

3 October 2022

Department of Industry, Science and Resources  
Submitted via email: [ACCUreview@dcceew.gov.au](mailto:ACCUreview@dcceew.gov.au)

Dear Sir/Madam

## INDEPENDENT REVIEW OF THE AUSTRALIAN CARBON CREDIT UNITS

On behalf of the Australian Council of Superannuation Investors (ACSI), thank you for the opportunity to make a submission related to Independent Review of the Australian Carbon Credit Units.

### About ACSI

Established in 2001, ACSI exists to provide a strong voice on financially material environmental, social and governance (ESG) issues. Our members include 26 Australian and international asset owners and institutional investors with over \$1 trillion in funds under management.

Through research, engagement, advocacy and voting recommendations, ACSI supports members in exercising active ownership to strengthen investment outcomes. Active ownership, including the management of climate related risk, allows institutional investors to enhance the long-term value of retirement savings entrusted to them to manage.

This submission draws on ACSI's long-standing practice of detailed engagement with listed companies in relation to their management of climate-related risks and opportunities, as well as detailed research into market practice. ACSI supports the Paris Agreement goal of limiting warming to 1.5°C and net zero emissions by 2050. As part of this transition, policy makers will need to develop credible pathways to ensure an orderly and just transition to a net zero emissions economy. A planned transition will result in better economic outcomes, is better able to take account of the needs of various stakeholders and will enable better management of uncertainty and volatility. Given the integrity of the market has been widely commented upon, we have confined our comments to recommendations to support transparency in use of Australian Carbon Credit Units (ACCU).

### ACSI position

ACSI welcomes the review of the ACCU framework. A credible ACCU framework underpinned by transparent disclosure requirements of offsets users would assist Australia in meeting its net zero emissions goals. Several groups, including academics, think tanks and industry participants, have expressed concerns about the credibility and integrity of the ACCU scheme.<sup>1</sup> In addition, there is limited information publicly available on the use of ACCUs. The extent to which ACCUs support a company's emissions reduction target is often unclear. As long-term investors, ACSI members need information on their investee companies' sustainability risks and opportunities, including the credibility of their transition plans. This information is used to guide stewardship activity, risk assessment, and investment decisions. Transparent disclosure of the use of ACCUs would be valuable in assessing a company's emissions reduction plan. In addition to ensuring the integrity of the market, mandating disclosure requirements that offer transparent, credible information around the type of offset, as well as the creation, purchase, sale, and retirement of offsets, would improve the transparency of the ACCU market. The Exposure Draft of the IFRS Sustainability Disclosure Standard (IFRS S2), *Climate-related Disclosures*, offers some guidance for offsets-related disclosure requirements.<sup>2</sup> The Exposure Draft recommends that companies using offsets report on the following:

<sup>1</sup> For example, Andrew Macintosh the former chair of the Emissions Reduction Assurance Committee (ERAC), [erf\\_landfill\\_gas\\_method - an assessment of its integrity 16 march 2022.pdf \(anu.edu.au\)](https://www.anu.edu.au/erac/landfill-gas-method-an-assessment-of-its-integrity-16-march-2022.pdf), the Australia Institute, [Come clean - CER and FF influence \(australiainstitute.org.au\)](https://www.australiainstitute.org.au/come-clean-cer-and-ff-influence) and a group of participants in the scheme operating Landfill Gas projects, [Industry bosses making money from carbon credits say system needs to change - ABC News](https://www.abc.net.au/news/2022-09-22/industry-bosses-making-money-from-carbon-credits-say-system-needs-to-change-abc-news/10144444)

<sup>2</sup> [ISSB Exposure Draft Climate Related Disclosure, p.36](https://www.issb.org/standards/IFRS-S2-Climate-related-Disclosures)

- whether the method is nature or technology based,
- the third-party verification or certification scheme used to check the integrity of the offsets,
- whether the offset represents carbon removal or emissions avoidance,<sup>3</sup> and
- any other information that is required by users of financial reporting, such as investors, to understand the credibility of the offsets.<sup>4</sup>

Other helpful disclosures may include:

- **Additionality.** The extent to which the project is achieving greater carbon abatement than what would be achieved in its absence.
- **Permanence.** The timeframe within which carbon can be kept out of the atmosphere and the risk of reversal.
- **Governance.** The robustness of the accounting and governance frameworks that manage the offsets, such as the controls in place to avoid double-counting of credits.<sup>5</sup>

Disclosure requirements of this type would assist in ensuring that the ACCU market, and the use of ACCUs by companies as part of their transition plan, is more transparent.

ACSI also notes that the consultation will consider positive environmental, social, and economic outcomes, including biodiversity and the participation of First Nations people, associated with ACCU projects. We support this approach as it reflects the fact that the risks of biodiversity degradation and climate change are inextricably linked. Consequently, the biodiversity and climate change policy frameworks should be considered in an inter-connected way. The participation of First Nations people, given their expertise in the stewardship of Australia's environment, is also important. In addition, we support the consideration of social co-benefits of ACCU projects, including employment, increased healthcare and education, and access to clean energy.

I trust our comments are of assistance. Please contact me or Brigid Richmond, ESG Analyst - Research and Policy ([brichmond@acsi.org.au](mailto:brichmond@acsi.org.au)), should you require any further information.

Yours faithfully



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<sup>3</sup> We note that carbon removal is always preferable compared to carbon avoidance, as outlined in [The Oxford Principles for Net Zero Aligned Carbon Offsetting](#).

<sup>4</sup> [ISSB Exposure Draft Climate Related Disclosure, p.36](#)

<sup>5</sup> [The Oxford Principles for Net Zero Aligned Carbon Offsetting, pp.5-6](#)