



International offsets review consultation by the Climate Change Authority

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Hon Angus Taylor Minister for Industry, Energy and Emissions Reduction has commissioned the Climate Change Authority (CCA) to review the principles and criteria for assessing the use of carbon reduction offsets. This will review principles and criteria is used in the Climate Active program and will help inform the redesign of the Indo-Pacific Carbon Offsets Scheme (IPOCS), in effort to meet carbon reduction targets as per the Paris Agreement. The review is now up for public consultation on the CCA website (<https://www.climatechangeauthority.gov.au/public-consultation>) until 4 April 2022. Responses to the consultation will inform the final review due 30 June 2022.

What are 'international offsets'?

An 'offset' is a unit representing the reduction or removal of one tonne of greenhouse gas emissions. An entity who has accomplished removing one tonne of greenhouse gas emissions can sell their 'offset' to one who cannot. This means that companies that cannot effectively reduce their carbon emissions are penalized, and those that can are rewarded. Offsets can promote carbon reduction through investment into the development of technology, techniques and equipment to reduce emissions and provide extra revenue to finance existing carbon reduction activity.

Auditing and accreditation are vital to ensure offsets are genuine. Criteria and standards administered by the Clean Energy Regulator are used to ensure a strong framework for the creation and tracking of Australian Carbon Credit Units, as defined by the Carbon Credits Act 2011.



What will be reviewed?

This review will analyse the current institutional structure where the Dept of Industry, Science, Energy and Resources is the governing body of Climate Active and will also review the criteria used by Climate Active.

The Dept of Industry, Science, Energy and Resources uses principles outlined by the Carbon Neutral Standard to assess and determine offset integrity under the Climate Active program, which certifies carbon neutral businesses. The Carbon Neutral Standard states that offsets must:

- represent reduction of emissions that would *not* have occurred naturally
- represent a *permanent reduction* of greenhouse gas, or will not be released into the atmosphere for 100 years if sequestered

- have emission *measures are clear* and convincing
- be *transparent* about the methodology used
- *address any leakage*, such as material increases elsewhere in production
- be *independently audited*
- and be *registered* and tracked in a public registry.

Reviewing international offset criteria is important to ensure Australian offsets represent real emission reductions to achieve set targets. Australian offsets can be compared and reviewed against the international transferred mitigation outcomes (ITMOs)- international offset units defined by the Paris Agreement to allow international trade.

IPCOS is a scheme which helps create partnerships with countries in the Pacific to trade carbon offsets under the Paris Agreement. The scheme encourages investment in carbon emission projects to support partner countries and Australian businesses to meet climate goals and contribute to the United Nations Sustainable Development Goals. IPOCS will be reviewed in this consultation to assess and decide on government, criteria and principles ensuring those align with the Paris Agreement.



Public Consultation

CCA has created a Terms of Reference with technical issues to consider for the public consultation. This includes reviewing the criteria set out by Climate Active and whether this is used in the new IPOCS.

CCA has also produced a comprehensive list of questions to guide stakeholders and interested parties in the review. These include assessing the use of offsets by Australian companies, current criteria and standards, current governance arrangements, co-benefits of offsets, any adverse impacts produced by offsets and any broader implications.

Written and online public submissions will be accepted by the CCA, by emailing enquiries@climatechangeauthority.gov.au or by submitting online via <https://www.climatechangeauthority.gov.au/public-consultation>.

Additionally, there will be a series of targeted consultations with stakeholders to complement written submissions. Willing participants are encouraged to contact enquiries@climatechangeauthority.gov.au.

