

## 2026 ACCU SCHEME REVIEW | CONSULTATION

Australian Energy Producers | 15 December 2025

Australian Energy Producers welcomes the opportunity to provide input into the Climate Change Authority's review of the Australian Carbon Credit Unit (ACCU) scheme. A robust and credible ACCU scheme, which is trusted by the market and the Australian public, is a core tenant of Australia's least-cost transition to net zero.

**High-integrity offsets, including those developed through the ACCU scheme, provide a credible means to addressing the most challenging and expensive emissions across the economy.** Offsets also smooth the transition for many facilities and mitigate some of the steep economic and technical hurdles inherent in reaching near-zero. This is particularly important for Australian industrial emitters under the Safeguard Mechanism (SGM) who face rapidly increasing compliance obligations and costs as SGM baselines decline. Without access to sufficient cost-effective offsets under the ACCU scheme, many SGM facilities will see a significant increase in the cost of compliance and, in some instances, may find it difficult to meet their annual emissions reductions obligations.

**This review provides the Government with opportunity to reinforce the vital role of the ACCU market as part of Australia's least-cost, least-disruptive net zero pathway.** For many sectors, including hard-to-abate industry, high-integrity offsets provide a critical route to achieving net zero while maintaining economic viability and competitiveness. As the Productivity Commission (PC) advises in its recent interim report on net zero transformation, the use of ACCUs by SGM facilities should remain unrestricted so that the scheme continues to encourage least-cost emissions reduction across the economy.<sup>1</sup> It is essential that Government explicitly and consistently reinforces that robust, verified offsets are fully equivalent to onsite emissions reductions. Treating offsets as inferior or allowing the public perception of offsets to deteriorate undermines investment, distorts abatement choices and risks increasing the overall cost and difficulty of reaching net zero.

### **Australian Energy Producers recommends:**

- **The Government must continue to recognise the critical role of ACCUs in helping deliver on the least-cost abatement objectives of the SGM and in achieving net zero.** Access to sufficient, cost-effective ACCUs is essential for least-cost compliance in the SGM and for reaching net zero. The social license for the use of ACCUs must not be allowed to be diminished or be undermined.
- **Diversification of ACCUs is essential including increasing the ACCUs produced using carbon capture, utilisation and storage (CCUS) based carbon dioxide removal (CDR) technologies.** Relying predominantly on the land-sector to generate ACCUs is unlikely to deliver the volume of ACCUs needed to reach net zero – the independent Net Zero Australia (NZAu) initiative found that the land-sector would likely be a net purchaser of offsets in 2050.<sup>2</sup> To ensure access to sufficient cost-effective ACCUs to 2050, efforts should be made to diversify the scheme to include large-scale engineered removals. In particular, national and international net zero analysis shows that CCUS-based CDR technologies, such as direct air carbon capture (DACC)

<sup>1</sup> [https://assets.pc.gov.au/2025-09/interim%20report.pdf?VersionId=f2Byjt5bclXF\\_bRL.3.7RvlwpWAhm8h1](https://assets.pc.gov.au/2025-09/interim%20report.pdf?VersionId=f2Byjt5bclXF_bRL.3.7RvlwpWAhm8h1)

<sup>2</sup> Net Zero Australia, *Final modelling results*, 2023

and bioenergy with CCUS (BECCS), will be essential to offsetting residual emissions across the economy.

- **Expanding the ACCU scheme to allow high-integrity international offsets would deepen market liquidity and reduce the cost of SGM compliance and reaching net zero in Australia.** Access to Internationally Transferred Mitigation Outcomes (ITMOs), in addition to ACCUs and SGM Credits, would enhance flexibility and support lowest cost compliance. This could draw on international efforts to progress and refine Article 6 under the Paris Agreement to ensure the integrity of the ACCU scheme is maintained while increasing access to offsets.
- **Emissions abatement is the primary focus of the ACCU scheme; valuing co-benefits is commendable within the same tradable instrument, but a balance must be struck to avoid unintended consequences such as poor performing projects or inefficiencies.** The integrity of the ACCU market relies on confidence that each ACCU represents a tonne of permanent, additional, real, measurable, and verifiable emissions reduction or removal. This should not be overly conflated with other social or environmental objectives. Placing additional requirements on ACCU generation could increase the costs of ACCUs and in turn SGM compliance.
- **Government participation in the ACCU market should be limited.** The Commonwealth Government continues to be a major ACCU market participant shaping ACCU prices, liquidity, and project incentives with ~84 million legacy ACCUs still under contract, and ongoing purchasing of ACCUs via the *Powering the Regions Fund* and SGM cost containment reserve (~4 million ACCUs). The Government should focus on stabilising and underpinning market integrity, and ensuring that credit supply, methodology development, and governance arrangements support a well-functioning, credible market. Rather than competing with private demand, Government purchasing should be targeted to strategic purposes, such as catalysing investment in innovative or early-stage abatement methods (which may initially have high costs) and addressing temporary demand shortfalls. For example, the 2025 permanent exit arrangement should be maintained by continuing to require at least 25 per cent of Government contracted ACCUs be supplied to the market by proponents wanting to exit from their legacy contracts. This will support transparency on outstanding delivery volumes and timeframes.
- **Governments and relevant bodies should support public, timely provision of information.** As the ACCU market evolves, it is increasingly sensitive to announcements about changes in regulatory arrangements, new data, and activities. Appropriate management and public disclosure of market sensitive information in a timely manner will prevent the distorting of market outcomes or providing any individual participants with a competitive advantage. The PC observes that competition strongly improves as the quality of information improves, while noting the ACCU market only works if information about credit quality is reliable.
- **Any changes to the ACCU scheme should be forward facing and applied prospectively.** Retrospective amendments will undermine the bankability of projects and deter future investments in long-term, capital-intensive abatement projects that depend on stable policy settings. This has implications for both suppliers of ACCUs, as well as those who have purchased and surrendered these certificates in good faith.

Australian Energy Producers looks forward to providing further input into the ACCU scheme review in 2026.