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Dear Chair

Australian Aluminium Council Response to Independent Review of Australian Carbon Credit Units

The Australian Aluminium Council (the Council) represents Australia's bauxite mining, alumina refining, aluminium smelting and downstream processing industries. The aluminium industry has been operating in Australia since 1955, and over the decades has been a significant contributor to the nation's economy. It includes five large (>10 Mt per annum) bauxite mines plus several smaller mines which collectively produce over 100 Mt per annum making Australia the world's largest producer of bauxite. Australia is the world's largest exporter of alumina with six alumina refineries producing around 20 Mt per annum of alumina. Australia is the sixth largest producer of aluminium, with four aluminium smelters and additional downstream processing industries including more than 20 extrusion presses. Aluminium is Australia's highest earning manufacturing export. The industry directly employs more than 17,000 people, including 4,000 full time equivalent contractors. It also indirectly supports around 60,000 families predominantly in regional Australia.

The Council recognises that the Government has appointed an independent expert panel to review the integrity of Australian Carbon Credit Units (ACCUs). The Terms of Reference for the Review focus on the integrity of ACCUs, including governance arrangements, and the broader impacts of activities incentivised under the ACCU arrangements. The full Terms of Reference are provided in Attachment A of the Consultation Paper released in August 2022.

The Council understands that more than 97% of the abatement contracted to date under the Emissions Reduction Fund (ERF), has been through large-scale vegetation, waste and savanna fire management projects, which are outside the sectors represented by the Council. Of the more than 1000 projects listed on the Clean Energy Regulator's (CER) Register of ERF Projects, only 50 are listed under the Industrial Electricity and Fuel Efficiency (IEFE) methodology. Of these, only 11 projects have generated Australian Carbon Credit Units (ACCUs). The largest of these 11 projects is at one of the Council's members (RTA Gove Pty Limited). The Council's submission is based on Council members direct experience with the ERF.

The Council and its members have engaged with the CER, Department and Emissions Reduction Assurance Committee (ERAC) on the ERF. Much of this has been specific consultation around the IEFE method and the

subsequent Industrial and commercial emissions reduction (ICER) method. The Council is also continuing to engage with the Department about the ongoing role of ACCUs in the context of an expanded crediting arrangement under the Safeguard Mechanism. The Council notes that due to the likely increasing demand for ACCUs for both Climate Active and the Safeguard Mechanism, consideration should be given how changes are made such as any phase out of methods, approved projects and the generated certificates, so as to avoid major market shocks.

The Council recognises the need to maintain the integrity of ACCUs to ensure these represent real emissions reductions, make a genuine contribution to the goals of the Paris Agreement, and provide confidence in action by Australian companies to achieve targets. The experience of Members as project proponents using the IEFÉ method is that the statistical tests over the baseline regression and additionality requirements present in the IEFÉ and the Carbon Credits (Carbon Farming Initiative) Act 2011 are rigorous. The Method carefully considers interactive effects and has limitations in the claimable abatement being relevant only for individual data points ($\pm 5\%$) to ensure abatement is not able to be claimed from process or operational influences outside of the project boundary. These requirements are also included in the new ICER method. Each of the annual offset reports claiming abatement was required to have financial quality third-party assurance completed. The Project was also selected for an additional compliance audit as per the CER's compliance checks to protect the integrity of the ERF scheme, which required an independent re-audit over project eligibility, baseline and abatement. With this experience, the Council believes that the threshold for additionality and level of auditing required under IEFÉ has been more than adequate to achieve the ERF's purpose of upholding the ACCUs abatement quality.

The Council's members have not participated in land based methodologies to date and offer no comment on these.

The Council supports the use of credible carbon credits including ACCUs and international offsets, subject to future rules of international trading provided they meet integrity principles - representing real emissions reductions, making genuine contribution to the goals of the Paris Agreement, and providing confidence in action by Australian companies to achieve targets and, under a Safeguard Mechanism, meeting compliance obligations. This is particularly important when abatement is not yet technologically available.

The Council is happy to provide further information on any of the issues raised in this submission.

Kind regards,



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