

CARBON CREDITS INTEGRITY AND TRANSPARENCY BILL | EXPOSURE DRAFT

Australian Energy Producers | 27 May 2026

Australian Energy Producers welcomes the opportunity to comment on the Department of Climate Change, Energy, the Environment and Water's (DCCEEW) proposed amendments to the Australian Carbon Credit Unit (ACCU) and National Greenhouse and Energy Reporting (NGER) schemes.

High-integrity offsets, including those developed through the ACCU scheme, are critical to supporting a least-cost and efficient transition to net zero. Offsets provide a credible means of reconciling annual compliance obligations with the long lead times associated with onsite abatement projects. This is particularly important for Australian industrial emitters under the Safeguard Mechanism (SGM), who face increasing annual compliance obligations and costs as baselines decline. Offsets also help address the most difficult and costly emissions across the economy. Without access to sufficient supplies of robust, credible and cost-effective ACCUs, some SGM facilities may face significantly higher compliance costs and increasing difficulty meeting annual emissions obligations while longer-term onsite abatement is being delivered.

Multiple reviews have found the ACCU Scheme to be effective; legislative changes should build on this foundation rather than undermine it. Australian Energy Producers recommends reconsideration of several aspects of the proposed approach where they risk increasing uncertainty and reducing investment confidence. It is also important that any proposed changes are informed by a comprehensive cost-benefit analysis before being advanced, in line with recommendations from the Productivity Commission.

Recommendations:

- **The proposed Integrity Risk Method Declaration (IRMD) should be reconsidered.** The IRMD is expected to introduce additional costs, uncertainty and regulatory risk into the ACCU Scheme without clear evidence the benefits outweigh these impacts. It also risks implying the existing assurance processes for method development and project assessment are insufficiently robust, potentially undermining confidence in the Scheme.
- **The proposed powers to publish additional NGER Scheme data should be clarified and undergo further consultation before the Bill is finalised.** The scope and application of the powers remain unclear, particularly regarding implementation and commercially sensitive information.
- **The application of the Eligible Interest Holder (EIH) requirements should be clarified to provide greater implementation certainty** and avoid duplication with existing environmental, land access and approval processes.
- **The application of "value for money" considerations in Government ACCU purchasing decisions should be clarified.** As proposed, the concept lacks sufficient definition and guidance, creating uncertainty for ACCU market participants.
- **The consultation period for the draft Bill is insufficient.** While issues-based consultation occurred in 2022 and 2023, the current three-week period for reviewing detailed legislative amendments limits the ability to properly assess implementation impacts and policy outcomes.

Australian Energy Producers looks forward to working with DCCEEW on the finalisation of the Carbon Credits Transparency Bill. Further comments and recommendations are provided below.

COMMENTS AND RECOMMENDATIONS

Integrity Risk Method Declaration (IRMD)

An IRMD declaration could have significant impacts on ACCU supply and market confidence.

Given the relatively small number of ACCU methodologies currently available, restricting projects operating under a declared method could materially affect the market. The proposed minimum six-month transition period to move projects to a new methodology is also unlikely to be sufficient given the complexity of implementing ACCU methods. While ACCUs issued before a project transitions may technically remain valid, their use may become more difficult due to compliance complexity and reputational concerns.

Further clarity is required regarding the definition of “material risk”. The Bill and Consultation Paper do not outline the parameters that may be used to determine whether a material risk exists. For a declaration to be made, a methodology would need to be found inconsistent with one or more Offset Integrity Standards (OIS) and deemed to pose a “material risk” to the integrity of the scheme established under the Act. This should be limited to risks relating to material emissions abatement and Australia’s ability to meet its emissions reduction targets. As drafted, there is a risk that subjective or reputational concerns alone could be used to support a declaration, rather than material and independently verifiable integrity concerns relating to additionality, permanence and accurate quantification. Clarification should also be provided that other powers available to the Carbon Abatement Integrity Committee (CAIC) and Minister would be considered first, reinforcing that the IRMD is intended to operate as a power of last resort.

Analysis on the potential market impacts of the IRMD is required before it is established as a legislative power. The proposed IRMD is expected to reduce certainty for proponents and in turn increase costs and regulatory risk across the ACCU Scheme, with these risks ultimately reflected in the cost of ACCUs. Project developers will need to account for the possibility that an approved methodology could later be declared an integrity risk, despite having previously been endorsed by the Regulator. While the Department has indicated the power would only be used as a last resort, investors and proponents will still need to consider the downside risk when making investment decisions.

The process for making an IRMD should include consultation before a draft declaration is issued. Section 132E of the Bill currently provides for consultation only after a draft declaration has been made. However, given the significant implications of a draft declaration, substantial damage to the relevant project or methodology may already have occurred by this stage, making it difficult to reverse the decision.

The process should clearly outline what information the CAIC will publicly release as part of the IRMD process. It is recommended that the published advice should explain why alternative regulatory powers were considered insufficient and include the evidence used to support the draft decision. This would improve transparency and help the market better understand the circumstances in which the power is intended to be used.

Publication of NGER Scheme data and transparency objectives

The proposed powers to publish additional NGER Scheme data should be clarified and undergo further consultation before the Bill is finalised. Legislated consultation requirements are included elsewhere in the Bill, including requirements for the CAIC to consult on draft IRMDs, and a similar approach should apply to the proposed NGER publication powers. Greater clarity is also

required regarding the scope of information intended to be published and how commercially sensitive information will be protected, consistent with recommendations from the Chubb Review

The Department should also consider whether alternative transparency measures may provide more effective outcomes. While the Clean Energy Regulator (CER) already publishes substantial data, the current system can be difficult and time-consuming to access and analyse. Simply publishing additional data may not improve transparency if information remains fragmented or difficult to interpret. In contrast, there may be value in improving transparency relating to ACCU projects, where comparatively limited information is currently publicly available. Greater transparency in this area could improve market confidence, better inform ACCU purchasers, and support alignment with emerging international frameworks, including future Article 6 arrangements.

Eligible Interest Holder

The application of the Eligible Interest Holder (EIH) requirements requires further clarification to provide greater certainty regarding how the provisions will operate in practice. It remains unclear how the EIH requirements are intended to apply in different circumstances. The proposed arrangements should also avoid duplication with existing environmental, land access and approval processes. Without greater clarity, there is a risk the provisions could increase project complexity, development timeframes and costs, with implications for future ACCU supply

“Value for money” purchasing

Clarification is required on how “value for money” considerations will be applied in Government ACCU purchasing decisions. As currently drafted, the proposal lacks sufficient definition and guidance, creating uncertainty for ACCU market participants. The proposal also departs from the core principle of lowest-cost abatement and should therefore clearly outline its policy intent and the extent to which departures from lowest-cost abatement are envisaged. Without greater clarity, it is recommended that lowest-cost abatement is prioritised, consistent with the core principles underpinning the ACCU Scheme. If the intent of the proposal is to support co-benefits this should be clearly articulated, and any departure from lowest-cost abatement should be transparent, proportionate and linked to clearly defined policy objectives.

The concept of “value for money” should not be used to preference particular ACCU types, such as removals or novel technologies, as part of broader market development objectives. It is important that the provision is not used to avoid purchasing ACCUs from approved methods based on perceived concerns regarding abatement integrity. Government and regulatory decisions should continue to support confidence in the integrity of the ACCU Scheme, and the investment decisions made under it. Otherwise, this approach risks undermining the principle that one ACCU represents one tonne of abatement, which underpins the Commonwealth’s broader carbon policy framework.

Establishing the Carbon Abatement Integrity Committee

Establishing the CAIC presents an opportunity to improve transparency, incorporate industry perspectives and support more timely method development. Given the expanded scope of the CAIC’s advisory role under proposed section 123E, consideration should be given to requiring publication of the information relied upon in advice to the Minister to support transparency and consultation. AEP also encourages the inclusion of industry expertise from ACCU purchasers within the CAIC, alongside a stronger focus on future ACCU supply and timely development of replacement methods to reduce unnecessary market disruption.