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ACCU Review Discussion paper
Department of Climate Change, Energy, the Environment and Water (DCCEEW)
<https://consult.dcceew.gov.au/ACCUConsultation1>

3 October 2023

Dear Minister

Re: Australian Aluminium Council Response to ACCU Review Discussion paper

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 six bauxite 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 19,000 people, including 6,600 full time equivalent contractors. It also indirectly supports around 60,000 families predominantly in regional Australia.

The Council recognises that the Australian Carbon Credit Unit (ACCU) Scheme has a critical role in achieving Australia's legislated emissions reduction targets of 43 per cent below 2005 levels by 2030, and net zero by 2050 and that this Scheme needs to continue to deliver high integrity units, confidence to participants, the market, and the wider public.

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. However, there is an increasing role and demand for ACCUs under the expanded Safeguard Mechanism, in addition to the voluntary market, in order to meet both compliance and voluntary commitments, particularly when abatement is not yet technologically available. The Council notes that due to this likely increasing demand for ACCUs 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.

As the Government implements the outcomes of the 2022 Independent Review of Australian Carbon Credit Units (the ACCU Review), the Council welcomes the opportunity to provide feedback on the propose timing and approach of relevant recommendations as outlined in the ACCU Review Discussion paper (the Paper).

1. Are the proposed principles fit for purpose and how should they be applied to improve ACCU Scheme governance and integrity?

The six Offsets Integrity Standards (OIS) contained in the Carbon Credits (Carbon Farming Initiative [CFI]) Act 2011 are the legislated requirements that ACCU Scheme methodology determinations must already meet:

1. Additionality;
2. Measurable and verifiable;
3. Eligible carbon abatement;
4. Evidence-based;
5. Project emission; and
6. Conservative.

The proposed ACCU Scheme Principles will complement the objects of the CFI Act and OIS and not all Principles will apply to all decisions:

1. Integrity;
2. Transparency;
3. Equitable access, participation, and benefit sharing;
4. Practicality;
5. Environmental and regional sustainability; and
6. Respect for First Nations.

The Council believes the Principles and processes for their implementation as outlined in the Paper are fit for purpose and will help provide additional clarity and guidance on the Scheme. Consistent with the ACCU Review findings the Council supports consistency of application across all methodologies. Currently, some methods require extra additionality requirements such as the requirement for a statement of intent or financial viability by project proponent as is currently required by the ICER method. This will also create more consistency to support projects at facilities that are not covered by the Safeguard Mechanism, for example mine fleet electrification and Scope 2 reduction projects.

4. What are the risks to the market from publishing information about ACCU holdings?

The Council and its Members are concerned about that publishing ACCU holdings risks commercially sensitive information being disclosed to the market. This may have particular implications for listed entities.

6. Should the government continue to focus its purchasing on least cost abatement? If not, what other considerations should it prioritise and why?

Following the ACCU Review and the Safeguard Mechanism reforms, the role of Government purchasing of ACCUs has changed. The Government, as the largest purchaser of ACCUs has focused on driving least-cost abatement. The Council believes that despite the increased need for additional entities to purchase ACCUs for either compliance or voluntary purposes, the Government should remain focussed on the procurement of least cost abatement.

7. Should the pilot exit arrangements for fixed delivery contracts be made permanent? Would requiring a minimum percentage be delivered to government in each window help strengthen market confidence and reduce risk?

The Council believes pilot exit arrangements for fixed delivery contracts should be made permanent.

Increasing supply to the market would be a positive step and may serve to reduce the instances of relying on the cost containment measure where the market is supported by additional volumes and liquidity. The Council notes that the government expects there will be sufficient ACCUs and SMCs available in the market below the cost containment measure price – and therefore does not expect material use of the cost containment measure. However, the Council believes there is also a risk that the establishment of the reserve creates scarcity which means the capped price essentially becomes the floor. The Council believes more details are required on how the Government proposes to build the reserve in a manner which provides

confidence the measure will operate as intended and provide an effective cap on maximum compliance costs, before being able to provide further comment.

Section 2 – Proponent-led Method Development

The Council believes there is an opportunity to further refine the process for Proponent Let Method Development and believes more consideration and clarity is required. The Council believes there is a broader ongoing role for the Department in the governance of the EOI process than is currently articulated to ensure broader applications of method development (beyond submitted EOIs).

For example, there is a role for the Government in ensuring that during the Expressions of Interest (EOI) phase consideration is given to how methods could be more broadly developed and applied, to maximise efficiency and effectiveness. This could include circulating a list of likely methods for development which may prompt industries, which have done research but where this is not fully evolved as an EOI, to support a particular method development. This should help prevent the development of very narrow niche methods. This is broader than the issue outlined in the paper around ensuring collaboration amongst those who submit an EOI.

Additionally, with regard to Appendix A :

- Item 2: Based on experience in other carbon jurisdictions outside of Australia, 'claw back' provisions may undermine purchasing confidence and push risk back on to the purchasers who do not have control nor the means to ensure that the relevant level of abatement is achieved; and
- Item 7: The Council's Members question whether obtaining consent from all eligible interest holders (not just native title holders) would better support confidence in the market. As purchasers of ACCUs, Members would want assurance that it is purchasing units from projects with the proper approvals and consents in place.

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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