The Nature Conservancy (Australia) Submission - Review of International Offsets

General

1. What considerations should guide the use of international offsets in Australia?

Australia should consider the following:

- To what degree it wants to encourage the use of international offsets in meeting voluntary climate commitments by Australian companies,
- To what degree it wants to encourage the use of international offsets in meeting NDC commitments,
- To what degree the purchase of international offsets might help achieve some of Australia's aid and development goals for decarbonization in strategic countries (such as the those identified as part of IPCOS,
- Clearly register and articulate how, where and what quantity and quality international offsets are used and for which purpose (open and transparent transactions - what's contributing to NDC, what's not (voluntary vs compliance).

2. What is the role of offsets in Australia's transition to net-zero emissions and how might this change over time?

The majority of Australia's transition to net zero should be through decarbonization efforts, not through offsetting. Firstly, all existing carbon stocks need to be maintained, then emissions reduced, and only residual unavoidable emissions offset. As such, there should be a new analysis conducted of how Australia can meet its net-zero goals without relying extensively on offsets. In general, most corporate net-zero commitments (for example, those under the Science-based Targets Initiative) must align net-zero goals with the Paris Agreement targets; typically, this means companies must decarbonize around ~90% of absolute emissions by 2050, resulting in a declining window for offsets between now and then. We recommend Australia take a similarly stringent approach towards net-zero.

a. Does this vary by offset type (e.g. sequestration vs emissions reduced or avoided?)

Some net-zero guidance has focused on the need to shift from sequestration activities to removals activities by 2050, notably SBTi and the Oxford Principles. However, this approach only makes sense for technological approaches to decarbonization. With regards to emissions from the land sector, reductions and removal activities are often intertwined; furthermore, it does not make sense to focus only on restoration activities if deforestation has not been addressed in various countries. TNC has co-written a paper, published in Nature, about the implementation hierarchy that should be used for natural climate solutions.

b. What are the opportunities and risks presented by international offsets now and into the future?

International offsets can present an opportunity for Australian companies not only to help meet their net-zero targets domestically and diversify their offsets portfolios, but also to nurture and accelerate the growth of carbon markets in other countries where credits are generated, through the provision of a stable source of demand, and proven credible transactions that can help build the confidence of other buyers to engage in those markets. As long as the schemes, methodologies and projects that are eligible to sell to Australian buyers comply with equivalent standards to the ERF / ACCU, this demand can lead to co-benefits being delivered and the creation of sustainable nature-based economies overseas.

From a government and policy perspective, through programs like IPCOS, the Australian Government can provide tailored and demand-driven financial and technical assistance to those countries to put in place the regulatory and institutional infrastructure to ensure a high-integrity carbon market, governance and systems that help mitigate political, financial and integrity-related risks.

On the flip side, access to effectively unlimited supply of international offsets risks creating a disincentive for true emissions reduction, especially in a case where there would be significant price differentials for lower-quality international credits compared to ACCUs. Unrestricted access to such credits risks undermining the Australian domestic market, with prices being depressed by sub-par international supply, limiting the viability of both new and existing carbon projects under the ERF (and potentially toppling the business cases on which they were built). This would entail reduced climate action in Australia and crowd out higher-cost premium projects with broader co-benefits (including for example indigenous-owned savanna fire projects).

To avoid this risk of a perverse outcomes effectively averting climate action, domestic market access should be limited to the highest-quality offsets - in terms of scheme governance, methodologies, co-benefits and credit integrity, which has to be at a minimum equivalent to the Australian integrity principles and governed appropriately. Additionally, the portion of a company's overall offsets portfolio that can be sourced internationally should be limited, and those restrictions should take into account the various uses (compliance vs voluntary) and different company structures to ensure that subsidiaries aren't used to dilute the portfolio *(please also see lessons outlined below)*.

Such Australian international offsets requirements, schemes, methods, and projects that are approved as meeting them, need to be regularly reviewed and updated in order to ensure effectiveness and integrity of both the domestic and international carbon markets.

3. Are there lessons to be learned from experience with international carbon markets to date? What is most relevant to this review?

There have been a variety of approaches that compliance carbon markets have taken towards the use of international offsets. These include:

- California currently accepts offsets only from US states; they have been looking to allow REDD+ credits but it has been controversial for a number of reasons, including that many Californians want the emissions reductions to occur in-state. This was reflected in an update to the CA ETS a few years ago, where California changed the rule around offsets to require that 50% of offsets purchases must have "direct environmental benefits" to the state of California (so basically 50% can come from anywhere in the US, while 50% need to be from CA or an adjacent state with a shared watershed, etc).

- Korea took a different approach; for the Korean ETS, they said that credits must either be from Korea or foreign offsets must be from projects developed by Korean companies. Basically, it encouraged Korean companies to invest in foreign carbon credits.

- In Colombia, companies could purchase offsets from anywhere in the world for the first year (to ensure there was enough supply) but now can only purchase from credits in Colombia.

- The EU ETS first allowed to buy credits from anywhere, but then mandated companies only buy from LDCs and it proposed a limit on the volume of allowed offsets. The rationale for buying from LDC's and SID's is that those countries least responsible for climate change, but most vulnerable to the impacts of climate change receive priority for climate change adaptation and mitigation opportunities through offset projects that also provide substantial co-benefits (economic, environmental, social, cultural).

- Finally, New Zealand allowed unlimited use of international offsets for its Kyoto Protocol commitments; the influx of cheap credits essentially crashed the market for its domestic forestry credits. There are many reports about lessons learned from this experience, including, one from this report, "The government's failure to adapt unit supply and cost containment mechanisms to changing market conditions has undermined incentives for domestic mitigation, resulted in a large bank of participant-held emission units, and subjected the market to long-term policy uncertainty."

Use of offsets by Australian companies

4. Does your company (intend to) use domestic or international offsets and, if so, why?

a. What are the most important factors you (will) consider in choosing which international offsets to purchase?

n/a

Criteria and standards

5. What criteria and standards should govern the use of offsets in Australia and under Climate Active in particular? What criteria and standards should be adopted by IPCOS?

a. Should different criteria and standards apply at different scales (e.g. at the method, project, scheme and trading platform levels)?

There should be requirements for Australian offsets (ACCUs) to be used for Australian emitters to offset their emissions. Additionally, international schemes from which offsets may be procured need to have gone through a benchmarking process, and individual projects who are selling into the Australian market need to have proven that they have integrity beyond climate requirements, covering co-benefits and a demonstrable lack of adverse social, cultural or other environmental impacts. Eligible methods should prioritize sectors that are most difficult to reduce and sequester emissions, such as the land sector and blue carbon. Additionally, Australia should consider whether there should be guidance given to specific types of international offset purchases (such as requiring X% of purchases come from LDCs or SIDs).

Australia should consider implementing a periodic assessment of approved international offset standards; this could be based on criteria developed by the Carbon Offset Reduction Scheme for International Aviation (CORSIA), which includes criteria for assessing program governance elements as well as methodological elements around additionality, permanence, etc.

At the very least, Australia should require criteria for standards to update methodologies and/or standard-wide regulations every [5] years, so that they reflect the latest technological and scientific developments. This could perhaps be done in concert with NDC updates; such a review should assess whether current offsetting methodologies are no longer additional (such as renewable energy projects, many of which are now financially viable without carbon offset revenue) and should also consider updating a negative list for any technologies which represent marginal emissions reductions but risk locking in negative long-term impacts (such as enhanced oil recovery project types). Additionally, an independent oversight body with links to both the domestic (ERF) and international (IPCOS) markets could ensure the integrity of the market, ratchet up safeguards and trigger/administer the review of methods, science technology and standards.

At a company level, mandatory offset reporting (e.g. via the Clean Energy Regulator forms devised for this purpose) should include provenance disclosures for credits used to offset Australian emissions.

6. What is your view of the criteria and standards currently applied by international offsets programs such as the Gold Standard, the Verified Carbon Standard and the Clean Development Mechanism?

a. Are there any gaps in the criteria used? What changes and/or additions are needed?

b. **What is your view of the standards applied to ensure an offsets credit represents a real reduction in greenhouse gas emissions (e.g. permanence, additionality, measurement, reporting and verification (MRV) standards)?**
c. **What is your view of the standards applied for taking into account co-benefits?**
d. **What is your view of the standards applied to avoiding and addressing adverse impacts?**

The Gold Standard and Verra's Verified Carbon Standard (VCS) are two of the world's biggest standards on the voluntary carbon markets; additionally, these standards often update their standard-wide and methodological requirements. Other well-recognized voluntary carbon standards include the Climate Action Reserve, American Carbon Registry, and Plan Vivo (though Plan Vivo has allowed for ex-ante crediting in the past, it appears to be switching to an ex-post model).

While the Clean Development Mechanism is the world's largest carbon offset standard, it is also slated to end. All CDM projects and methodologies will be re-assessed for potential inclusion in Article 6.4; as the CDM's future has been in limbo for quite some time, the methodologies and governance of the standard have stagnated. Australia should instead look to recognize 6.4 credits, including, potentially, those formerly of the CDM, but should not allow current CDM projects for this reason.

Finally, there are many standards that will produce credits soon; this includes the World Bank's Forest Carbon Partnership Facility and ART/TREES. These standards should also be considered for inclusion here, especially as they include many Asia Pacific countries that could also benefit from the approach under IPCOS. Additionally, any rules determined here should also be reflected in IPCOS's guidance.

The Gold Standard and Verra have both developed voluntary standards to enable carbon projects to demonstrate delivery of co-benefits. The most recognized and commonly used to date internationally is Verra's Climate, Community and Biodiversity (CCB) Standard. (Note: TNC has an employee that serves on the CCB board). Projects can become CCB certified, or they can opt for a 'Gold' rating that requires satisfying an additional 3 criteria: climate change adaptation benefits, exceptional community benefits and exceptional biodiversity benefits. Carbon projects applying a nature-based methodology should be required to demonstrate, at a minimum, compliance with CCB, Gold or an equivalent standard. In many cases, additional locally appropriate measures to ensure equity in project design and implementation, including incorporation of gender considerations, may also be required.

The Gold Standard's, Gold Standard for the Global Goals enables projects to demonstrate delivery of human health and water outcomes. Verra's, SDVista standard also enables projects to account for their contributions to sustainable development. Where applicable, carbon projects should be strongly encouraged to make use of, and promote these standards to adequately reflect the full suite of benefits that they are delivering.

Given the relatively limited use of standards and criteria for co-benefits to date and ss carbon markets continue to expand at this rapid pace, increased use and buyer recognition of standards that enable credible accounting of co-benefits will be necessary to differentiate carbon credits that are delivering more than mitigation and should be valued accordingly. Only through continued and transparent use, review and improvement of these standards over time can the systems and trust to provide for credible and meaningful delivering of co-benefits be developed.

Blended financing instruments like IPCOS (i.e. combining government grants with corporate payments for carbon credits) have a critical role to play in demonstrating projects and the use of locally appropriate standards and methodologies that deliver credible mitigation, biodiversity and resilience outcomes for local communities, and which are valued and rewarded accordingly.

7. Should the age of units (their vintage) be considered in the criteria for eligible offsets in Australia?

Australia should consider whether the age of units should be cut-off, but, more importantly, Australia should implement a requirement for methodologies to update over a set number of years (5) (in order to reflect best practice and science).

Governance arrangements

8. In the context of the Paris Agreement, how important is it to consider the governance and institutional arrangements in place for the generation, trade, and use of offsets?

An independent oversight body with links to both the domestic (ERF / CCA) and international (IPCOS) markets will be essential to ensure: the integrity of the market, the transparency of transactions, the appropriate safeguards are in place and to review methods, science technology and standards in line with NDC review.

After 6 years of negotiations, countries agreed on rules for international cooperation through carbon markets at COP26. The new rules are outlined in Article 6 of the Paris Agreement, stating countries around the world could trade “units” (carbon credits) with one another in order to access more cost-effective emissions reductions or to sell excess emissions credits. A number of countries and multilateral development banks are developing pilot programs to implement Article 6 bringing new opportunities to finance mitigation activities through international carbon markets. In parallel, the voluntary carbon market has seen rapid growth in recent years, driven in part by the growing chorus of net-zero commitments made by companies around the world.

Article 6 gives countries important tools to ensure environmental integrity and avoid double counting. One of its main tools is a “corresponding adjustment” (CA), an accounting measure to ensure that two countries do not count the same emission twice. In practice, if countries sell an Article 6 credit to another country or a company internationally, it would need to show the adjustment in its Biennial Transparency Report (BTR), and then subtract the transferred unit(s) from its NDC. Therefore, if a country wants to designate and authorize credit as eligible to trade on the VCM, it will need a corresponding adjustment.

By considering governance and institutional arrangements for trading offsets, Australia can take a leadership role and help shape how Article 6 is implemented. Specific points for Australia to consider are:

1. **What does an "authorization" look like?** An ITMO is defined in paragraphs 1(d) and (f) as a mitigation outcome authorized for use towards an NDC, authorized by a participating Party for use for international mitigation purposes other than the achievement of an NDC or authorized for other purposes as determined by the first transferring participating Party. Will there be a general template or a minimum set of criteria to guide countries on how to "authorize" ITMOS for use towards an NDC, international mitigation purposes or other purposes? Or will it be up to the country to define what format, activities, conditions and sectors to include in an "authorization"?
2. **What does a corresponding adjustment look like?** Parties will likely rely on a variety of different domestic legal regulations when determining how best to create and implement a corresponding adjustment. However, will the recording and reporting of such adjustments be standardized? Or will there be options for using a standardized reporting structure, that Parties may choose to follow or may choose to create an independent reporting system? This approach has been used with success by the World Bank's Forest Carbon Partnership Facility, which allows countries to design their own registry system (following established guidelines) or to use a centralized World Bank system, depending on their preference.
3. **How and when to make a corresponding adjustment for mitigation outside of an NDC?** If countries sell credits from sectors outside their NDC, there must be a corresponding adjustment. However, exactly how the country must account for these CAs is still unknown since the units were not in the NDC in the first place. Is this to be decided in future negotiations or within each country? It seems most feasible for countries to show CAs alongside the greenhouse gas inventory in the biennial transparency reports (BTRs).
    a. There is a secondary question here, as well, around how to show progress towards NDC achievement if the ITMO is from outside an NDC sector. If, for example, a buyer country purchases credits from inside an NDC, seller countries should be able to showcase their current progress towards that sectoral commitment and may wait to sell until they know if that target will be met or exceeded. However, this information will not be available for credits outside of an NDC; how can buyer countries know if the purchase is raising ambition above existing mitigation targets?
4. **How and when to report on the relationship between corresponding adjustments and NDC achievement**? In many cases, seller countries will likely sell ITMOs prior to achieving an NDC. During this time, seller countries may showcase their current progress towards that sectoral commitment. However, what happens in the event that the NDC is not met? When and how will that be reported?

9. What are the key elements of good governance arrangements? Are there elements missing from current offsets programs such as the Gold Standard, the Verified Carbon Standard and the Clean Development Mechanism?

Australia should look at governance arrangements mandated under CORSIA. For example, both Gold Standard and Verra have now included provisions around tracking and obtaining a corresponding adjustment based on CORSIA requirements.

With regards to the Clean Development Mechanism, Australia can assess its government arrangements but should keep in mind that the governance of the CDM standard itself is winding down as all CDM projects and methodologies will be re-assessed for potential inclusion in Article 6.4.

Co-benefits

10. How important is it that offsets also produce co-benefits?

a. How important is it that IPCOS produces co-benefits in partner countries?

It is critical that IPCOS produces co-benefits in partner countries. The current and potential partner countries in the Indo-Pacific region are countries at the frontlines of the twin climate and biodiversity crises the world is currently facing. These are also countries where economic and cultural resilience is closely intertwined with rights, access to and use of natural resources.

In addition, as a government-led blended financing mechanism, IPCOS is uniquely placed to develop and test solutions to the problems that the market may be unlikely to address on its own. When it comes to the ability of carbon markets to deliver integrity and quality across abatement, biodiversity and community resilience, grant funding for science and practice is needed to develop proven tools that can build confidence in valuing biodiversity and community resilience outcomes. This is something the market is unlikely to do organically with the degree of local knowledge and to a level of quality required, hence the critical role for IPCOS in making this a priority, hand-in-hand with systems and methods to ensure carbon abatement integrity.

11. What are the range of co-benefits that might result from the production of offsets?

a. Are some co-benefits more valuable than others, and if so, which?
b. Are there specific offsets activities that might have a particularly positive impact?

Co-benefits are crucial for all nature-based carbon projects. In most instances, the relative value of co-benefits cannot meaningfully be determined in the abstract because it is specific to each place and the people that live and work there. At the local level it may be that project participants and others impacted by the project value one co-benefit more than another, which can only be assessed through a thorough consultation process as part of project design. Particular co-benefits may then be prioritized in project design.

Well-designed nature-based carbon projects can achieve biodiversity, social, and cultural outcomes, which are often (but not always) interdependent. Indigenous-led early season savanna

burning in Northern Australia which TNC has helped to develop the science and capacity for is one example of this. In this case, strong alignment of the carbon abatement activity with Traditional Owners' priority of looking after their traditional lands and creating economic opportunities to live and work on-country has been key to sustainability and scale of the method and the mitigation and co-benefits it has delivered. For IPCOS countries, REDD+ projects where customary owners are included and empowered, can have a big positive outcome in strengthening tenure security and resilience. Where customary owners are excluded, in addition to negative socio-cultural and economic outcomes, the resulting lack of sustainability tends to result in negative outcomes for biodiversity and carbon abatement as well.

12. In your view, what are the most appropriate and effective approaches for supporting, recognising and valuing co-benefits associated with offsets, and ensuring the delivery of co-benefits in local communities?

Biodiversity and community resilience differ from carbon in that the nature, impact and value of biodiversity and community resilience outcomes vary tremendously from place to place. As a result, the most appropriate and effective approaches for supporting and valuing these benefits are those that are designed by and for the places and people they are meant to serve. This presents a challenge for a market because it is hard to standardize. But ultimately this level of local engagement is needed to develop the integrity and trust without which a market-based approach to delivering co-benefits will be unable to grow to a meaningful scale.

To date, a range of standards exist that vary in their specificity to a particular place and the extent to which they have been applied in actual projects and improved on over time. We have mentioned Verra's CCB standard above. IUCN has also developed a global standard for Nature Based Solutions. In Queensland, the state government's Land Restoration Fund has developed a co-benefits standard that TNC is using in projects we are supporting there.

To strike the right balance between the needs of place and local people and the needs of the market, it is likely that some combination of high-level principles, criteria and design features adapted to local realities will be needed. The Forest Stewardship Council (FSC) for example uses an approach of setting global generic criteria and indicators that can be adapted into national standards developed through a participatory multi-stakeholder process and governed by a national board. Some adaptation of this approach could be useful to explore further for co-benefits. As a sub-regional initiative, IPCOS could be well-suited to testing this at the Indo-Pacific level.

Prior to use of any particular standard, as part of a comprehensive feasibility assessment, it is important to conduct due diligence and appropriate consultation with all relevant stakeholders (whether directly involved in the carbon market or potentially impacted by proposed projects) around the standard and whether it is appropriate for the project, place and people in question.

Adverse impacts

13. What are the range of adverse impacts that might result from the production of offsets?

A comprehensive feasibility assessment for a well-designed carbon project should include using a Human Rights-based approach to identify who the project may harm in addition to whom it may help, and integrating measures to eliminate and/or mitigate adverse impacts in project design. For nature-based carbon projects in particular, where secure rights to land and natural resources are necessary, there can be a high risk of exacerbating historical inequities and injustices relating to these rights. At a system / scheme level, legislation which creates incentives for third parties to use and benefit from activities on areas of traditional country must provide positive protections for indigenous rights to that country. At a project level, a project should not move from feasibility to design without understanding this part of the context. At a minimum, carbon projects should not be implemented in a way that will make existing inequities worse. At their best, projects will be designed to improve existing climate inequities by reducing social, economic, and environmental vulnerabilities, generating multiple benefits, and equitably balancing trade-offs.

Some nature-based removal activities, like reforestation and afforestation have the potential for adverse impacts on biodiversity, as seen with monoculture tree crops that have acted as drivers of deforestation in tropical countries. Such projects, if designed with little or no consideration of ecological function also face a risk of mortality and little to no lasting mitigation impact as a result. This comes down to ensuring that there are method-level environmental and social integrity requirements in relation to credits that are eligible for offsets use in Australia.

Carbon offsets can also produce adverse impacts for the global climate when they are used not in addition to, but in place of decarbonization. Australia should provide guidance and requirements around offset (both voluntary and compliance) use that prioritizes decarbonization plans before offsetting. In general, most corporate net-zero commitments (for example, those under the Science-based Targets Initiative) must align net-zero goals with the Paris Agreement targets; typically this means companies must decarbonize around ~90% of absolute emissions by 2050, resulting in a declining window for offsets between now and then.

14. What are the most effective approaches or frameworks for avoiding or otherwise managing adverse impacts, if necessary?

a. **How can IPCOS best be designed to avoid adverse impacts and address them if they do arise?**

Assessment of a carbon project's potential negative impacts for people and nature such as those noted above must be integrated into project feasibility from the beginning. The findings of the feasibility assessment should then be used to shape not only the design of the project itself, but also the project design process, with a particular emphasis on addressing any power dynamics that might create barriers to participation for vulnerable and/or typically under-represented groups. There are many available tools and guidelines for ensuring equity

IPCOS can ensure that potential negative impacts resulting from the demonstration projects it supports are identified and mitigated in the project feasibility and design stages. IPCOS can consider using the existing ERF framework as a starting point to build on and adapt as needed, including additional requirements for co-benefits and Human Rights. Ultimately, the standards, methods and MRV systems used in the demonstration projects that IPCOS supports should be selected and/or developed in close consultation with project participants and local people impacted by the projects, with complementary science and capacity development supported through the program. As a blended finance instrument, IPCOS is well-placed to invest heavily in designing and testing best practice, key principles and approaches highlighted in this paper and make them replicable and accessible for other projects. IPCOS can also consider placing requirements on the buyers of credits from the demonstration projects it supports to demonstrate integrity on the demand side (as well as supply). In general, most corporate net-zero commitments (for example, those under the Science-based Targets Initiative) must align net-zero goals with the Paris Agreement targets; typically this means companies must decarbonize around ~90% of absolute emissions by 2050, resulting in a declining window for offsets between now and then. Australia should provide guidance about what is required for buyers before they can purchase offsets.

15. How important is community and stakeholder engagement in avoiding adverse impacts?

Deep community and stakeholder consultation and ongoing engagement are essential from assessing project feasibility through to verification to both ensure quality and sustainability and avoid adverse impacts. For nature-based projects in particular, a project should not proceed without the Free, Prior and Informed consent of Indigenous Peoples and local communities that live on, use or value the lands, waters and resources within and very near to the project boundaries. That engagement and consultation needs to be on the advice of local indigenous representative bodies to ensure the right communities are consulted.

Broader implications

16. Does the use of international offsets under Climate Active have any broader implications in Australia? (For example, for other offset schemes, for corporate reporting and for the development of carbon markets and carbon trading platforms.)

Australia should decide whether the use of international offsets under Climate Active will require a corresponding adjustment (CA). Many civil society actors believe that all voluntary purchases of credits should include a CA, or companies should change their claim from a carbon neutrality claim to one supportive of various NDCs. It would be very useful for Australia to opine on this matter and provide guidance.

As above, there should be a ceiling on use of international offsets and a mandatory reporting requirement on share of international offsets used and their provenance, at individual reporter level (national, state, company etc).

17. What are the lessons learned from carbon markets to date?

There are many lessons learned from carbon markets to date, including around the use of international offsets (see question 3). Additional lessons learned include:

- the need for broad and genuine involvement of all impacted stakeholders in the scheme and method design and administration - including marginalized communities, traditional owners, large corporates, governments, demand side etc,
- the need for dynamic pricing to better benefit communities (carbon credit producers) rather than intermediaries/speculators and to reflect the co-benefits that may be delivered,
- the need to periodically update and review best practice and evolving science in relation to methodologies,
- the need for independent and independently scrutinized scheme governance arrangements to guarantee transparency and avoid or sanction conflicts,
- the need to enshrine permanence requirements and avoid double-counting,
- the rationale for ensuring demand side integrity through clear rules around the circumstances under which offsets can be used for compliance purposes (e.g. Safeguard Mechanism) and transparent reporting requirements in relation to the types of offsets being used,
- the need for systems and agencies to help overcome information asymmetry in the market,
- The need for protections for native title and other traditional land rights, including FPIC processes being enshrined in scheme and method design,
- increasing urgency to account for climate resilience and adaptation (and the impact of climate change on Country's (LDC's and SID's) and prospective projects).

Emerging guidance has found that while there has been strict scrutiny around offset supply, there has typically been less oversight on demand-side criteria. Corporates should only be able to purchase offsets as part of a comprehensive decarbonization strategy, one that is aligned with the Paris Agreement targets; typically, this means companies must decarbonize around ~90% of absolute emissions by 2050, resulting in a declining window for offsets between now and then.

18. Outside of Climate Active and IPCOS, where else might offsets criteria be relevant in Australia? Are there different considerations in those cases?

n/a

19. To what extent should international offsets used by Australian companies towards their targets also count towards Australia's national targets?

Ideally, these offsets would not count towards Australia's national targets, thereby increasing global ambition to meet the Paris Agreement temperature goals. However, few - if any - countries currently have infrastructure or decision-making in place around CAs. If the Australian

government requires this for its companies, it should also provide capacity building towards key host countries for implementation of CA processes.

20. Are there other matters the Authority should consider in undertaking the review?

n/a