Acquiring and delivering ACCUs

ACCUs can be acquired in two ways:

1. They can be generated using methodologies under the Commonwealth Emissions Reduction Fund (ERF) framework (ERF methodologies).
2. They can be purchased on a secondary market.

Delivery of a direct emissions offset using ACCUs means the required number of ACCUs has been surrendered back to the Australian Government. This can be demonstrated by evidence of ACCU purchase and surrender, or evidence of an ERF contracted project that is committed to generating and surrendering the required amount of ACCUs.

The costs of generating ACCUs will vary depending on the type of project and ERF methodology used. The costs of purchasing an ACCU will also vary depending on recent market trends. For more information on the costs involved with establishing an ACCU generating project, or purchasing ACCUs on the secondary market, contact the Clean Energy Regulator.

9.1.2. Alternative emissions offset units

Alternative emissions offset units include emissions offset units other than ACCUs, governed by an Australian framework or an international framework. They can be used as direct emissions offsets under the NT Offset Framework only if they are listed as eligible offset units under Commonwealth Climate Active Carbon Neutral Standards (the Climate Active Standards).

The eligible offset units listed in the Climate Active Standards may be updated by the Australian Government as new information or new types of offset units become available. For further information on current eligible offset units, refer to the Climate Active Standards published on Australian Government's Climate Active website¹⁶.

¹⁴ <http://www.cleanenergyregulator.gov.au/>

¹⁵ <http://www.cleanenergyregulator.gov.au/>

¹⁶ <https://www.climateactive.org.au/>

9.1.2.1. Eligibility of alternative emissions offset units

Alternative emissions offset units can only be used under the NT Offsets Framework where they satisfy all of the following eligibility criteria:

1. Any units purchased or generated are able to be counted towards the Territory's emissions profile.
2. The administering framework for the unit allows them to be surrendered to satisfy jurisdictional obligations such as an emissions offset approval condition in the Territory.

9.1.2.2. Acquiring and delivering alternative emissions offset units

Alternative emissions offset units can be generated or purchased in accordance with the administrative framework which governs them (the governing framework). For further information, contact the administering organisation for the offset units.

Delivery of an emissions offset using alternative emissions offset units means the required number of units has been surrendered in accordance with the governing framework. This can be demonstrated by evidence of alternative emissions offset unit purchase and surrender, or evidence of a project contracted under the governing framework that is committed to generating and surrendering the required amount of units. Any alternative emissions offset units used to satisfy an emissions offset approval condition must not be sold or profited from. Doing so will mean the units no longer satisfy the emissions offset approval condition.

The costs of generating alternative emissions offset units will vary depending on the type of emissions abatement project and methodology used. The costs of purchasing an alternative emissions offset unit will also vary depending on recent market trends. For more information on the costs involved with using alternative emissions offset units, contact the administering organisation.

10. Additionality requirements

The NT Offsets Principles require all offsets delivered under Territory legislation to be additional. This means the outcomes of the offset must be additional to what would have otherwise occurred without the offset. For emissions offsets, this means that the offset activities must not:

- already be required or committed to satisfy any other statutory obligations; or
- displace or shift costs of other management activities being undertaken by local, Territory or Commonwealth governments, land managers or other entities that are aimed at achieving environmental, economic or social improvements.

For example, if fire management is already occurring over an area of land to satisfy biodiversity offset requirements under the NT Offsets Framework, fire management in the same area could not be used to generate ACCUs to satisfy an emissions offset approval condition.

11. Emissions offset order of priority

The order of priority for emissions offsets is designed to maximise the environmental, social and economic co-benefits delivered to the Territory. Emissions offsets must be delivered in accordance with the following:

1. Territory-generated offsets must be used to deliver as much of the required amount of emissions offsets as possible. This includes ACCUs or alternative offset units generated by abatement projects located entirely or partially in the Territory¹⁷. Proponents must ensure (and be able to demonstrate) that all possible options to acquire a sufficient amount of Territory-generated offsets have been explored.
2. Where Territory-generated offsets cannot be used to entirely satisfy offset requirements, offsets generated in other parts of Australia or internationally may be used.

12. Delivery requirements and timeframes

An emissions offset must be delivered in accordance with the emissions offset approval condition, this policy, the NT Offset Principles and the Administrative Guidelines. In some cases an emissions offset approval condition may also require offsets to be delivered in accordance with an emissions offset plan developed by the proponent.

An emissions offset plan can be a standalone document specific to offsets, or part of an overarching plan or strategy for managing the overall emissions from a project (such as a GGAP). An emissions offset plan must be approved in accordance with the emissions offset approval condition and the Administrative Guidelines prior to undertaking any activities subject to the condition. In approving an emissions offset plan, decision makers will determine whether the requirements of this policy have been met, and may seek independent assessment where required.

The required delivery timeframes for emissions offsets should be specified in the emissions offset approval condition or an approved emissions offset plan. In general, this will require offsets to be delivered as close to the production of the associated emissions as possible, up to a maximum of 12 months after the relevant emissions were reported on, unless the proponent can demonstrate why this is not reasonably possible.

Offset delivery is completed once the decision maker is satisfied that all offsets have been delivered in accordance with the emissions offset approval condition.

13. Monitoring, adjustments and reporting

The delivery of emissions offsets must be monitored, adjusted if required and reported on as per the emissions offset approval condition or an approved emissions offset plan. The Administrative Guidelines provide additional guidance for the monitoring, adjustment and reporting of emissions offsets.

¹⁷ For example, some credit units may be generated through projects that straddle the borders between the Territory and other Australian states.

Offset delivery adjustments may be required in response to a range of circumstances. Adjustments will likely be required where monitoring identifies that the actual emissions are different to the estimated emissions used to inform project assessment and approval. Additional offsets may be required to address an increase in actual emissions for a relevant emitting event or period, which must be delivered in the same way as any offset under this policy. Where there is a substantial increase in actual emissions, conditions of the statutory approval may also require proponents to demonstrate they have investigated opportunities to avoid and mitigate the additional emissions before offsetting them. Where actual emissions are less than the estimated emissions, any surplus offsets delivered could be used to address offset requirements for the next relevant emitting event or period. An emissions offset approval condition or an approved emissions offset plan should specify how adjustments will be made in these circumstances.

The emissions offset approval condition or approved emissions offset plan should also specify the emissions offset reporting requirements that apply to the project. This should include requirements to:

- submit reports at regular intervals about the monitoring of actual emissions and the delivery of emissions offsets, and
- submit a final report demonstrating the overall completion of offset delivery.

14. Compliance and enforcement

The delivery of emissions offsets to satisfy an emissions offset approval condition will be subject to compliance, monitoring and enforcement to ensure:

- the actual emissions align with the estimated emissions used to determine whether offsets were required
- where actual emissions are different to estimated emissions, appropriate adjustments in offset delivery are made
- offsets are delivered in accordance with any emissions offset plan, GGAP, the emissions offset approval condition, this policy and the Administrative Guidelines.

Where an emissions offset approval condition has not been met, it will be regarded as contravention of the approval conditions and dealt with in accordance with the regulator's compliance and enforcement approach.

15. Review of the policy

The policy will be reviewed in two years in consideration of:

- the Territory's progress in and approach to achieving net zero emissions by 2050 (including any additional or interim targets set by the NT Government to help achieve the net zero target)
- any additional policy or strategy development by the NT Government outlining a pathway towards net zero emission by 2050
- any changes in international obligations or Australian Government policy.