



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **10(e)**
Meeting Date: 24 February 2015
Subject: Emissions Reduction Fund and Clean Energy Regulator Update
Date Prepared: 13 February 2015

Action Required

For Information Purposes Only

Agenda Item Objectives

1. To provide the AUASB with an update on developments in relation to:
 - a. The Emissions Reduction Fund (ERF), including the activities of the Department of Environment in developing legislation and regulation for the scheme, and the Clean Energy Regulator (CER), who administers the scheme, to identify possible implications for the AUASB.
 - b. The National Greenhouse and Energy Reporting (NGER) and related schemes which the Clean Energy Regulator (CER) administers.
2. To consider whether and when Guidance Statement GS 021 *Engagements under the National Greenhouse and Energy Reporting Scheme, Carbon Pricing Mechanism and Related Schemes* will be updated to reflect the current schemes.

Background

Policy

The Department of Environment is responsible for policy development in relation to climate change and is responsible for developing the policy with respect to the government's proposed ERF, the legislation necessary to implement the scheme and the methodology determinations for quantification of abatements under each type of project. The ERF has replaced the carbon pricing mechanism (CPM), which was repealed with effect from 1 July 2014 and will incorporate projects operating under the Carbon Farming Initiative (CFI). Assistance schemes related to the CPM, the Jobs and Competitiveness program (JCP) and partial exemption certificate (PEC) relief under the Renewable Energy Target (RET) have been discontinued with effect from 1 July 2014.

Regulation

The CER is responsible for the administration of schemes related to climate change, which currently include:

- National Greenhouse and Energy Reporting Scheme (NGERS) – on-going reporting requirements
 - CPM & related assistance – final reporting period ended on 30 June 2014 and all obligations to meet carbon liabilities were required to be met by liable entities by 2 February 2015.
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- ERF – development of subordinate legislation (regulations, determinations and rules) to implement the ERF legislation, including specific audit and assurance requirements.

Matters to Consider

The AUASB continues to liaise with the CER with respect to implementation of the ERF and assurance under the scheme. The ERF has been introduced by way of amendments to the *Carbon Credits (Carbon Farming Initiative) Act 2011*, which provide for the CER to conduct auctions and enter into contracts to purchase emissions reductions. The amendments enable a broader range of emissions reduction projects to be approved, as well as amending the project eligibility criteria and processes for approving projects and crediting carbon credit units. The ERF formally commenced on 12 December 2014 and the first auctions under the ERF are due to commence in April 2015. The auctions will be used by the CER to purchase emissions abatements in the form of Australian carbon credit units (ACCUs), on behalf the Government. ERF contracts will include a schedule for the delivery of ACCUs submitted by the project proponent, reporting under the scheme and will be subject to an audit, the frequency of which will depend on the volume of abatement.

The AUASB liaised with the Department of Environment in drafting *Carbon Credits (Carbon Farming Initiative) Rule 2015*, which was on public exposure in late 2014 and is expected to be finalised in early 2015. The Rules specify the nature and frequency of the audit requirements and the form of the audit reports to be provided with respect to ERF projects. The Rules provide for projects to undertake an initial audit at the beginning of the crediting period with a minimum of three audits, including the initial audit, in total over crediting periods of seven years or more.

The Department of Environment have been in the process of issuing exposure drafts of methodology determinations for each new activity which the ERF will encompass. Existing Carbon Farming Initiative projects will be automatically transitioned to the ERF. Changes to current and new methods will not affect these existing projects, in that they may either continue to operate under their existing CFI methods or apply to use an applicable ERF method.

The CER has been preparing prospective participants in the ERF by issuing the following material on its website, including:

- Steps to participate - a high-level overview of what is required to participate in the ERF.
- Carbon Abatement Contract – terms and conditions that will apply to contracts entered into to purchase abatement.
- Auction guidelines - information on auction schedules, bidding, suspension and cancellation, participant disqualification and information publication.
- Register of projects - information about projects currently registered under the ERF and the abatement achieved by those projects.
- Types of projects - eligible projects under the ERF.
- Application forms – registration of ERF projects.

The AUASB Technical Group will continue to liaise with the CER and the Department of Environment and monitor their activities.

AUASB Technical Group Recommendations

With the repeal of CPM and related assistance schemes and the introduction of the ERF, GS 021 is now out-of-date and requires amendment. The AUASB Technical Group recommends that the AUASB consider inclusion of GS 021 on the work program.

Material Presented

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