



REVIEW OF THE CARBON FARMING INITIATIVE LEGISLATION AND THE EMISSIONS REDUCTION FUND

What is the consultation paper for?

The Climate Change Authority has released a paper as a basis for consultation on its second review of the Carbon Farming Initiative (CFI) legislation. The CFI Act was amended in 2014 to support new arrangements for the Emissions Reduction Fund (ERF), which forms a central plank of the Australian Government's emissions reduction policy.

The Authority is required to review the CFI and the ERF every three years. The CFI Act states that the Authority's review must cover the operation of the CFI Act, its regulations and other instruments made under the Act.

What is the Carbon Farming Initiative/Emissions Reduction Fund?

The CFI was an emissions reduction offsets scheme that covered the land and landfill waste sectors. In 2014, following legislative amendments passed by Parliament, the CFI was broadened and expanded to become the ERF.

The ERF has three elements: crediting emissions reductions, purchasing emissions reductions and safeguards. This review covers the crediting and purchasing aspects of the ERF and examines how the scheme is being administered.

In essence, the ERF combines crediting of emissions reduction activities as offsets projects coupled with government purchase of the resulting carbon credits (known as Australian Carbon Credit Units or ACCUs) through competitive auctions. ACCUs from ERF projects can also be sold in the voluntary carbon market.

The safeguard mechanism is largely a separate scheme (that sets emissions limits for large emitting businesses) and will not be covered by this review. The Authority will examine the safeguard mechanism as part of its review of the National Greenhouse and Energy Reporting legislation in 2018.

What approach is the Authority taking to this review?

In its 2016 *Special Review on Australia's climate goals and policies*, the Authority recommended that the ERF continue in its current form until other policies – like an Emissions Intensity Scheme or a Clean Energy Target and vehicle emissions standards – are put in place. The Authority recommended that the ERF crediting arrangements should continue for the land sector into the future.

The Authority is of the view that its recommendations on the ERF in the *Special Review* remain current. This review will focus on the operational aspects of the ERF. In particular, the Authority will examine the extent to which the ERF is achieving low cost and real emissions reductions and whether it is well administered.

What are the Authority's key areas of interest?

The ERF has been in place for three years now so a review of its effectiveness and governance is timely.

The Authority is keen to understand from stakeholders how the ERF is performing and whether any improvements should be made to the operation, administration and governance of the ERF.

For example, the Authority is interested in stakeholder views on the following issues:

- Is the ERF achieving low cost and real emission reductions?
- Are there any barriers to participation and, if so, how can they be addressed?
- Are the methods fit for purpose and is the coverage of methods well targeted?
- Could the additionality requirements and permanence arrangements for carbon storage projects be improved?
- Is aggregation and other carbon service provision working effectively?
- Could the processes for project registration, reporting and contracting be improved?
- How has the secondary market been operating?
- Is the compliance regime effective and, in particular, able to address permanence issues over the longer term?

How can you be involved in this review?

The Authority encourages submissions from interested organisations and individuals. The Authority will draw on relevant submissions on the Authority's *Action on the land: reducing emissions, conserving natural capital and improving farm profitability* issues paper (released in March 2017) and on the Department of the Environment and Energy's 2017 Review of Australia's climate change policies.

The consultation paper is available at www.climatechangeauthority.gov.au.

More information on making a submission is available on the Authority's website at <http://www.climatechangeauthority.gov.au/submissions>.

Submissions can be made to the Authority until 29 September 2017 by emailing submissions@climatechangeauthority.gov.au. Submissions on this paper will inform the Authority's final review report, which is due by 31 December 2017.