

ACCU Scheme and NGER Reviews Released



Climate change schemes need to evolve to remain fit-for-purpose in a rapidly changing emissions and abatement landscape

The Climate Change Authority has recommended changes to improve the operation and transparency of key schemes for measuring and reporting greenhouse gas emissions and crediting emissions reductions.

In its latest reviews, the authority says the targeted changes are required to ensure the National Greenhouse and Energy Reporting (NGER) Act and the Australian Carbon Credit Unit (ACCU) Scheme remain fit-for-purpose as Australia aims to meet its 2030 and 2050 emissions reduction targets.

“Both schemes were established over a decade ago and have served as important foundations of Australia’s strong climate policy infrastructure,” said the authority CEO’s Brad Archer.

“But with markets and governments reorienting to the goal of net zero emissions, it is timely to ask whether the schemes remain fit for purpose as we strive for ambitious and urgent cuts to emissions, and as international carbon markets are evolving - including in response to new rules under the Paris Agreement.”

The NGER Scheme, which is used to measure and report greenhouse gas emissions and energy production and use, continues to be integral to meeting Australia’s international energy and emissions reporting obligations, tracking progress on emissions reductions and informing climate change policy development. However, the authority has found there is demand for more detailed emissions and energy data, the potential to improve the accuracy of some emissions estimates and the opportunity to broaden the coverage of the scheme.

To improve transparency the authority has recommended updating the legislation to allow the Clean Energy Regulator to publish facility-level data, including emissions by type of greenhouse gas.

To enhance the accuracy of estimates of fugitive methane emissions from coal mining, particularly from open cut coal mines, the authority has recommended several changes to how these emissions are measured and verified.

The authority also recommends extending mandatory emissions reporting for large emitters in the agriculture and land sectors, and developing a framework for the reporting of emissions from local, state and federal government operations.

“The agriculture and land sectors are key sources of emissions reduction opportunities and biological sequestration, but these sectors also have hard-to-abate emissions of their own,” Mr Archer said. “Farmers are also under increasing pressure from markets, financial institutions and supply chains to measure, report and reduce their on-farm emissions.

“Increasing the overall transparency of the data collected under the NGER scheme across all affected sectors is essential to ensure it remains aligned with the expectations of the public and the standards set internationally.”

The ACCU Scheme credits projects that avoid the release of emissions or remove and sequester carbon from the atmosphere. While ambitious and urgent cuts to emissions are the priority, the Scheme can help smooth and accelerate the transition to net zero emissions.

The authority observes the ACCU Scheme to have robust governance, compliance and enforcement structures. It recommends the government build on its response to the Independent Review of ACCUs (the ‘Chubb Review’) and take further steps to improve the transparency of the scheme. This will ensure that investors, carbon credit buyers and the broader community have access to sufficient information to sustain their confidence in the integrity of the scheme.

The authority notes that the new Australian Carbon Exchange and Unit Register, anticipated to commence 2024, should also enhance market transparency, as well as reduce transaction costs for the individuals and businesses that participate in the market.

To ensure that the ACCU Scheme continues to credit real and additional abatement, the authority recommends abatement calculation methods be reviewed and updated to keep pace with developments in science, technology, government policies and markets.

The authority has also recommended the government direct increased effort towards developing ‘engineered removal’ technologies that capture and store carbon via direct air capture with carbon storage, and mineral carbonation. Such technologies will have an increasingly significant role to play in achieving net zero emissions goals.

“The further development of the carbon sequestration industry presents economic opportunities for Australia, particularly for its regions. This industry could support both Australian and global decarbonisation efforts. Australia should continue to work with other countries to enable reporting of engineered removals in national greenhouse gas inventories, and amend the ACCU Scheme to support engineered removals alongside other measures,” Mr Archer said.

It is the first time the authority’s reviews of the ACCU and NGER schemes have coincided. They form a timely prelude to the authority’s forthcoming advice to government on sectoral pathways to net zero emissions and Australia’s 2035 emissions reduction targets, due for completion in 2024. The release of the two reviews follows publication of the authority’s 2023 Annual Progress Report last month and recent research into Australia’s carbon sequestration potential, published in April.

The authority thanks all those who participated in the consultation processes undertaken to inform its analysis for the reviews.

Click the links below to download the reports:

[2023 NGER Legislation Review Report](#)

[2023 ACCU Scheme Review Report](#)

Media inquiries

Patrick Southam - Reputation Edge

E: psoutham@reputationedge.com.au

M: 0419 415 998

BACKGROUND

- The NGER and ACCU schemes are the foundations of Australia's carbon market.
- The NGER Scheme is the system for measuring and reporting greenhouse gas emissions and energy production and consumption. In 2020-21, the total direct emissions from companies (referred to as their scope 1 emissions) reported under the NGER scheme accounted for 68% of Australia's total net greenhouse gas emissions.
- The Safeguard Mechanism, under the NGER legislation, establishes demand for carbon offsets. It is a framework for reducing the emissions of Australia's largest industrial facilities over time.
- The ACCU Scheme is the system for measuring, reporting, verifying and crediting abatement (including sequestration). It's how carbon offsets (ACCU) can be generated.
- The Climate Change Authority is required by law to review the operation of both schemes periodically, but it is the first time the authority has reviewed the NGER and ACCU schemes concurrently.
- The authority framed its latest reviews of both schemes with the question 'are the schemes fit-for-purpose in the Paris Plus context?'
- The authority uses the term 'Paris Plus' to describe the various agreements, targets, cross-border instruments and other initiatives and behaviours that contribute to the goals of the Paris Agreement.

KEY RECOMMENDATIONS

The authority found both schemes are well-designed, but the time was right to make changes to ensure they remain fit-for-purpose. It has made a series of recommendations, some of which include:

- Publishing more facility-level data to increase the transparency of the NGER scheme.
- Extending reporting under the NGER scheme to agriculture and land emissions in a staged manner.
- Extending NGER reporting to publicly owned landfills where legally possible.
- Introducing an optional market-based reporting for renewable liquid and gaseous fuels once a framework for approving certifications for renewable fuels is operational.
- A number of recommendations aimed at enhancing the accuracy of fugitive methane emissions reported under the NGER scheme.
- Strengthening current mechanisms in the scheme that underpin its integrity.
- Implementing a range of measures to improve transparency in the ACCU Scheme to ensure that investors, carbon credit buyers and the broader community have access.
- Sufficient information to sustain their confidence in the integrity of the ACCU Scheme.
- Supporting the establishment of a carbon dioxide removal industry in Australia by funding investment in 'engineered removal' technologies