

20 April 2022

Climate Change Authority

Submitted by email: enquiries@climatechangeauthority.gov.au

Dear Sir/Madam,

Review of International Offsets

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Climate Change Authority's Review of International Offsets.

Origin is a large Australian integrated energy company with activities in energy retailing, power generation, natural gas production and LNG export. Origin also has recent experience in exploring new product offerings and has focused on areas such as solar & storage, connected homes and future fuels including hydrogen.

Origin unequivocally supports the Paris Agreement and the strong intention of the Glasgow Climate Pact to pursue efforts to limit global warming to a 1.5°C scenario. In 2017, Origin became the first Australian company to set emissions reduction targets approved by the Science Based Targets initiative (SBTi). We have a formal, public commitment to halve our Scope 1 and Scope 2 equity carbon emissions by 2032, while also committing to a 25% reduction in our indirect Scope 3 emissions. The reference year for these targets is 2017. We are currently reviewing our targets to align them with a 1.5°C scenario.

We have broad experience with both domestic and international offsets including Australian Carbon Credit Units (ACCUs), Certified Emission Reduction units (CERs) and Verified Emission Reductions (VERs) under the Gold Standard. Historically we have used these offsets to underpin green retail products for our customers. However, we also consider the role offsets may play in meeting our voluntary targets or any future mandated requirements to reduce emissions.

We view offsets as having an important role to play in the future, especially for hard to abate sectors. Offsets can allow for deeper and more cost-efficient emissions reductions over the medium to longer term. However, we note that offsets are only one part of the mitigation strategy which should also focus on direct emission reductions where practical and cost effective.

We generally support the integrity principles articulated in the consultation paper. Our key points on this review include:

- Environmental integrity – is the fundamental criteria which should guide the framework. If environmental integrity is undermined, then it will reduce confidence in the broader offsets market more generally.
- Policy stability – it is important that regulatory interventions to the offsets market are kept to a minimum. The risk of intervention may undermine investment confidence in such markets and cause prices to be higher than they would otherwise need to be over the longer term.
- Tangible property rights – stability can be aided by legislation which establishes tangible property rights. This currently exists for ACCUs and we suggest some form of central Australian Government registry could be examined for international units including the proposed Indo-Pacific Carbon Offsets Scheme (IPCOS).
- Consistency – generally, eligibility criteria should be kept aligned across all schemes including Climate Active, the proposed IPCOS or for other purposes.
- Interaction with national targets – a significant issue is whether offsets (both domestic and international) will contribute to the achievement of Australia's Nationally Determined Contribution (NDC). This issue requires further analysis and consultation with stakeholders.
- Further consultation – we view this consultation phase as the start of an ongoing process to refine the eligibility of international offsets. A number of important and complex issues are raised and we would recommend further consultation with stakeholders. We also expect that international rules will continue to be evolve as the details of the Paris Rulebook are developed.

Please find attached comments which provide further information on the matters raised in the Terms of Reference as well as feedback on selected Guiding Questions.

Thank you for the opportunity to provide feedback on the Review of International Offsets. If you wish to discuss any aspect of this submission further, please contact Matthew Kaspura at matthew.kaspura@originenergy.com.au

Yours sincerely,



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Attachment A – Response to Terms of Reference matters

ToR ref	Issue	Origin comments
a	Most important criteria for accepting offsets in Climate Active and IPCOS	<ul style="list-style-type: none"> • Generally, we should build on the integrity principles which are currently used In Climate Active and are included in p 4 of the consultation paper. • Transparency – we note that increasingly, customers are requesting detailed information to trace their offsets to individual projects. • Tangible property rights – ACCUs provide a useful example as they are established in legislation and have a tangible property right. These arrangements help underpin confidence in the value of these offsets. We suggest that arrangements for international units should seek to replicate this by potentially using an Australian Government registry that holds the international units. This design was previously examined under the former carbon pricing mechanism.
b	Non-carbon benefits – leading practices	<ul style="list-style-type: none"> • Generally, non-carbon benefits are an additional feature that will be valued by different parts of the market accordingly. • Biodiversity – we suggest that: <ul style="list-style-type: none"> • Verra including the Climate, Community and Biodiversity Standards (CCB Standards); • the Sustainable Development Verified Impact Statement (SD VISTa); and • the UNFCC Sustainable Development Goals can assist a leading practice approach to non-carbon benefits. • Other guidance in development includes from the Voluntary Carbon Market Integrity Initiative (VCMI) and the Integrity Council for Voluntary Carbon Markets (IC-VCM). • It is important that any non-carbon claims are also independently verified.
c	Potential differences in criteria across different schemes	<ul style="list-style-type: none"> • Generally, eligibility criteria should be kept aligned across all schemes including Climate Active, IPCOS or other purposes.
d	Whether criteria can/should be applied at a scheme level, by classes of units, project type etc	<ul style="list-style-type: none"> • As above, should be consistent across all schemes.
e	Vintage – should this be relevant to their use	<ul style="list-style-type: none"> • Generally, the eligibility criteria should be the most important factor in deciding on whether offsets are included and vintage should be guided by this. For example, if the Paris Agreement rules provide for guidance on vintage of offsets then this should be applied to their use in Australia. • We generally do not support a time limit on the vintage of certificates. • However, vintage may be relevant for transitional periods when a unit is being phased in or out of eligibility.
f	Which offsets could be eligible in Climate Active at the present time	<ul style="list-style-type: none"> • According to the eligibility criteria, we believe that the use of CERs should be phased out over time. This is consistent with the approach taken in the Paris Agreement and further rules recently agreed at the Glasgow climate change conference. This phase out should be over a relatively short timeframe to retain credibility in the quality of offsets used in Australia.

Attachment B – Comments on selected guiding questions

Topic	No	Summary	Origin comments
General	2	Role of offsets in Australia's transition to net zero	<ul style="list-style-type: none"> • Offsets have an important role to play in achieving Australia's transition to a net zero economy, especially for currently hard to abate sectors. • Offsets can allow for deeper and more cost-efficient emissions reductions over the medium to longer term. • However, we note that offsets are only one part of the mitigation strategy which should also focus on direct emission reductions where practical and cost effective.
	3	Lessons from international carbon markets	<ul style="list-style-type: none"> • Environmental integrity is the fundamental consideration. If undermined, then it will reduce confidence in the broader offsets market more generally and potentially undermine other climate change policies as well. • Offsets work most effectively when used in combination with other mitigation policies including broad based carbon pricing schemes. • Consideration of ensuring the integrity of ecosystems, human rights, the rights of indigenous people, local communities and equity as detailed in the Glasgow Climate Pact.
Use of offsets by Australian companies	4	Does your company use or intend to use offsets (domestic or international)	<ul style="list-style-type: none"> • Yes, we have used offsets (both domestic and international) for many years to underpin green retail offerings to our customers. We are also certified under Climate Active. • Looking forward, we also see potential for offsets to help achieve our voluntary emission reductions targets. They may be particularly important for hard to abate parts of our business such as upstream gas production.
Criteria and standards	6	Views on current international standards including Gold Standard, VCS and CDM	<ul style="list-style-type: none"> • We generally support the standards used in the Gold Standard and VCS. • However, the CDM in our view no longer meets the expectations of most stakeholders or customers and should no longer be eligible.
Co-benefits	10	Importance of co-benefits?	<ul style="list-style-type: none"> • Co-benefits should not be required to meet the core emissions reduction-based eligibility criteria. Rather, non-carbon benefits should

			<p>be viewed as an additional feature that will be valued by the market accordingly.</p> <ul style="list-style-type: none"> • It is still important that any non-carbon claims are also independently verified but this should be separate to the core eligibility criteria.
Broader implications	16	Broader implications of international offsets being eligible in Climate Active?	<ul style="list-style-type: none"> • We suggest that CERs should be phased out of eligibility under Climate Active. This follows the rules under the Paris Agreement which will see CERs transitioned out of the market by mid-decade. If Climate Active is slow in implementing this phase out it may undermine the credibility of the use of offsets in Australia more generally.
	17	Lessons learned from carbon markets to date	<ul style="list-style-type: none"> • It is important that regulatory interventions to carbon markets are kept to a minimum. The risk of intervention may undermine investment confidence in such markets and cause prices to be higher than they would otherwise need to be over the longer term. • As noted above, offsets work most effectively when used in combination with other mitigation policies including broad based carbon pricing schemes.
	19	Should international offsets used by Australian companies also count towards Australia's national targets?	<ul style="list-style-type: none"> • This is a potentially complex issue which requires further analysis. To count towards Australia's national targets such offsets must clearly be shown to be additional. • We note that the rules to prevent double counting under the Paris Agreement are still being developed. Until these are finalised it may not be possible for such international offsets to count towards Australia's targets. • We note that a similar issue arises with the voluntary surrender of domestic offsets by corporations in Australia. This should also be subject of further rigorous analysis and consultation.