



AUSTRALIAN
INDUSTRY
GREENHOUSE
NETWORK

**AIGN Comments on Climate Change Authority's
Review of international offsets: consultation paper
(March 2022)**

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1 INTRODUCTION

Thank you for the opportunity to respond to the Climate Change Authority's *Review of international offsets: consultation paper* (March 2022).

The Australian Industry Greenhouse Network (AIGN) is a network of industry associations and individual businesses which contribute to the climate change policy discussion and see value in joint industry action on climate change to promote sustainable development (<https://www.aign.net.au/>).

It is critical to our members and the industries they represent, that effective and enduring policies are in place to support investment and orderly transition to a low-carbon economy. This is the best way to support Australia to meet its net-zero emissions target by 2050.

AIGN supports an evidence and principles-based approach to climate policy development; one that prioritises environmental integrity and economic efficiency; that focuses on developing enduring policies; that delivers broad coverage to ensure the responsibility of reducing emissions is equitably shared; and that creates an environment in which Australia's trade competitiveness is supported.

AIGN has a broad membership base with a range of expertise in various sectors of the economy. In conjunction with this submission, the Panel should consider the submissions made by individual AIGN members.

AIGN's policy principles form the basis of our input into climate change policy development (see Attachment 1).

2 CONTEXT

AIGN supports the Government's commitment to the Paris Climate Change Agreement and its underpinning commitments to achieve net zero emissions by 2050.

The role of international offsets (or international units of any kind) in Australia should be guided by the same principles used to establish the country's climate goals.

Specifically, all units should be credible and genuine – in a carbon market that is transparent and operating in accordance with the principles of good governance.

2.1 Economic considerations

For many years, Australia has been a destination for industry and manufacturing, largely because of our competitive advantages in natural resources and affordable energy.

Within the context of the international commitments of net-zero by 2050, Australia now has an opportunity to meet demand in a world that will continue to require natural resources and manufactured goods.

Australia has the potential to be an attractive investment destination, meeting its emissions reduction goals in a vibrant robust economy.

The best way to approach this complex task is by balancing economic, environmental, and social responsibilities in a global market.

2.2 Investment and trade competitiveness

Policy uncertainty is a key risk factor for investment and can act as a significant disincentive.

Long-term policy stability is highly desirable to potential investors, requiring bipartisanship across a range of issues, including climate and energy policy.

Without this institutional stability, a commercial business investment must look viable under several potential future policy scenarios (which is, of course, a challenging criterion to meet).

As more adjustments, however incremental, accrue to the climate policy suite, and the more compliance complexity builds, investors become less likely to make significant capital investments in a jurisdiction. Over time, this could result in ageing assets and diminished innovation, culminating in a stagnating economic landscape.

3 FEEDBACK ON CONSULTATION PAPER

AIGN notes the Authority has been directed to review several matters. Some of these may require a more in-depth examination of the factors involved to provide a fulsome assessment. AIGN supports the Authority recommending further analysis and detailed consultation on aspects of this review following consideration of these submissions.

The terms of reference are chiefly geared towards obtaining feedback on the particulars of designing an approach to accepting international offsets in Australia, with reference to particular schemes and offset types.

AIGN's expertise is primarily centred on the broad range of experiences of corporate members with direct transactions in the carbon market.

3.1 Access to international units

AIGN continues to support access to genuine international units as part of a sensible climate policy framework.

The integrity of Australia's domestic policy must be maintained in any arrangement with international markets. This should be achieved through rational rules governing the environmental integrity of international units that may be used in Australia. These rules should be robust and provide the market with confidence that international units represent genuine emissions reductions.

3.2 Market liquidity

The Australian carbon market has been growing through the Emissions Reduction Fund (ERF) and increasingly through voluntary action, which is a promising development. AIGN supports action taken to deepen the market, increase market liquidity, and furnish greater access to credible emissions reduction units.

3.3 Unit access for liable entities

With policies limiting emissions growth and/or pricing emissions in place, access to fungible units for liable entities will be essential. A competitive, credible, and liquid market is necessary to ensure the success, efficiency and effectiveness of an emissions reduction policy. This should include credible local units, as well as access to credible international markets/units.

Further consultation is recommended regarding the interaction of various units and schemes including but not limited to: ACCUs, Climate Active, the Gold Standard, the Verified Carbon Standard, Quality Assurance Standard for Carbon Offsetting, ICROA, EPA or other licensing requirements, and various international units.

3.4 Integrity of international offsets

AIGN notes that this review is focused on international offsets – a subset of international units. However, the types of units that may be accepted into Australia should be limited by environmental integrity, rather than restricted to a list of unit types.

This would ensure that the process by which international units can be accepted into Australia remains, as much as possible, a question of environmental integrity. For example, the basic rules and requirements to prove environmental integrity could be laid out in a piece of legislation that units can be assessed against before being added to a list of accepted units.

With respect to environmental integrity, AIGN principles support the concept of "a tonne is a tonne". That is, regardless of its geography, if a unit satisfies environmental integrity rules it should be accepted by a policy requiring the relinquishing of units.

Greenhouse gas mitigation requires global solutions; a tonne of greenhouse gas emissions reduction contributes to the global effort regardless of where it is generated – provided integrity conditions are unarguably met.

3.5 Governance arrangements

AIGN is strongly in support of governance arrangements to ensure any international units acquitted in Australia represent genuine emissions reductions. When the appropriate time comes to consider the detail of governance arrangements, AIGN will welcome to opportunity for more detailed stakeholder consultation. Our principles provide a starting point of favouring transparent rules to support the environmental integrity of units, which must be explicit within the governance structure.

3.6 Role of government

AIGN notes the Authority's questions in the consultation paper inviting views on extending the role of government beyond certifying genuine carbon abatement by certifying co-benefits.

Co-benefits may have significant social and/or environmental value. Nevertheless, AIGN proposes the government focus strictly on the relevant issue of verifying the carbon abatement of international units and allow the market to differentiate the value and verification of co-benefits.

If purchasers of international units preferentially select units with associated co-benefits, the market will facilitate such purchases, and it must certify and attest the veracity of those co-benefits.

3.7 Use of international units

AIGN supports an approach to emissions reductions that is least cost, realistic and ensures economic efficiency along with environmental and social integrity.

Achieving Australia's net-zero by 2050 target will require intentional actions to avoid new emissions, reduce existing emissions, and offset residual emissions that cannot be reduced with available technology.

Domestic action to reduce emissions must therefore comprise a significant portion of our target, though it is acknowledged that reaching net-zero by 2050 will require a degree of offsetting.

It is generally expected that offsets for residual emissions will be required for some time to come.

Some stakeholders have called for all emissions reduction activity to be domestic, whilst others support a broader global market approach.

Any quantitative restrictions on international units could not be justified from a purely emissions reduction perspective – as the atmosphere does not distinguish between emissions reductions from different locations. Nor is it likely to be efficient, potentially denying Australia access to cost effective emissions reduction opportunities.

Therefore, provided environmental integrity standards are met, the use of international units should be facilitated to complement Australia's domestic emissions reduction objectives.

4 CONCLUSION

AIGN appreciates this opportunity to offer input to the Authority's consideration of the possible use of international units in Australia.

It is clear from the consultation paper that the Authority is in the early stages of analysis on this complex and multi-faceted topic.

Given the scale of activity required to reach Australia's net zero 2050 target, it is important arbitrary restrictions on available actions are avoided; environmental integrity and economic efficiency should be the guiding principles in decisions on admissible emissions reduction activity, including the use of offsets (domestic and international) and other international units.

Getting the rules of certification and use of international units right is an important priority for AIGN members.

Given the complexity inherent in this issue, AIGN feels it would be prudent to stress-test the proposed framework with potential market participants before finalising. As such, AIGN would welcome the opportunity for further stakeholder consultation to respond to the Authority's review of submissions and its initial positions.

Thank you for the opportunity to provide input for consideration of the Climate Change Authority. AIGN welcomes future opportunities to engage in this process. Any questions arising from this submission may be directed to Damian Dwyer, Chair AIGN (c/o marion.niederkofler@aign.net.au).

AIGN Policy

Principles

Australia should make an equitable contribution, in accordance with its differentiated responsibilities and respective capability, to global action to reduce greenhouse gas emissions and to adapt to impacts of climate change.¹

Australia should engage the international community to pursue global action to reduce greenhouse gas emissions leading to identified and beneficial environmental outcomes which:

- allows for differentiated national approaches;
- promotes international cooperation;
- minimises the costs and distributes the burden equitably across the international community;
- is comprehensive in its coverage of countries, greenhouse gases, sources and sinks;
- recognises the economic and social circumstances and aspirations of all societies; and
- is underpinned by streamlined, efficient and effective administrative, reporting and compliance arrangements.

In this global context, Australia should develop a strategic national approach to responding to climate change which:

- is consistent with the principles of sustainable development;
- is consistent with other national policies including on economic growth, population growth, international trade, energy supply and demand, and environmental and social responsibility;
- takes a long-term perspective;
- maintains the competitiveness of Australian export and import competing industries;
- distributes the cost burden equitably across the community;
- adopts a consultative approach to the development of new policies; and
- is consistent and effectively co-ordinated across all jurisdictions throughout Australia.

Australia's future greenhouse policy measures should:

- be consistent with the strategic national approach;
- be trade and investment neutral, in a way that does not expose Australian industry to costs its competitors do not face;
- not discriminate against new entrants to Australian industry nor disadvantage 'early movers' in Australian industry who have previously implemented greenhouse gas abatement measures;
- take account of the differing sectoral circumstances;
- be based as far as is practicable on market measures;
- address all greenhouse gases;
- address all emission sources and sinks; and
- balance, in a cost-effective way, abatement and adaptation strategies – both of which should be based on sound science and risk management.

¹ Australia's contribution to the global climate change effort as set out here reflects the principle in Article 3.1 of the United Nations Framework Convention on Climate Change. Differentiated responsibilities and respective

capabilities could take account of such matters as a country's economic growth and structure, population growth, energy production and use etc.