From:	s 22
Sent:	Tuesday, 14 December 2021 11:52 AM
То:	s 22
Subject:	RE: Statement on TAI paper on Carbon Capture and Storage
	[SEC=OFFICIAL]

Crickey – that TAI report is 21 pages long. I'll stick with the summary thanks

s 22

Safeguard & Industrial Policy | Climate Change Division s 22 <u>@industry.gov.au</u>

 From: \$ 22
 @cer.gov.au]

 Sent: Tuesday, 14 December 2021 11:45 AM

 To: \$ 22
 @industry.gov.au>

 Subject: FW: Statement on TAI paper on Carbon Capture and Storage [SEC=OFFICIAL]

OFFICIAL

Fyi

OFFICIAL

 From: \$ 22
 @cer.gov.au>

 Sent: Tuesday, 14 December 2021 10:33 AM

 To: \$ 22
 @cer.gov.au>

 Cc: \$ 22
 @cer.gov.au>; \$ 22

 Subject: FW: Statement on TAI paper on Carbon Capture and Storage

Hi ^{s 22} , this went up yesterday

s 22

Waste and Energy Carbon Credits Section ERF Branch | Scheme Operations Division

s 22 | s 22 @cleanenergyregulator.gov.au



 From: ^{\$ 22}

 Sent: Tuesday, 14 December 2021 10:32 AM

 To: ^{\$ 22}
 @cer.gov.au>; ^{\$ 22}

 s 22
 @cer.gov.au>; ^{\$ 22}

 @cer.gov.au>; ^{\$ 22}
 @cer.gov.au>; ^{\$ 22}

 @cer.gov.au>
 Subject: Statement on TAI paper on Carbon Capture and Storage

This went up yesterday

News item - Statement on TAI paper on Carbon Capture and Storage (cleanenergyregulator.gov.au)

s 22

Waste and Energy Carbon Credits Section ERF Branch | Scheme Operations Division

s 22 s 22 @cleanenergyregulator.gov.au

Think before you print

ERAC <erac@cleanenergyregulator.gov.au></erac@cleanenergyregulator.gov.au>
Thursday, 11 November 2021 6:38 PM
'David Byers'; 'mick.keogh@accc.gov.au'; 'Alex McBratney';
'Margie Thomson'; Bennett, Helen; 'allison.hortle@csiro.au'; <mark>s 22</mark>
ERAC; Thompson, Shayleen; Ford, Mel; Crosbie, Michelle; Pentony, Alannah; ^{s 22}
18 November ERAC meeting papers [SEC=OFFICIAL]
18 November ERAC meeting pack.pdf; ^{s 22}

OFFICIAL

s 22

14 pages removed under s22 of the FOI Act as irrelevant information

OFFICIAL

SECRETARIAT

s 22

Item 4: Method reviews



SECRETARIAT

s 22

s 47C

OFFICIAL

12 pages removed under s22 of the FOI Act as irrelevant information

OFFICIAL

	ltem Number	Date	То	From	Incoming/Outgoing Subject	
s 22						

46	22-Sept-2021	The Committee	Ms ^{s 22} , Australian Conservation Foundation	Advising of the release of the Australian Conservation Foundation (ACF)/the Australia Institute (TAI) report on the avoided deforestation method.	
47	28-Sept-2021	Ms <mark>s 22</mark> , Australian Conservation Foundation	Mr David Byers, ERAC Chair	Acknowledging receipt of the ACF/TAI report on the avoided deforestation method and reiterating work being undertaken to finalise the review of the method.	Response to item 4

Response/Comments

46.

409 pages removed under s22 of the FOI Act as irrelevant information

s 22

s 22

From: Crosbie, Michelle [mailto:Michelle.Crosbie@cer.gov.au]
Sent: Tuesday, 21 September 2021 6:02 PM
To: Pentony, Alannah
Subject: FW: Media response - Avoided deforestation.docx [SEC=OFFICIAL]
Importance: High

s 22

s 22

1. Does the CER maintain that the ACCUs created under this method are all real and additional?

The CER maintains that the administration of this method have been consistent with the method. The CER is not aware of robust evidence that the avoided deforestation method is not additional.

2. The analysis by TAI and ACF appears to show that for the avoided deforestation method to represent real avoided deforestation, the assumed rates of deforestation that would have occurred otherwise were implausible. It would have had to increase by between 751 and 12,804 per cent compared to historical rates of clearing. This appears quite objectively to be the case. What is the CER's response?

The CER has only had the TAI and ACF report for a short time and these are complex, highly technical matters. That said, the report appears to be based on some highly questionable assumptions:

That the NSW land clearing permits are not an appropriate additionality test

- All ERF methods have an additionality baseline which would show what would happen in the absence of the project, in this case whether or not land would be cleared.
- The NSW land clearing permits, the INS PVPs, were taken to be a robust baseline for the method because:
 - There was a view that farmers would only engage with permitting arrangements and accompanying red tape if they did intend to clear their land.
 - The ACF report states this was not the case but does not furnish any evidence in support of this.
 - The INS PVPs had to be obtained before 2010, when the then Commonwealth Government first announced the possibility of what became the Carbon Farming Initiative, subsequently the Emissions Reduction Fund. This means no one could have sought a land clearing permit for the purpose of subsequently getting carbon credits under the CFI/ERF.

The method assumes that the clearing would need to have happened within the 15 year life of the land clearing permit

- This is a deep flaw in the ACF analysis it conflates clearing rates with the timeframe for ACCU issuance. The method does not attempt to calculate a clearing rate the assumption is simply that land will eventually be cleared if there is a permit.
- The 15 year timeframe for crediting ACCUs was not really about mimicking the life span of the clearing permit.
- Instead the crediting timeframe recognises that when a landholder takes a decision not to clear existing trees, all the abatement (ie the avoided emissions) occurs at

once, assuming there is an ongoing obligation not to clear. This could mean that all the abatement should be credited at once. At the time the method was made in 2013 the CFI was just beginning and there was a concern that if all the abatement from avoided deforestation was credited at once, the market would be flooded with ACCUs. So, the method allocates the permits over a 15 year period.

- The avoided deforestation method operates in the context of an ongoing permanence period of either 100 years (or 25 years with significant discounts). Almost all avoided deforestation projects in the Western District that have been credited with ACCUs opted for a 100-year permanence period, which means that scheme participants are unable to clear their land for 100 years, irrespective of the duration of the NSW clearing permit.
- This permanence obligation means the assumption in the ACF analysis that the avoided land clearing would need to have occurred with the 15 years of the NSW permit life is incorrect. When landholders sign up to these projects in the ERF, they have committed to keeping the land in trees for 100 years. This was another reason for averaging the abatement over 15 years rather than crediting all at once it created a longer revenue stream for the land holder, creating a further incentive to keep the trees in the ground.
- The ACF analysis relies heavily on a low average clearing rate of 2,510 ha per year this is why the analysis shows high per centage changes. In fact peak clearing rates of 43 000 ha per year as seen in 1988/9 are possible.
- The ACF analysis assumes an upper limit area of land clearing, which appears to come from the total areas approved under PVP between 2005-2010. This is not equivalent to the CEA areas. It assumes 100% of the approved clearing area would be cleared (the upper limit analysis) as opposed to 100% of CEA. This doesn't understand that most of that area is not eligible for broad scale clearing and is not included as part of the CEAs.
- Furthermore, the clearing rate during the period of the CFI operation must account for the fact that a large area of land is no longer eligible because areas of land are now subject to ERF avoided deforestation projects.
- The ACF analysis shows that rates of land clearing are increasing but this likely reflects changes in NSW government land clearing laws, which came into effect in 2017. The graph at attachment A of the ACF analysis shows what is arguably a discernible impact from CFI/ERF projects after 2010, when the scheme was first in prospect.
- The ERF avoided deforestation projects are preventing land clearing that would otherwise take place.

This appears to undermine the credibility of Australia's emissions reduction strategy, as well as efforts by organisations to achieve carbon neutrality using ACCUs. What is the CER's response?

The ERF has a well-deserved reputation of world's best practice integrity, which is reflected in the premium price paid for ACCUs in the carbon market compared to other units of lesser quality.

I understand that ACF and/or TAI wrote to the Emissions Reduction Assurance Committee in 2019 to alert them to this issue. I understand ERAC conducted a review. What did the review find?

As the ACF was advised in writing by the Chair of the ERAC, David Byers, the initial findings of the review were inconclusive with respect to the concerns about additionality and ERAC asked for more analytic work to be done. This work is ongoing.

s 22

From: Pentony, Alannah Sent: Wednesday, 22 September 2021 6:42 PM To: Crosbie, Michelle <<u>Michelle.Crosbie@cer.gov.au</u>> Cc: ^{s 22} <u>@industry.gov.au</u>> Subject: RE: ACF.TAI report response.22.9.docx [SEC=OFFICIAL]

s 22

From: Crosbie, Michelle [mailto:Michelle.Crosbie@cer.gov.au]
Sent: Wednesday, 22 September 2021 6:37 PM
To: Pentony, Alannah
Subject: FW: ACF.TAI report response.22.9.docx [SEC=OFFICIAL]
Importance: High

OFFICIAL

Hi Alannah,

For your information, see link below an additional statement that we have put on our website in response to the TAI-ACF report.

Regards

Michelle

OFFICIAL

From: ^{\$ 22} @cer.gov.au> Sent: Wednesday, 22 September 2021 4:40 PM To: Thompson, Shayleen <<u>Shayleen.Thompson@cer.gov.au</u>> Cc: Crosbie, Michelle <<u>Michelle.Crosbie@cer.gov.au</u>>; ^{\$ 22} @cer.gov.au> Subject: RE: ACF.TAI report response.22.9.docx [SEC=OFFICIAL]

OFFICIAL

It's live - <u>News item - Statement in Response to TAI-ACF Report on the Emissions Reduction Fund</u> (cleanenergyregulator.gov.au)

s 22

Senior Communications Adviser | Corporate Team s 22 | s 22 | s 22 @cer.gov.au OFFICIAL

From: Thompson, Shayleen <<u>Shayleen.Thompson@cer.gov.au</u>> Sent: Wednesday, 22 September 2021 3:38 PM To: ^{s 22} @cer.gov.au> Cc: Crosbie, Michelle <<u>Michelle.Crosbie@cer.gov.au</u>>; ^{s 22} @cer.gov.au> Subject: RE: ACF.TAI report response.22.9.docx [SEC=OFFICIAL]

OFFICIAL

Thanks

OFFICIAL

From: ^{\$ 22} @cer.gov.au> Sent: Wednesday, 22 September 2021 3:34 PM To: Thompson, Shayleen <<u>Shayleen.Thompson@cer.gov.au</u>> Cc: Crosbie, Michelle <<u>Michelle.Crosbie@cer.gov.au</u>>; ^{\$ 22} s 22 @cer.gov.au> Subject: FW: ACF.TAI report response.22.9.docx [SEC=OFFICIAL]

OFFICIAL

Hi Shayleen

MO is happy with our statement, we will get this up on the website in our media centre asap, I'll send you the link when it's available.

Kind regards s 22

s 22

Senior Communications Adviser | Corporate Team s 22

@cer.gov.au OFFICIAL

From: Parker, David <<u>David.Parker@cer.gov.au</u>>
Sent: Wednesday, 22 September 2021 2:45 PM
To: Thompson, Shayleen <<u>Shayleen.Thompson@cer.gov.au</u>>
Cc: ^{s 22} @cer.gov.au>; Crosbie, Michelle <<u>Michelle.Crosbie@cer.gov.au</u>>;
Crosbie, Michelle <<u>Michelle.Crosbie@cer.gov.au</u>>; ^{s 22}

s 22 @cer.gov.au>

Subject: RE: ACF.TAI report response.22.9.docx [SEC=OFFICIAL]

That looks good – thanks.

Appreciate everybody's work on this.

From: Thompson, Shayleen <<u>Shayleen.Thompson@cer.gov.au</u>> Sent: Wednesday, 22 September 2021 12:57 PM To: Parker, David <<u>David.Parker@cer.gov.au</u>> Cc: ^s ²² @cer.gov.au>; Crosbie, Michelle <<u>Michelle.Crosbie@cer.gov.au</u>>; Crosbie, Michelle <<u>Michelle.Crosbie@cer.gov.au</u>>; ^s ²² s ²² @cer.gov.au> Subject: ACF.TAI report response.22.9.docx [SEC=OFFICIAL] Importance: High

OFFICIAL

Hi David

Please find attached, a draft response to put on the website agreed with Comms for your review etc. Happy to discuss - Shayleen

OFFICIAL

s 22

s 22

From: ERAC [mailto:ERAC@cleanenergyregulator.gov.au]
Sent: Friday, 24 September 2021 2:06 PM
To: ERAC ; Bennett, Helen ; Margie Thomson ; Hortle, Allison (Energy, Kensington WA) ; Brian Fisher ;
Alex.McBratney@sydney.edu.au; ^{\$ 22}
Cc: Thompson, Shayleen ; Crosbie, Michelle ; ^{\$ 22}
; ^{\$ 22}
Subject: Letter from ERAC Chair - ACF-TAI ADM Report [SEC=OFFICIAL]
Importance: High

OFFICIAL

Dear ERAC members,

Please find attached a letter from David Byers in relation to the ACF-TAI Avoided Deforestation report.

We have also attached the ACF-TAI report and CER statement in response.



Regards,

Secretariat Team **Emissions Reduction Assurance Committee (ERAC)** <u>ERAC@cleanenergyregulator.gov.au</u> <u>www.cleanenergyregulator.gov.au</u>

OFFICIAL

s 47C

Questionable Integrity

Non-additionality in the Emissions Reduction Fund's Avoided Deforestation Method





> Climate & Energy.

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Level 1, Endeavour House, 1 Franklin Street, Canberra, ACT 2601 Tel: (02) 61300530 Email: mail@australiainstitute.org.au Website: www.australiainstitute.org.au ISSN: 1836-9014 Questionable integrity: Non-additionality in the Emissions Reduction Fund's Avoided Deforestation method

The Avoided Deforestation Method is responsible for more than 20 per cent of total Australian Carbon Credit Units (ACCUs) that have been issued under the Australian Government's Emissions Reduction Fund.

However, the method has significant integrity issues, and the ACCUs generated by avoided deforestation projects appear to represent non-additional abatement. This has implications for those purchasing ACCUs to meet climate targets, including the Australian Government and the private sector.

DISCUSSION PAPER: Richie Merzian, Polly Hemming and Annica Schoo September 2021

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and the assumptions behind the method	10
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Questionable integrity: Non-additionality in the Emissions Reduction Fund's Avoided Deforestation method

Summary

The Australian Government's \$4.5 billion Emissions Reduction Fund (ERF) purchases reductions in greenhouse gas emissions from a wide range of industries. Vegetation management in the land sector is a significant activity under the ERF, representing approximately 70 per cent of carbon abatement purchased by the government to date.

Different methodologies relating to vegetation management have been developed, including the 'avoided deforestation' method, which provides Australian Carbon Credit Units (ACCUs) for the retention of specific areas of forest in Western New South Wales (NSW) that would otherwise be cleared. The abatement by these projects is described by the Clean Energy Regulator (the government body administering the ERF) as follows:

"A project using this method helps to reduce the amount of greenhouse gas entering the atmosphere, because carbon remains stored in the trees as they grow, and the emissions that would have been created by clearing are avoided. The carbon stored in the trees is called carbon stock, while the net reduction in greenhouse gas emissions as a result of a project is called abatement."¹

Under the *Carbon Credits (Carbon Farming Initiative) Act 2011* (Cth) (the Act), all ERF methods, including avoided deforestation, must meet statutory offsets integrity standards. These standards are meant to ensure the ACCUs issued to participating projects are real and additional.² Specifically, the offsets integrity standards require the following.³

- The methods must result in additional carbon abatement, being abatement that would not occur in the ordinary course of events without the incentive provided by the ERF;
- The emissions, removals and abatement that are estimated under the methods must be measurable and verifiable;
- The methods must ensure the carbon abatement that is credited is able to be used to meet Australia's climate change targets;
- The methods must be supported by 'clear and convincing evidence';
- The methods must account for any material emissions that occur as a consequence of offset projects; and
- The estimates, projections and assumptions used in the methods must be conservative.

This paper demonstrates that the avoided deforestation method fails to meet at least three of the six offsets integrity standards and is likely to be resulting in projects being issued ACCUs for not clearing forests that were never going to be cleared. Subsequently, those who have been buying ACCUs from avoided deforestation projects, including the Australian Government, are likely to have been buying what is colloquially known as 'hot air'.

The avoided deforestation method's core assumption

The avoided deforestation method is based on the assumption that landholders who applied for and received a particular type of NSW land clearing approval, known as an Invasive Native Scrub Property Vegetation Plan (INS PVP), would always act on them and clear the relevant vegetation within 15 years. To be eligible under the method, the INS PVPs must have been issued between 2005 and 30 June 2010 and they must have authorised the permanent conversion of a native forest to grassland or cropland. The eligible INS PVPs only authorised the clearing of remnant native forests and pre-1983 regrowth native forests; other regrowth has historically been allowed to be cleared without government approval.

¹ Clean Energy Regulator (2018) Avoided deforestation method, www.cleanenergyregulator.gov.au/ERF/Choosing-a-projecttype/Opportunities-for-the-land-sector/Vegetation-methods/ Native-forest-protection-(avoided-deforestation)

² Emissions Reduction Assurance Committee (2021). Information Paper: Committee considerations for interpreting the Emissions Reduction Fund's offsets integrity standards Version 2.0 March 2021

³ Carbon Credits (Carbon Farming Initiative) Act 2011 (Cth), s 133.

Between 2005 and 30 June 2010, 257 INS PVPs were issued across NSW, with a combined treatment area of 2.09 million hectares. The vast majority (1.97 million hectares) of the clearing approved under these eligible INS PVPs relates to properties in the Western Local Land Services (LLS) region of NSW.

A valuation of the validity of the method's core assumption

To test the validity of the avoided deforestation method's core assumption that the eligible INS PVPs would always be acted upon, we compared the historical rates of agricultural-related land clearing of remnant woody vegetation and pre-1983 regrowth in the Western LLS region to:

- the total approved treatment area under eligible INS PVPs in the Western LLS (the upper limit of the area that could be eligible under the method); and
- the areas (known as 'carbon estimation areas', or CEAs) over which credits have been issued to avoided deforestation projects in the Western LLS (the lower limit of the area that could be eligible under the method).

The clearing data were derived from the NSW Statewide Landcover and Tree Study (SLATS). Two average historic clearing rates were used: the rate of agriculture-related clearing between 1988 and 2008; and the rate of agricultural-related clearing between 2009 and 2013. These rates were selected because of the time periods reported in SLATS and to exclude the period in which projects became active under the ERF (2014 onward).⁴ It was conservatively assumed for the purposes of the analysis that 65 per cent of all reported woody vegetation clearing was remnant and pre-1983 regrowth.⁵ In order for the core assumption of the avoided deforestation method to be valid and meet the offsets integrity standards, analysis of these data should show that it was likely that the total approved INS treatment area and the aggregate of the CEAs would be cleared within 15 years if the historic rates of clearing continued. Instead, the data suggest that, for these areas to be cleared within 15 years, the rates of clearing would need to have increased by an implausible amount.

The results of the analysis are summarised in Figures A1, A2 and A3. Figure A1 shows that, for the avoided deforestation method's core assumption to be true, the rate of agriculture-related clearing would need to have increased by between 751 per cent and 12,804 per cent.

Figure A2 presents this in an alternative way – the number of years it would take to get through the relevant approved clearing based on historic average clearing rates. It would take between 128 to 1,936 years to clear the amount of forest in question at the historic clearing rates; yet the method assumes these areas would be cleared in 15 years. Whichever way the data are presented, it is clear the avoided deforestation's assumption that the areas would be cleared in the counterfactual is not plausible.

⁴ One project commenced in late 2013, then 52 (of 63) were registered over 2014 and 2015.

⁵ SLATS reports total agriculture-related woody vegetation clearing for the Western LLS but does not report the clearing rate for remnant and pre-1983 regrowth. The assumption that 65 per cent of total agriculture-related clearing was of remnant woody vegetation and pre-1983 regrowth was derived from the Australian Government's deforestation statistics for the Western LLS region over the period 2015-2019.

Questionable integrity: Non-additionality in the Emissions Reduction Fund's Avoided Deforestation method

Figure A1. Required percentage increase in historic agriculture-related clearing rates for the avoided deforestation method's clearing assumption to be true



Figure A2. Number of years of clearing required to get through the relevant approved clearing



Figures A1 and A2 Source: Department of Planning, Industry and Environment (2021). *Results Woody Vegetation Change, Statewide Landcover and Tree Study (SLATS)* 2019. New South Wales Government, Sydney; and author estimates; Clean Energy Regulator (2021) *Environment and Communications Legislation Committee. Answers to Questions on Notice. Department of Industry, Science, Energy and Resources, 2021-2022 Budget Estimates. Question No. 98.* Commonwealth of Australia, Canberra.

Figure A3 demonstrates the implausibility of the method's core assumption by comparing the actual rates of clearing of the relevant vegetation for agriculture in the Western LLS to the rate of clearing required to clear the CEAs over 15 years. For the method's assumption to be valid, the clearing rate in the Western LLS in the absence of the projects in 2019 would have to have been almost 27,600

hectares per year, and the average clearing rate over the period 2014-2019 would have to have been 25,739 hectares per year. For comparison, the actual estimated average clearing rate in the Western LLS over this period was 4,372 hectares per year. To put this in perspective, in 2019, total clearing of all woody vegetation for agricultural purposes across the whole of NSW was 23,400 hectares.





Figure A3 Source: Department of Planning, Industry and Environment (2021) Results Woody Vegetation Change, Statewide Landcover and Tree Study (SLATS) 2019. New South Wales Government, Sydney; and authors' estimates; Clean Energy Regulator (2021) Environment and Communications Legislation Committee. Answers to Questions on Notice. Department of Industry, Science, Energy and Resources, 2021-2022 Budget Estimates. Question No. 98. Commonwealth of Australia, Canberra. Questionable integrity: Non-additionality in the Emissions Reduction Fund's Avoided Deforestation method

Implications of Analysis

The results of the analysis demonstrate that the avoided deforestation method does not satisfy the following offsets integrity standards:

- it is not based on clear and convincing evidence;
- the main assumption that underpins the method is not conservative; and
- the method is likely to be predominantly crediting non-additional abatement.

The method should be revoked immediately.

The deficiencies in the method and the fact it is crediting non-additional abatement brings into question the overall integrity of the ERF and its ability to help Australia meet its climate targets.

The avoided deforestation method is currently responsible for more than 20 per cent of the total number of ACCUs that have been issued under the ERF (roughly 22 million of 100 million ACCUs). To date, the Australian Government has also contracted to buy 26.3 million ACCUs from avoided deforestation projects for approximately \$310 million. Revoking the method will prevent the registration of new avoided deforestation projects. However, it will not stop existing projects from continuing to receive ACCUs over the remainder of their 15 year crediting period. To prevent more government and private money from being wasted on low integrity credits, steps should be taken to stop the existing projects from receiving any further ACCUs.

At the very least, the Australian Government should take steps to warn companies and individuals that buy ACCUs of the integrity problems with avoided deforestation projects and the risk that the ACCUs do not represent real and additional abatement.

Finally, the manifest integrity problems with the avoided deforestation method raise questions about how the method was made and why steps have not been taken to address them.

The deficiencies in the method and the fact it is crediting nonadditional abatement **brings into question the overall integrity of the ERF.**

Introduction

The Australian Government's Climate Solutions Fund, more often referred to by its previous name, the Emissions Reduction Fund (ERF), is a \$4.5 billion scheme aimed at reducing Australia's emissions.

A legacy of the Abbott Government's 2014 'Direct Action' policy, the ERF is administered by the Clean Energy Regulator (CER) and pays businesses, landholders and individuals to reduce emissions by undertaking emissions avoidance or sequestration projects.

Businesses and individuals that participate in the ERF identify and develop offset projects that avoid or sequester emissions according to carbon offset methods that are defined and approved for use under the ERF. Proponents that undertake projects, and measure and report abatement in accordance with an approved method are issued Australian Carbon Credit Units (ACCUs). Crediting involves determining the amount of emissions reductions delivered by a project, with one ACCU issued for each tonne of abatement.

ACCUs can be sold either to the Australian Government through a 'carbon abatement contract' under the ERF, or to the secondary market to enable other entities to offset or meet their carbon abatement obligations. The secondary market includes entities with compliance obligations under the Australian Government's Safeguard Mechanism, and voluntary purchases by businesses and state and territory governments that wish to reduce their net emissions.

Vegetation management projects are a significant part of the ERF, making up almost 60 per cent of ACCUs issued and 70 per cent of all contracted ACCUs.⁶ One of the most popular vegetation

⁸ As of 20 August 2021.

methods has been avoided deforestation. As at September 2021, the avoided deforestation method accounted for more than 20 per cent of issued ACCUs and the Clean Energy Regulator had contracted to buy 26.3 million ACCUs from avoided deforestation projects for approximately \$310 million.⁷

The avoided deforestation method is intended to generate abatement by incentivising the retention of remnant native forests and pre-1983 regrowth native forests in western New South Wales that would otherwise have been cleared. There are currently 63 registered avoided deforestation ERF projects.⁸ At the time of writing, 21.8 million ACCUs had been issued to avoided deforestation projects, and the projects that are currently registered are likely to generate approximately 38 million ACCUS over their 15-year crediting period. The total value of all the ACCUs generated by avoided deforestation projects is ultimately likely to exceed \$500 million and could be more than \$700 million.

This volume of actual and potential abatement makes the avoided deforestation method the third largest under the Emissions Reduction Fund, behind human-induced regeneration and landfill gas.

Given the significance of the avoided deforestation method, it is crucial that the abatement credited under the method is real and additional. This paper evaluates this issue, presenting the results of an analysis on whether the native forests that are eligible for protection under the method were likely to be cleared if the offset projects were not undertaken. The results suggest that most of the forests protected under avoided deforestation projects are unlikely to have been cleared under business-as-usual circumstances (i.e. if the method had not been made) and that the method's assumptions regarding rates of clearing in eligible areas are implausible.

The remainder of the paper is set out as follows: firstly, a background on the avoided deforestation method and its core assumptions is provided. The paper then outlines the method used to analyse the validity of the method's assumptions regarding

⁶ Clean Energy Regulator (2021). Emissions Reduction Fund project register, http://www.cleanenergyregulator.gov.au/ERF/project-andcontracts-registers/project-register Clean Energy Regulator (2021). Carbon abatement contract register, http://www.cleanenergyregulator.gov.au/ERF/ project-and-contracts-registers/carbon-abatement-contract-register

⁷ The value was estimated using the weighted average ACCU price from the first four ERF auctions.

Questionable integrity: Non-additionality in the Emissions Reduction Fund's Avoided Deforestation method

forest clearing, followed by the results of this analysis. The paper concludes with a discussion of the implications and recommendations on what should be done to address the problems with the integrity of the method and projects.

A preliminary note on the integrity of the Avoided Deforestation Method

This paper is not the first to question the integrity of the avoided deforestation method. In 2016 academic Paul Burke raised significant concerns about the ERF in general and the likelihood of 'anyway projects' (abatement that would have happened in the absence of an ERF method) being funded under the mechanism. Burke highlighted avoided deforestation as an 'anyway project', meaning that eligible farmers in NSW never intended to clear their land (predominantly because the land in question is considered marginal and clearing is expensive).^{9, 10}

That farmers are being issued ACCUs for land they never intended to clear appears to have been an open secret in the sector since the method's inception, yet as Burke has pointed out, the government has 'yet to engage with this issue'.^{11, 12, 13}

This looked like it may change in 2019 when the Emissions Reduction Assurance Committee (ERAC), an independent statutory committee responsible for ensuring ERF methods comply with the Offsets Integrity Standards, initiated a review of the *Carbon Credits* (*Carbon Farming Initiative – Avoided Deforestation 1.1*) Methodology Determination 2015. A discussion paper was released and the public was invited to submit responses to the paper.¹⁴ The committee advised that it would prepare advice for the Minister based on the outcomes of the review.

In response to the review, concerns about the conservatism and additionality of the method were raised.¹⁵ Prior to the review the Australian Conservation Foundation had already contacted the ERAC in February 2019 with concerns about transparency and leakage.¹⁶

The public consultation period for the review closed on 9 October 2019, almost two years ago. To the knowledge of the authors, advice on the outcomes of the review still has not been provided to the Minister. The ERAC and the CER clearly *still* haven't engaged with the issue, yet, in the interim, four more projects have been registered under the avoided deforestation method and the Clean Energy Regulator has issued a further 5.7 million ACCUs to avoided deforestation projects (issued between FY20 and FY22), worth a total of approximately \$68 million.¹⁷

This paper not only raises questions about the avoided deforestation method itself, it also raises serious questions about the efficacy and governance of Australia's carbon farming legislation.

⁹ Burke (2017) Submission to Australia's review of climate change policies, https://iceds.anu.edu.au/files/Paul-Burke-Submission-to-Australias-2017-Climate-Review_1.pdf

¹⁰ Burke (2016) 'Undermined by adverse selection: Australia's Direct Action abatement subsidies', CCEP Working Paper 1605, https://ccep.crawford anu.edu au/sites/default/files/uploads/ccep_ crawford_anu_edu_au/2016-06/ccep1605.pdf

- ¹¹ Kilvert (2019) Is Tony Abbott 2.0 really the strong climate policy Australia needs?, ABC Science, https://www.abc.net au/news/science/2019-02-28/ climate-cant-be-tricked-by-clever-accounting/10846554
- ¹² Taylor (2015) 'Greg Hunt hasn t a lot to show for \$660m spent on reducing greenhouse emissions', *The Guardian* https://www.theguardian.com/environment/2015/may/01/ greg-hunt-660m-spent-reducing-greenhouse-emissions
- ¹³ Burke (2016) 'Direct Action not giving us bang for our buck on climate change', *The Conversation*, https://theconversation.com/directaction-not-giving-us-bang-for-our-buck-on-climate-change-59308
- ¹⁴ Emissions Reduction Assurance Committee (2019) Review of the Carbon Credits (Carbon Farming Initiative – Avoided Deforestation 1.1) Methodology Determination 2015: Discussion paper, https://consult.industry.gov.au/review-of-the-carbon-credits-carbonfarming-initiative-avoided-deforestation-11-methodology-det
- ¹⁵ Australian Conservation Foundation (2019) Response 512945708, https://consult.industry.gov.au/review-of-the-carbon-credits-carbonfarming-initiative-avoided-deforestation-11-methodology-det
- ¹⁶ Letter to the Emissions Reduction Assurance Committee from Kelly O'Shanassy, dated 6 February 2019
- ¹⁷ Clean Energy Regulator (CER) Emissions Reduction Fund project register, http://www.cleanenergyregulator.gov.au/ERF/ project-and-contracts-registers/project-register

The Avoided Deforestation Method

For a project to be eligible under the avoided deforestation method, landholders must hold an Invasive Native Scrub Property Vegetation Plan (INS PVP) issued under the *Native Vegetation Act 2003* (NSW) between 2005 and 30 June 2010 that authorises the clearing of remnant native forests or pre-1983 regrowth native forests.

INS PVPs were a form of clearing approval that authorised the clearing and other treatment (burning) of 'invasive' native woody plant species that are responsible for vegetation thickening in some areas. Vegetation thickening describes an increase in shrub and tree density by woody plants that may reduce productivity and impact ecosystem processes. Examples of the type of species that were identified as 'invasive' for these purposes in western NSW include mulga (*Acacia aneura*), yarran (*Acacia homalophylla*), black wattle (*Acacia stenophylla*), belah (*Casuarina cristata*), coolibah (*Eucalyptus coolabah*) and bimble box (*Eucalyptus populnea*).

INS PVPs had 15-year terms, meaning the holder of the INS PVP could lawfully clear the identified vegetation in accordance with specified conditions at any time over the 15-year period from the date of issuance.

The avoided deforestation method is based on the assumption that landholders who applied for and received INS PVPs that authorised the clearing of remnant native forests and pre-1983 regrowth native forests would always act on them and clear the relevant vegetation within 15 years.

Reflecting this assumption, under the avoided deforestation method, abatement is calculated by:

- estimating the amount of greenhouse gases that would have been emitted if the forests had been cleared;
- subtracting any carbon dioxide sequestered by ongoing growth of the forests over the crediting period; and
- adding any relevant fire and fossil fuel related emissions.

The abatement from the project is then averaged across the crediting period (15 years) and issued on a pro-rata basis.

The crediting period for avoided deforestation projects is 15 years, which differs from the 25-year crediting period that is used under other ERF sequestration methods. The decision to use a 15-year crediting period was intended to ensure alignment with the term of INS PVPs. This is despite the fact that the actual remaining term of all INS PVPs that provide the basis for avoided deforestation projects is significantly less than 15 years.

Invasive Native Scrub Property Vegetation Plans and the assumptions behind the method

The INS PVP provisions were included in the *Native Vegetation Act 2003* (NSW) to address concerns raised by pastoralists, particularly in the semi-arid and arid regions of western New South Wales, that the proposal to end broadscale clearing in New South Wales would impinge upon their pastoral operations and ability to manage invasive native species.

Pastoralists in the west of the state were given support to prepare INS PVPs, and were encouraged by the state government to apply to clear significant areas of vegetation, even if they had no immediate intentions to act on the approvals.

From the period 2005 up to 2017 (when the *Native Vegetation Act 2003* (NSW) was repealed), 4.93 million hectares of invasive scrub was approved for clearing or other treatment under INS PVPs.

Between 2005 and 30 June 2010 – the period that is eligible under the avoided deforestation method – 257 INS PVPs were issued, with a combined treatment area of 2.09 million hectares.

The vast majority (1.97 million hectares, or 94 per cent of the total) of the clearing approved under these 'eligible' INS PVPs relates to properties in the Western Local Land Service (LLS) region. Questionable integrity: Non-additionality in the Emissions Reduction Fund's Avoided Deforestation method

The remaining approved treatment area is predominantly spread across properties now located in the Central West (4 per cent) and North West (0.5 per cent) LLS regions.

The extent of the approved treatment area suggests landholders in these regions applied to clear substantially more vegetation than they intended to over the term of the INS PVPs. For example, over the period 1988 to 2005, agriculture-related clearing of both remnant and regrowth woody vegetation across the whole of New South Wales averaged 20,900 hectares per annum – at this rate, it would take 100 years to clear the treatment areas approved under the eligible INS PVPs.

Integrity of the method

Offsets integrity standards

Under the *Carbon Credits* (*Carbon Farming Initiative*) *Act 2011* (Cth), all ERF methods are required to satisfy six offsets integrity standards. The available data suggest the avoided deforestation method does not satisfy the following three standards:

• the method is required to be supported by clear and convincing evidence;

- all estimates, projections and assumptions in the method are required to be conservative; and
- the method is required to result in carbon abatement that is unlikely to occur in the ordinary course of events (i.e. the abatement must be additional to what would otherwise have occurred).

Most notably, the assumption that landholders with INS PVPs would always act on them and clear the relevant remnant native forests and/or pre-1983 regrowth native forests within the approved treatment area within 15 years is not credible.

This conclusion is supported by two lines of evidence:

- the extent of the clearing approved under INS PVPs that are eligible to be used under the avoided deforestation method; and
- the trends in clearing (deforestation).

Contextual information on the operation of the avoided deforestation method

As of 20 August 2021, there were 63 registered avoided deforestation ERF projects. As shown in Figure 1, most of these projects (53) were registered between late 2013 and the end of 2015. Only 10 of the existing projects were registered after December 2015.



Figure 1. Date of registration of avoided deforestation projects

The combined project area of the avoided deforestation projects registered as of late August 2021 was 949,075 hectares. However, the project activity – the 'avoidance of deforestation' – is not carried out across the entire project area.¹⁸ Within the project area, proponents are required to delineate specific areas where the project activity is undertaken, and where carbon will be stored, known as carbon estimation areas (CEAs). The remaining areas are called 'exclusion areas'.

The CEAs are the specific areas in which abatement is being achieved and to which ACCUs are issued. Under the avoided deforestation method, the CEAs must only include areas that the proponent is allowed to clear under the relevant INS PVP.

As of 1 July 2021, 59 of the 63 registered projects had mapped their CEAs and reported under the ERF. The CEAs of these projects covered an area of 349,136 hectares. At the time of writing, 21.8 million ACCUs had been issued in relation to these areas.

Reflecting where the INS PVPs were issued, 51 of the 59 reported projects were wholly located in the Western LLS region. The CEAs of these Western LLS projects covered an area of approximately 320,000 hectares and 20 million ACCUs had been issued to these projects as of 20 August 2021.¹⁹

Analysis

Approved clearing in the Western LLS region and the avoided deforestation method assumptions

In assessing the integrity of the avoided deforestation method, we confined the analysis to the Western LLS region. This was because the Western LLS region accounts for the overwhelming majority of the eligible INS PVP treatment area and the registered avoided deforestation projects. There is also a publicly available New South Wales Government dataset on woody vegetation clearing for the Western LLS region that dates back to 1988,²⁰ and a national deforestation dataset that includes disaggregated data on the Western LLS region from 2015.²¹

As discussed, the INS PVPs issued in the Western LLS over the period 2005 to July 2010 authorised the treatment of 1.97 million hectares of remnant and pre-1983 native woody vegetation.

The whole of this treatment area would not necessarily be eligible for inclusion in avoided deforestation projects. To be eligible under the avoided deforestation method:

- a treatment area must include native forest and have forest cover at the date of the application to register the avoided deforestation project, meaning it must be an area of at least 0.2 hectares that is dominated by native trees that have a crown cover of at least 20 per cent of the land area and a height of at least 2 metres; and
- the INS PVP must authorise the clearing of the treatment area to convert it from native forest to cropland or grassland, meaning that, if the authorised treatment was carried out in full, it must result in the conversion of the forest to a non-forest state (i.e. crown cover of less than 20 per cent or vegetation less than 2 metres in height).²²

¹⁸ Generally, the project areas of avoided deforestation projects are defined along farm property boundaries.

¹⁹ The size of the CEAs in the Western LLS avoided deforestation projects was estimated on the basis of the ACCUs issued in relation to the projects over the period 2014-2020, using FullCAM-derived estimates of average onsite live biomass that ranged between 20-38 tonnes of carbon per hectare.

²⁰ Department of Planning, Industry and Environment (2021) *Results Woody Vegetation Change, Statewide Landcover and Tree Study (SLATS) 2019.* New South Wales Government, Sydney.

²¹ Department of Industry, Science, Energy and Resources (2021) Australian Greenhouse Emissions Information System: Activity Tables, https://ageis.climatechange.gov.au/

²² Carbon Credits (Carbon Farming Initiative – avoided deforestation 1.1) Methodology Determination 2015, ss 5, 10 and 21

Questionable integrity: Non-additionality in the Emissions Reduction Fund's Avoided Deforestation method

Treatment areas do not always meet these requirements. However, INS PVPs are not public documents, and the CER is not allowed to publish the location of CEAs. This prevents the accurate identification of the total INS PVP treatment area that is eligible under the avoided deforestation method. The best that can be done is to provide a range, with an upper limit defined by the entire treatment area and a lower limit defined by the existing CEA area within the Western LLS region.

Upper limit - entire treatment area

Figure 2 compares the average total agriculturerelated woody vegetation clearing rates (remnant clearing plus regrowth clearing) for the Western LLS region from two time periods, 1988-2008 and 2009-2013, to the annual clearing rate required to cover the entire approved treatment area over 15 years (remembering that the avoided deforestation method assumes all approved clearing would be carried out within 15 years). The average clearing rate in the Western LLS region was 3,862 hectares per year over the period 1988-2008, and 1,568 hectares per year over the period 2009-2013. In contrast, it would take a clearing rate of 131,536 hectares per year over 15 years to clear the approved treatment area under eligible INS PVPs.

This suggests that, for the avoided deforestation method to result in additional abatement:

- the rate of clearing would have to have been between 34 and 84 times greater than the historical average; and
- all agriculture-related clearing in the Western LLS region over the period roughly spanning 2014-2028 would have been within the INS PVP treatment areas (i.e. no other agriculture-related clearing would have occurred, otherwise the required increase in clearing would need to be higher).

At the historic clearing rates, it would take between 511 and 1,258 years to get through the 1.97 million hectares of approved clearing.

Figure 2. Western LLS, historic average total agriculture-related woody vegetation clearing rates (remnant and all regrowth clearing, 1988-2008 and 2009-2013) vs rate required to clear the entire eligible INS PVP treatment area in 15 years



Figure 2 Source: Department of Planning, Industry and Environment (2021) *Results Woody Vegetation Change, Statewide Landcover and Tree Study (SLATS) 2019*. New South Wales Government, Sydney; and authors' estimates.

The historic clearing rates presented in Figure 2 include all agriculture-related clearing, covering both remnant clearing and regrowth clearing. As discussed, not all woody clearing required approval under the *Native Vegetation Act 2003* (NSW). Landholders in the Western Division could clear post-1983 regrowth without approval.²³ This meant that the clearing approved under INS PVPs is limited to remnant vegetation and pre-1983 regrowth. Hence, the appropriate basis for comparison is between the historic rate of clearing of *remnant native vegetation and pre-1983 regrowth*, and the rate required to cover the treatment area in 15 years.

There is no readily available data source that provides estimates of the historic rates of remnant and regrowth clearing in the Western LLS region. Due to this, it was necessary to approximate what proportion of total clearing comprised clearing of remnant vegetation and pre-1983 regrowth. To estimate this, we used the Australian Government's deforestation statistics for the Western LLS region, which only cover the period 2015 to 2019.²⁴ Over this period, the proportion of deforestation involving remnant vegetation averaged 43 per cent in the Western LLS region, fluctuating from a low of 18 per cent to a high of 67 per cent. For comparison, the state-wide average over the period 2000 to 2019 was 16 per cent. To ensure the analysis was conservative, we assumed 65 per cent of observed historic clearing involved remnant vegetation and pre-1983 regrowth.

Figure 3 compares the average estimated remnant plus pre-1983 regrowth clearing rates from 1988-2008 and 2009-2013 to the annual clearing rate required to cover the entire approved treatment area over 15 years. The estimated average remnant plus pre-1983 regrowth clearing rate was 2,510 hectares per year over the period 1988-2008, and 1,019 hectares per year over the period 2009-2013, compared to a required clearing rate of 131,536 hectares per year to clear the approved treatment area.

This suggests that, for the avoided deforestation method to result in additional abatement:

- the rate of remnant plus pre-1983 regrowth clearing would have to have been between 52 and 129 times greater than the historical average; and
- all agriculture-related remnant plus pre-1983 regrowth clearing in the Western LLS region over the period roughly spanning 2014-2028 would have been within the INS PVP treatment areas (i.e. no other agriculture-related clearing would have occurred, otherwise the required increase in clearing would need to be higher).

At these historic clearing rates, it would take between 786 and 1,936 years to get through the 1.97 million hectares of approved clearing.

²³ In all other parts of the state, landholders could clear post-1990 regrowth without approval.

²⁴ Department of Industry, Science, Energy and Resources (2021) Australian Greenhouse Emissions Information System: Activity Tables, https://ageis.climatechange.gov.au/
Questionable integrity: Non-additionality in the Emissions Reduction Fund's Avoided Deforestation method





Figure 3 Source: Department of Planning, Industry and Environment (2021) *Results Woody Vegetation Change, Statewide Landcover and Tree Study (SLATS)* 2019. New South Wales Government, Sydney; and authors' estimates.

Lower limit - total CEA area

The most conservative way to estimate the treatment area that was potentially eligible under the avoided deforestation method is to use the CEAs of the 51 registered projects in the Western LLS region that have reported, as of August 2021. These CEAs cover an area of approximately 320,000 hectares. These areas have been audited and endorsed by the CER as meeting the avoided deforestation method's eligibility requirements.

Figure 4 compares the historic average total agriculture-related woody vegetation clearing rates (remnant and all regrowth clearing) from 1988-2008 and 2009-2013 to the rate required to clear the entire CEA area in the Western LLS region in 15 years.

The historic rates were between 1,568 and 3,862 hectares per year, while the required clearing rate to clear all CEAs in 15 years is 21,366 hectares per year.

These data suggest that, for the avoided deforestation method to result in additional abatement:

- the rate of remnant plus pre-1983 regrowth clearing would have to have been between 6 and 14 times greater than the historical average; and
- all agriculture-related remnant plus pre-1983 regrowth clearing in the Western LLS region over the period roughly spanning 2014-2028 would have been within the CEAs (i.e. no other agriculture-related clearing would have occurred, otherwise the required increase in clearing would need to be higher).

At these historic clearing rates, it would take between 83 and 204 years to get through the deforestation approved in the CEAs.

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Figure 4 Source: Department of Planning, Industry and Environment (2021) Results Woody Vegetation Change, Statewide Landcover and Tree Study (SLATS) 2019. New South Wales Government, Sydney; and authors' estimates; Clean Energy Regulator (2021) Environment and Communications Legislation Committee. Answers to Questions on Notice. Department of Industry, Science, Energy and Resources, 2021-2022 Budget Estimates. Question No. 98. Commonwealth of Australia, Canberra.

Figure 5 compares the average estimated remnant plus pre-1983 regrowth clearing rates from 1988-2008 and 2009-2013 to the rate required to clear the entire CEA area in 15 years.

The historic rates were conservatively estimated to be between 1,019 and 2,510 hectares per year, while the required clearing rate to clear all CEAs in 15 years is 21,366 hectares per year.

These data suggest that, for the avoided deforestation method to result in additional abatement:

- the rate of remnant plus pre-1983 regrowth clearing would have to have been between 9 and 21 times greater than the historical average; and
- all agriculture-related remnant plus pre-1983 regrowth clearing in the Western LLS region over the period roughly spanning 2014-2028 would have been within the CEAs (i.e. no other agriculture-related clearing would have occurred, otherwise the required increase in clearing would need to be higher).

At these historic clearing rates, it would take between 128 and 314 years to get through the deforestation approved in the CEAs. Questionable integrity: Non-additionality in the Emissions Reduction Fund's Avoided Deforestation method



Figure 5. Western LLS, estimated historic average agriculture-related remnant plus pre-1983 regrowth clearing rates (1988-2008 and 2009-2013) vs rate required to clear the current CEA area in 15 years

Figure 5 Source: Department of Planning, Industry and Environment (2021) *Results Woody Vegetation Change, Statewide Landcover* and Tree Study (SLATS) 2019. New South Wales Government, Sydney; and author estimates; Clean Energy Regulator (2021) Environment and Communications Legislation Committee. Answers to Questions on Notice. Department of Industry, Science, Energy and Resources, 2021-2022 Budget Estimates. Question No. 98. Commonwealth of Australia, Canberra.

Comparing credited abatement to historical trends in deforestation emissions

Another way to test the plausibility of the additionality assumptions that underpin the avoided deforestation method is to place the required (or assumed) rates of clearing under the method against the estimated rates of remnant plus pre-1983 regrowth clearing in the Western LLS region after the avoided deforestation projects commenced. As shown in Figure 6, the estimated remnant plus pre-1983 regrowth clearing rates in the Western LLS region over the period 2009 to 2014 were below the long-term average, hovering between 432 hectares per year and 1,464 hectares per year. They then increased significantly, reaching 6,226 hectares in 2019. For the avoided deforestation method's assumptions to be valid, the actual remnant plus pre-1983 regrowth clearing rate in the absence of the projects in 2019 would have to have been almost 27,600 hectares per year, and the average clearing rate over the period 2014-2019 would have to have been 25,739 hectares per year. For comparison, the actual estimated average over this period was 4,372 hectares per year.

The increase in clearing in the Western LLS since the commencement of avoided deforestation projects raises questions about whether the projects have actually prompted an increase (rather than a decrease) in clearing. This could have occurred, for example, if landholders had wanted to undertake clearing in particular areas in the past but they did not have access to the necessary financial resources.

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Figure 6. Historic clearing rates vs clearing rates assumed under the avoided deforestation method*

Figure 6 Source: Department of Planning, Industry and Environment (2021) Results Woody Vegetation Change, Statewide Landcover and Tree Study (SLATS) 2019. New South Wales Government, Sydney; and authors' estimates; Clean Energy Regulator (2021) Environment and Communications Legislation Committee. Answers to Questions on Notice. Department of Industry, Science, Energy and Resources, 2021-2022 Budget Estimates. Question No. 98. Commonwealth of Australia, Canberra.

The avoided deforestation projects could have in effect funded increased clearing in areas outside of the CEAs. While possible, there are a number of alternative explanations for the observed increases in clearing, including changes in the methods used to detect clearing events, the 2017-2019 drought artificially inflating the clearing estimates and changes in state clearing laws. Questionable integrity: Non-additionality in the Emissions Reduction Fund's Avoided Deforestation method

Summary of results

The core assumption that underpins the avoided deforestation method is that, in the counterfactual where avoided deforestation projects were not initiated, landholders with eligible INS PVPs would have undertaken the approved clearing within 15 years.

As shown in Figure 7, for this to be true, the clearing rate would need to have increased by between 751 per cent and 12,804 per cent. Figure 8

presents this in an alternative way – the number of years of clearing at relevant historic average clearing rates to get through the relevant approved clearing. The number of years needed to achieve this ranges from 128 to 1,936. Whichever way the data are presented, it is clear the avoided deforestation method's assumption that the areas would be cleared in the counterfactual is not plausible.

Figure 7. Required percentage increase in historic clearing rates for avoided deforestation method clearing assumptions to be true



Figure 8. Number of years of clearing required to get through the relevant approved clearing



Figures 7 and 8 Source: Department of Planning, Industry and Environment (2021). *Results Woody Vegetation Change, Statewide Landcover and Tree Study (SLATS) 2019.* New South Wales Government, Sydney; and author estimates; Clean Energy Regulator (2021) *Environment and Communications Legislation Committee. Answers to Questions on Notice. Department of Industry, Science, Energy and Resources, 2021-2022 Budget Estimates. Question No. 98.* Commonwealth of Australia, Canberra. Australian Conservation Foundation

Conclusion

The results of the analysis demonstrate that the avoided deforestation method does not satisfy the offsets integrity standards: it is not based on clear and convincing evidence; the main assumption that underpins the method is not conservative; and the method is likely to be predominantly crediting nonadditional abatement.

The method's lack of integrity casts a cloud over the integrity of the ERF and its ability to help Australia meet its climate targets. The avoided deforestation method is currently responsible for more than 20 per cent of the total number of ACCUs that have been issued under the ERF. To date, the Australian Government has also contracted to buy 26.3 million ACCUs from avoided deforestation projects for approximately \$310 million.

Beyond being sold to the Australian Government, ACCUs are also sold to the secondary market. While the secondary market includes mandatory purchases from large polluters under the Safeguard Mechanism, it also includes a growing voluntary market. Private businesses and state and territory governments are buying ACCUs to meet their own emissions reductions targets and/or to form the basis of many public 'carbon neutral' or 'net zero' claims.²⁵ The proper functioning of the secondary market hinges on the integrity of the ERF's methods. In the absence of integrity, participants in the market will be misled and, ultimately, the market could fail. The avoided deforestation method should be revoked immediately. To prevent more government money from being wasted, steps should be taken to stop the existing projects from receiving any further ACCUs. The government should also take steps to warn the companies and individuals that buy ACCUs of the integrity problems with avoided deforestation projects, and the risk that the ACCUs do not represent real and additional abatement. Finally, the manifest integrity problems with the avoided deforestation method raise questions about how the method was made and why steps have not been taken to address them.

²⁵ Climate Active (2021) Certified Brands, https://www.climateactive. org au/buy-climate-active/certified-brands

Questionable integrity: Non-additionality in the Emissions Reduction Fund's Avoided Deforestation method

Appendix A.

A note on data sources: Use of the woody vegetation cover change data rather than deforestation data as the basis for the analysis

With the exception of the data presented in Figure 6, the analysis relies on the New South Wales Statewide Landcover and Tree Study (SLATS) analysis of woody vegetation change. However, the avoided deforestation method only applies to forests and deforestation. The SLATS woody vegetation change analysis looks at human-induced changes in detectable woody vegetation, which can involve vegetation that does not meet the definition of a forest (i.e. it can involve woody vegetation with less than 20 per cent crown cover or less than 2 metres in height). Deforestation involves the conversion of a forest (an area of at least 0.2 ha with trees with a potential or actual crown cover of at least 20 per cent and a potential or actual height of at least 2 metres) to a non-forest state. As such, it would arguably be preferable to undertake the analysis using a dataset that is limited to eligible deforestation.

While there is some validity to this argument, the use of a deforestation dataset would not materially change the overall conclusions. If anything, the use of deforestation data would only make the comparisons worse and further emphasise the implausibility of the assumptions that underpin the method.

The SLATS woody vegetation change dataset was used because it is widely regarded as being more reliable than the Australian Government's deforestation dataset. The public SLATS database also contains a longer time series on woody cover change in the Western LLS than the published Australian Government deforestation dataset, which is used to produce Australia's National Inventory Report (NIR).

Importantly, using the woody vegetation change dataset is conservative for these purposes. This is because, by including woody vegetation clearing that does not meet the forest thresholds, it increases the comparator clearing numbers. If the subset of woody vegetation that does not meet the definition of a native forest was used, the results would be even worse.

This is shown in Figure 9, which compares the total average annual woody vegetation change estimate for the Western LLS region from SLATS to the equivalent NIR deforestation estimate for the period 2015 to 2019. The data in Figure 9 also suggest the differences between the datasets are not large enough to have any material bearing on the results of the analysis.

Regardless of the dataset that is used, the unavoidable conclusion is that the avoided deforestation method does not satisfy the offsets integrity standards and is likely to have resulted in the issuance of ACCUs for a substantial amount of non-existent abatement.





The integrity of the government's only climate policy is in question ③

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News item - Statement in Response to TAI-ACF Report on the Emissions Reduction Fund



Statement In Response to TAI-ACF Report on the Emissions Reduction Fund

22 September 2021

The Clean Energy Regulator has responded to the TAI-ACF report alleging integrity issues with the Emissions Reduction Fund's (ERF) avoided deforestation method.

TAI-ACF's report is based on a number of false assumptions and demonstrates a serious misunderstanding of the ERF Avoided Deforestation Method.

The ERF avoided deforestation projects are preventing clearing of native forest that would otherwise take place. This is delivering significant emission reductions and valuable support for Australia's agricultural sector, which has always been a hallmark of the Emissions Reduction Fund.

A deep flaw in the TAI-ACF analysis is that it assumes land clearing prevented by the method needed to occur during the 15 years of the clearing permit. This is not the case.

Almost all avoided deforestation projects that have been credited with ACCUs opted for a 100-year permanence period, which means scheme participants are unable to clear their land for 100 years, irrespective of the duration of the NSW clearing permit.

The TAI-ACF analysis also relies heavily on a low average clearing rate of remnant clearing 2,510 ha per year – this is why the analysis shows high per centage changes. In fact, if both remnant and re-clearing of land were included, then peak clearing rates of 43,000 ha per year as seen in 1988-9 could easily occur.

The 15-year timeframe for crediting Australia carbon credit units (ACCUs) is not about mimicking the life span of the clearing permit. When a decision is taken not to clear land, all the emissions from removing vegetation are avoided at once, so all the credits could be issued at once. At the time the method was made in 2013, the Carbon Farming Initiative was just beginning and there was a concern that if all the abatement from avoided deforestation was credited at once, the market would be flooded with ACCUs.

There are a range of different crediting periods in the ERF and others, such as plantation forestry, which also offer 15-year crediting to better reflect when the abatement actually occurs and to provide an upfront incentive for implementing the project.

The avoided deforestation method is one of a suite of methods under the ERF, which has a well-deserved reputation of world's best practice integrity. This is reflected in the premium price paid for ACCUs in the carbon market compared to units from other offsets schemes of lesser quality.

Media contact: cer-media@cleanenergyregulator.gov.au | (02) 6159 3448

s 22

Attachments: avoided-deforestation-discussion-paper.pdf; ^s ²² s ²²

s 22

From: ERAC [mailto:ERAC@cleanenergyregulator.gov.au] Sent: Friday, 15 October 2021 12:47 PM To: David Byers <^{§ 22} @gmail.com>; Hortle, Allison (Energy, Kensington WA) <<u>Allison.Hortle@csiro.au>;</u> 'mick.keogh@accc.gov.au' <<u>mick.keogh@accc.gov.au</u>>; Bennett, Helen <<u>Helen.Bennett@industry.gov.au</u>>; 'Margie Thomson' <<u>mthomson@cement.org.au</u>>; 'Alex McBratney' <<u>alex.mcbratney@sydney.edu.au</u>>; ^{§ 22} > Cc: Thompson, Shayleen <<u>Shayleen.Thompson@cer.gov.au</u>>; Crosbie, Michelle <<u>Michelle.Crosbie@cer.gov.au</u>>; Ford, Mel <<u>Mel.Ford@cer.gov.au</u>>; Smeulders, Dean s 22 @cer.gov.au>; ERAC <<u>ERAC@cleanenergyregulator.gov.au</u>> Subject: ERAC's consideration of avoided deforestation [SEC=OFFICIAL]

OFFICIAL

Hi ERAC members,

Please see below and attached some background information on ERAC's consideration of the avoided deforestation method.

The avoided deforestation method will be discussed at Tuesday's meeting.

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s 22 – ERAC Secretariat

Scheme Operations Division

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Australian Government

Department of the Environment and Energy

Emissions Reduction Fund

Review of the Carbon Credits (Carbon Farming Initiative—Avoided Deforestation 1.1) Methodology Determination 2015

Discussion paper

EMISSIONS REDUCTION ASSURANCE COMMITTEE

September 2019

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How to make a submission

The Emissions Reduction Assurance Committee invites submissions to inform its review of the *Carbon Credits (Carbon Farming Initiative—Avoided Deforestation 1.1) Methodology Determination 2015* (the Avoided Deforestation method).

Submissions should either be emailed to the Emissions Reduction Assurance Committee Secretariat at <u>emissions-reduction-submissions@environment.gov.au</u> or sent to the following postal address:

Emissions Reduction Assurance Committee Secretariat Department of the Environment and Energy GPO Box 787 Canberra ACT 2601

While the Committee encourages submissions using the template on the Department of the Environment and Energy website, <u>www.environment.gov.au</u>, you are welcome to provide other more general comments and submissions.

All submissions must include the submissions cover sheet.

Please submit responses to the Committee by **5pm on 9 October 2019**.

Confidentiality and publication

Unless you indicate that your submission is confidential, it will be treated as a public document. It may be published in full on the Department's website or included in a published summary report of submissions.

If you do indicate that your submission is confidential, it will not be published on the Department's website, but will be provided to the:

- Emissions Reduction Assurance Committee
- Department of the Environment and Energy
- Clean Energy Regulator.

If only a part of your submission is confidential, for example because it contains a small amount of commercially sensitive information, please provide two clearly marked versions of the submission, a full version and one with the confidential information removed, for publication.

If your submission is published, the Department will include identifying details (author name and state/territory). Contact information (such as names, signatures, addresses or phone numbers) and information may be included in published submissions.

Please note the Department is under no obligation to publish submissions it receives, and it reserves the right not to publish submissions on its website that raise legal or other concerns.

People making submissions may be invited to provide additional information. All submissions will be considered by the Emissions Reductions Assurance Committee. The Emissions Reductions Assurance Committee does not usually respond to individual submissions.

Privacy

The Department will deal with personal information contained in, or provided in relation to, submissions in accordance with its Privacy Policy (www.environment.gov.au/privacy-policy).

Contact information is collected for the purposes of identifying authors and in case we need to get in touch with you in relation to your submission. Contact information and other personal information contained in submissions may be used, and disclosed within the Department and to other persons, for the purposes of reviewing the methodology determination, for related purposes, and otherwise as required or permitted by law. Submissions may also be shared with other Government agencies.

If you are making a submission which contains the personal information of another person, and you have not obtained the person's consent to their information being:

- included in your submission, and
- used and potentially published by the Department for the purposes in this notice

please de-identify or otherwise remove the personal information before providing your submission to the Department.

Liability

The views contained in published submissions are the responsibility of the authors and should not be taken to represent the views of the Department or the Australian Government. Publication does not in any way constitute endorsement of the views of the authors.

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Freedom of Information

A request may be made under the *Freedom of Information Act 1982* for access to a submission, including a submission marked 'confidential'. Such requests, including determining whether information is exempt from release, will be handled in accordance with provisions of the Act.

1. INTRODUCTION

The Emissions Reduction Assurance Committee is an independent, expert committee. The Committee assesses whether Emissions Reduction Fund methods meet the requirements of the *Carbon Credits (Carbon Farming Initiative) Act 2011* (the Act) and provides advice to the Minister for Energy and Emissions Reduction.

The Committee's functions include conducting periodic reviews of Emissions Reduction Fund methods and undertaking public consultation in relation to these reviews. These functions are set out in section 255 of the Act.

In accordance with its function of periodically reviewing methods, the Committee is reviewing the Avoided Deforestation method. See section 1.2 for links to the method and supporting documents.

The Avoided Deforestation method provides opportunities for projects to protect native forest on agricultural land that would otherwise have been cleared. There are 59 projects registered under the method. All projects are located in New South Wales and have carbon abatement contracts with the Australian Government (to deliver a total of 26 million tonnes of abatement). As of July 2019, the Clean Energy Regulator has issued 16 million tonnes of carbon credits to Avoided Deforestation projects.

The Committee reviews methods against the offsets integrity standards in the Act (see below). This discussion paper provides an overview of the method and method requirements that help meet the offsets integrity standards.

The Committee invites comments from the public on the method's compliance with the offsets integrity standards, and any other issues with the method.

The Minister for Energy and Emissions Reduction makes or varies methods, considering the advice of the Committee as well as any social, environmental and economic outcomes. Committee reviews of methods provide an opportunity to seek information and feedback relevant to these factors.

The Committee will consider comments as it reviews the method. Following completion of the public consultation period on 9 October 2019, the Committee will prepare advice to the Minister on the outcomes of its review.

1.1 Scope of review

Offsets integrity standards

Under the Act, Emissions Reduction Fund methods must comply with a set of standards known as the offsets integrity standards. The standards ensure greenhouse gas abatement credited under a method is, among other requirements, genuine and additional to usual business practices. Table 1 provides a summary of the standards.

Table 1: Offsets integrity standards

Standard	Paragraph in Act	Test
Additionality	133(1)(a)	A method should result in carbon abatement that is unlikely to occur in the ordinary course of events (disregarding the effect of the Act).
Measurable and verifiable	133(1)(b)	Removals of greenhouse gases from the atmosphere, emissions reductions and emissions covered by the method should be measurable and capable of being verified.
Eligible carbon abatement	133(1)(c)	A method should provide abatement that is able to be used to meet Australia's international mitigation obligations.
Evidence-based	133(1)(d)	A method should be supported by clear and convincing evidence.
Project emissions	133(1)(e)	Material greenhouse gas emissions emitted as a direct result of the project should be deducted.
Conservative	133(1)(g)	Where a method involves an estimate, projection or assumption, it should be conservative.
Legislative rules	133(1)(h)	A method should satisfy any other standard set out in applicable legislative rules. (Currently, there are no other standards.)

Additional considerations for the review

The Committee can consider matters other than the methods' compliance with the offsets integrity standards as part of its reviews. For example, gathering feedback about social, environmental and economic outcomes of projects is useful, as the Minister for Energy and Emissions Reduction must consider any potential adverse impacts when making or varying methods.

The Committee invites input on the following additional considerations:

- administrative requirements and practicality of the method
- any adverse or beneficial social, environmental or economic outcomes resulting from operation of the method, particularly around natural resource management and agricultural production
- interactions and consistency with other relevant Emissions Reduction Fund methods
- other relevant implementation issues.

1.2 Sources of information

Avoided Deforestation method

- Method
- Explanatory Statement
- <u>Clean Energy Regulator guidance</u>

Emissions Reduction Fund legislative framework

- <u>Carbon Credits (Carbon Farming Initiative) Act 2011</u>
- Carbon Credits (Carbon Farming Initiative) Regulations 2011
- <u>Carbon Credits (Carbon Farming Initiative) Rule 2015</u>

Information about method reviews

• Department of the Environment and Energy method reviews webpage

2. OVERVIEW OF THE METHOD

2.1 Development of the method

The Avoided Deforestation method was made in 2015 and is based on the original Carbon Farming Initiative method for avoiding deforestation, the *Carbon Credits (Carbon Farming Initiative) (Avoided Deforestation) Methodology Determination 2013.*

The 2013 method was developed from a proposal submitted to the Domestic Offsets Integrity Committee (an independent expert committee that was replaced by the Emissions Reduction Assurance Committee following establishment of the Emissions Reduction Fund) for endorsement. The Domestic Offsets Integrity Committee assessed the method against the offsets integrity standards.

The 2013 method was one of 16 methods replaced in 2015 to maintain consistency with the Act following its amendment to establish the Emissions Reduction Fund. In addition to structural and stylistic changes, the 2015 method shortened the crediting period from 20 to 15 years, required forest cover at project commencement instead of native forest at 31 December 1989, and modified sampling requirements (e.g. reducing the frequency of destructive sampling).

2.2 Objectives, eligibility requirements and activities

The objective of the Avoided Deforestation method is to protect native forest that would otherwise have been cleared. Abatement is attributed to the emissions avoided by not clearing the forest present at the start of the project. Project proponents have the option to survey forest growth during the crediting period and can obtain further credits for carbon storage shown in survey results.

Proponents must demonstrate the project area consists of native forest that has forest cover at the time of project application. 'Forest cover' is defined as land that covers at least 0.2 of a hectare and is dominated by trees that have attained a crown cover of at least 20 per cent of the area of land and reached a height of at least two metres. This definition aligns with that used for Australia's international emission reporting obligations and targets. To be considered native forest under this method, trees must be located within their natural range and must not have been planted.

To demonstrate land would be cleared of forest if not for an Emissions Reduction Fund project, proponents must hold a valid clearing consent (e.g. a clearing permit) issued before 1 July 2010 that meets certain conditions. The 1 July 2010 requirement was to avoid consents being obtained solely to participate in the Emissions Reduction Fund (see the discussion of additionality in section 3.1).

Projects must undertake the following activities:

- protect the existing native forest so that it is not cleared, and
- manage the forest to achieve a mix of native tree, shrub and understorey species that reflects the structure and composition of local vegetation communities.

The removal of wood is only permitted for personal use and erecting or repairing fences; no more than five per cent of carbon stocks may be removed. Similarly, trees can only be thinned to promote biodiversity or enhance carbon stocks, and 95 per cent of the biomass thinned must remain onsite. Commercial harvesting is not permitted.

2.3 Calculating abatement

The method provides rules for estimating carbon abatement based on measurements of tree biomass. Proponents must divide (stratify) the project area into smaller areas based on eligibility, develop a baseline deforestation plan to show the clearing that would have occurred in the absence of the project, and calculate abatement using equations set out in the method.

Proponents must stratify land in a project area into three areas: carbon estimation areas, clearing buffers, and exclusion areas. Carbon estimation areas are areas that would have been cleared in the absence of the project, and in which proponents undertake project activities. Clearing buffers are areas that cannot be cleared due to the conditions of the clearing consent (they do not contribute to project abatement). Exclusion areas are neither a carbon estimation area nor a clearing buffer.

Categories of carbon pools and greenhouse gas emissions accounted for in abatement calculations under the method are: live above-ground and below-ground biomass carbon stocks (avoided carbon dioxide emissions); fire (methane, nitrous oxide and carbon dioxide emissions); non-fire disturbances (loss of carbon stocks as carbon dioxide emissions) and fuel use (methane, nitrous oxide and carbon dioxide emissions).

Before submitting their first project report, proponents must survey the trees in carbon estimation areas and use equations to convert the field measurements to carbon stock estimates, to estimate the emissions avoided by protecting the forest. For every reporting period, proponents must calculate abatement, accounting for carbon stock changes due to degradation or natural disturbances involving fire, and emissions from fire and fuel use.

If disturbances are material, proponents must re-stratify the relevant carbon estimation area(s) and reflect the change in carbon stocks in abatement calculations. If there are any requirements not to clear certain kinds of trees, proponents must not count the biomass of these 'non-project trees' in calculating baseline carbon stocks. Proponents have the option to account for tree growth by resurveying carbon estimation areas and including any increases in carbon storage in abatement calculations.

Proponents receive credits for the net abatement achieved by the project at the end of a reporting period, compared to the baseline scenario and accounting for project emissions. This amount is averaged across the 15-year crediting period and issued pro-rata.

2.4 Monitoring, record-keeping and reporting

The method requires monitoring of disturbances, to ensure they are taken into account in abatement estimates. Records must be kept of remotely-sensed imagery used to stratify the project area. The first project report must include the baseline deforestation plan, evidence of a mix of species, and a map showing the boundaries of carbon estimation areas, clearing buffers and exclusion areas. If any carbon estimation areas are re-stratified due to disturbances, the next project report must include a new stratification map.

2.5 Relationship to the Avoided Clearing method

The Committee is <u>concurrently reviewing</u> the *Carbon Credits (Carbon Farming Initiative—Avoided Clearing of Native Regrowth) Methodology Determination 2015* (the Avoided Clearing method). The two methods are similar in that both attribute abatement to the emissions avoided by not clearing forest. However, their eligibility requirements, approaches to estimating abatement, and crediting periods differ.

To demonstrate land would be cleared if not for an Emissions Reduction Fund project, the Avoided Deforestation method requires a clearing consent issued before 1 July 2010, whereas the Avoided Clearing method requires evidence of two past clearing events and the right to clear again. The Avoided Deforestation method involves direct measurement of trees to obtain data for abatement estimates and has a 15-year crediting period. The Avoided Clearing method uses the Full Carbon Accounting Model for estimating abatement and has a 25-year crediting period.

3. REVIEW OF THE METHOD

3.1 Assessment against offsets integrity standards

This section outlines elements of the method designed to meet the offsets integrity standards (Table 1), and issues stakeholders may like to consider in their submissions to the review of the method.

Additionality: A method should result in carbon abatement that is unlikely to occur in the ordinary course of events (disregarding the effect of the Act)

The method is designed to promote the retention and conservation of native forest that would otherwise have been cleared for agricultural purposes. The business-as-usual assumption is that eligible native forest that could legally be cleared would have been cleared in the absence of the project.

As discussed in section 2.2, the project area must consist of native forest that has forest cover at the time of project application. Proponents must hold a clearing consent applicable to the native forest that is valid at the time of application and was issued before 1 July 2010 for the purpose of development for grazing or cropping. The 1 July 2010 requirement was to avoid consents being obtained solely to participate under the Emissions Reduction Fund. The consent must not permit clearing for conversion to plantation or settlements or require an offset to mitigate clearing impacts. In addition, there must not be a licence or permit to remove wood from the eligible native forest for creating timber and wood products, or for fuel wood.

The method also requires proponents to develop a baseline deforestation plan to show the clearing that would have occurred in the absence of the project. Proponents must spatially identify clearing buffers, and not include biomass from certain kinds of trees subject to clearing restrictions in abatement calculations (as discussed in section 2.3). This aims to ensure proponents are only credited for abatement from trees that would have been cleared in the absence of the project.

Net abatement under the method is averaged across the 15-year crediting period and issued prorata for each reporting period. Fifteen years aligns with the most common duration of clearing consents used under the method and hence with the time over which clearing would otherwise have occurred.

In addition to the method requirements, requirements in the broader legislative framework also help ensure additionality.

Considerations for comment

The review seeks comments, including any supporting examples, on whether the eligibility criteria in the method are sufficient to demonstrate projects result in abatement additional to what would occur in the ordinary course of events.

Comments are also sought on the impact of regulatory and other changes since 2015 that may influence the additionality of new projects under the method.

Measurable and verifiable: Estimates of abatement should be measurable and capable of being verified

Proponents receive credits for the net carbon abatement achieved by the project at the end of a reporting period, compared to the baseline scenario and accounting for project emissions. The method specifies detailed requirements designed to ensure field measurements and the resulting abatement estimates are robust and verifiable.

Proponents must keep evidence of remotely-sensed imagery used to identify forest cover and to stratify the project area. They must provide a map of project area stratification.

To help calculate project biomass, proponents must either develop new allometric equations, or validate existing allometric equations drawn from peer-reviewed literature. Allometric equations estimate tree biomass based on measured parameters such as tree stem diameter. To validate the equations, proponents must compare predicted biomass estimates to observed estimates from destructive sampling of trees. The same destructively sampled trees cannot be used for both development and validation of equations.

A biomass survey must be undertaken in each carbon estimation area before submitting the first project report. Proponents must develop a survey protocol and analyse the data obtained to verify whether the required precision is achieved. Plots used for surveys must have a fixed area, shape and boundary to enable them to be re-established for auditing purposes.

To help ensure abatement estimates remain robust, for each reporting period, the project area must be monitored for disturbances using remotely-sensed imagery. If a disturbance affects more than five per cent of the project native forest (carbon estimation areas and clearing buffers) and results in a reduction of more than five per cent of crown cover in the disturbed area, the disturbed area of the carbon estimation area must be re-stratified. The carbon stock change resulting from the disturbance contributes to the calculation of project emissions.

Proponents must also calculate project emissions from fires and fossil fuel use. To determine emissions from fires, proponents must calculate the burnt area, the biomass in that area and the burn efficiency of the type of fire involved (different types of fire burn more or less biomass), among other factors. To calculate fuel emissions, proponents must consider aspects such as the amount of fuel used in each carbon estimation area and the emissions associated with the type of fuel used.

Considerations for comment

The review seeks comments, including any supporting examples, on whether method provisions for measuring and verifying abatement estimates are robust (considering calculations of carbon in biomass and emissions from all sources).

Eligible carbon abatement: A method should provide abatement that is able to be used to meet Australia's international mitigation obligations

Carbon abatement from a project is eligible carbon abatement where it is able to contribute towards Australia's international reporting obligations and targets. The Australian Government's National Greenhouse Accounts, which are prepared in accordance with these commitments, include tracking of greenhouse gas emissions associated with land clearing.

The method only applies to projects that avoid emissions by not clearing native forest and result in eligible carbon abatement. Project proponents must demonstrate carbon estimation areas have native forest with forest cover at the time of application and provide a valid clearing consent. The method's definition of forest cover aligns with that used for Australia's international reporting obligations and targets. These requirements aim to ensure credits are only issued for avoided emissions that would otherwise have been counted in Australia's National Greenhouse Accounts, if not for the project.

Considerations for comment

The review seeks comments, including any supporting examples, on whether abatement from projects under the method is eligible carbon abatement.

Evidence-based: A method should be supported by clear and convincing evidence

The method is premised on the assumption that in the absence of a project, native forest on land for which a valid clearing consent is held would be cleared in accordance with the consent. To ensure abatement calculations are robust, the method includes detailed requirements for measuring and

verifying abatement, including accounting for project emissions. The method was subject to technical and policy assessments to confirm the approach to calculating abatement had a sound scientific basis and aligned with current practices.

Considerations for comment

The review seeks comments, including any supporting examples, on the adequacy of evidence demonstrating the method provides for protecting land that would otherwise have been cleared. The review also seeks comment on whether the technical processes required by the method (for example, in developing and validating allometric equations, and surveying biomass) continue to reflect accepted standards.

Project emissions: Material greenhouse gas emissions emitted as a direct result of the project should be deducted

Net abatement is calculated after deducting material emissions generated as a direct result of carrying out the project (emissions from fire and combustion of fossil fuels). If project management results in material degradation that requires a carbon estimation area to be re-stratified, proponents must reflect the associated emissions by recalculating the carbon stock or setting it to zero.

Considerations for comment

The review seeks comments, including any supporting examples, on whether the method appropriately accounts for material greenhouse gas emissions directly resulting from carrying out the project.

Conservative: Where a method involves an estimate, projection or assumption, it should be conservative

The method provisions for clearing consent, stratification and approach to surveying and analysis have been subject to technical assessment to help ensure the method specifications are robust and conservative.

Net abatement under the method is averaged across the 15-year crediting period, and issued prorata for each reporting period, which supports the requirement for ongoing management and reporting during the crediting period.

The non-project tree buffer is not applied for estimating long-term carbon stocks, which results in a conservative baseline by lowering the amount of avoided carbon stock change for which proponents may be credited. For the same reason, the exclusion of soils and debris from the baseline also helps ensure abatement estimates are conservative.

In assessing the method against the conservative standard, the Committee may also consider:

 the potential for 'leakage' (e.g. an increase in vegetation clearing and associated emissions outside carbon estimation areas or clearing buffers as a result of projects) • the risk carbon emissions avoided by a project may be fully or partially released as a result of future events (non-permanence).

Considerations for comment

The review seeks comments, including any supporting examples, on whether estimates of abatement and assumptions underpinning the method are conservative (including comments on leakage and the risk of non-permanence).

3.2 Feedback sought from stakeholders

To assist its review, the Committee welcomes feedback on the matters within the scope of the review outlined above. The Committee is particularly interested in issues relating to whether the method meets the offsets integrity standards, either through the way the method is designed or the way it operates in practice.

The Committee also welcomes feedback on other aspects of the design and operation of the method, including:

- proponents' experiences in implementing projects (including estimating abatement) under the method, including any opportunities to simplify them
- issues regarding interactions with other methods, relevant to their compliance with the offsets integrity standards
- issues related to adverse or beneficial environmental, economic or social outcomes from projects under the method, particularly around natural resource management and agricultural production
- any other matters related to the method and its implementation.

From: CER - Media [mailto:CER-Media@cer.gov.au] Sent: Wednesday, 22 December 2021 6:25 PM To: ^{\$ 22} @energy.gov.au> Cc: ^{\$ 22} @energy.gov.au>; MediaTeam <<u>MediaTeam@industry.gov.au</u>>; CER - Media <<u>CER-Media@cer.gov.au</u>>; ^{\$ 22} ^{\$ 22} @cer.gov.au>; ^{\$ 22} @cer.gov.au>; Thompson, Shayleen <<u>Shayleen.Thompson@cer.gov.au</u>>; Crosbie, Michelle <<u>Michelle.Crosbie@cer.gov.au</u>>; ^{\$ 22} @cer.gov.au>; ^{\$ 22} @cer.gov.au>; ^{\$ 22} Bubject: FW: ABC Media enquiry -CER response to TAI claims [SEC=OFFICIAL]

OFFICIAL

FYI

OFFICIAL

 From: CER - Media

 Sent: Wednesday, 22 December 2021 6:23 PM

 To: ^{s 22}

 @abc.net.au

 Subject: ABC Media enquiry -CER response to TAI claims [SEC=OFFICIAL]

OFFICIAL

Hi^{s 22}

Apologies for my confusion about this media enquiry this afternoon.

Please find below a response from the Clean Energy Regulator to the TAI claims for inclusion in your online story or any update.

Please quote a Clean Energy Regulator spokesperson:

// Australian Carbon Credit Units (ACCUs) generated under the Emissions Reduction Fund (ERF) are sought after because of their high integrity.

The Government has implemented a range of measures to increase participation in the ERF and the supply of carbon credits. This includes prioritising development of five new ERF methods in 2021 with five more prioritised for 2022, reducing streamlining administrative and audit requirements and a pilot to support participation from smaller projects.

The Australian Carbon Exchange will aim to make the trading of ACCUs simpler, supporting rapidly increasing demand from the corporate sector. It will do this by increasing market transparency including pricing, lowering transaction costs and reducing red tape. It is estimated that by 2030, the exchange will save business up to \$100 million in transaction costs associated with trading ACCUs.

The Government will continue to look for ways to increase the supply and demand of ACCUs and will consult further on these.

If you like any further information or assistance please call me on ^{s 22}

Best regards,

s 22

s 22

Communications Officer | Corporate Team Corporate Branch | Communications and Contact Centre s 22 @cer.gov.au 5 Farrell Place, Canberra, 2601 ACT

OFFICIAL

From: CER - Media [mailto:CER-Media@cer.gov.au] Sent: Monday, 13 December 2021 1:15 PM To: ^{s 22} @energy.gov.au> Cc: MediaTeam <<u>MediaTeam@industry.gov.au</u>>; CER - Media <<u>CER-Media@cer.gov.au</u>>; ^{s 22} s 22 @cer.gov.au>; ^{s 22} @cer.gov.au>; ^{s 22} s 22 @cer.gov.au>; ^{s 22} @cer.gov.au>; ^{s 22}

Subject: CER News Item: Statement on TAI paper on Carbon Capture and Storage [SEC=OFFICIAL]

OFFICIAL

Dear^{s 22}

FYI please see this CER News Item just published : <u>News item - Statement on TAI paper on Carbon</u> <u>Capture and Storage (cleanenergyregulator.gov.au)</u>

CER has published this in line with advice ^{s 22} that we continue our practice of correcting incorrect/misleading information with statements like The Australian Institute's 8 December discussion paper on the Santos Moomba carbon capture and storage project.

Kind regards,

s 22

Communications Officer | Corporate Team Corporate Branch | Communications and Contact Centre s 22 @cer.gov.au 5 Farrell Place, Canberra, 2601 ACT

OFFICIAL

 From: CER - Media [mailto:CER-Media@cer.gov.au]

 Sent: Wednesday, 22 December 2021 5:32 PM

 To: \$ 22
 @energy.gov.au>; \$ 22

 § 22
 @energy.gov.au>; CER - Media <CER-Media@cer.gov.au>; MediaTeam

 <MediaTeam@industry.gov.au>

 Subject: RE: Fwd: Info on supply increase [SEC=OFFICIAL:Sensitive]

OFFICIAL:Sensitive

Hi <mark>s 22</mark>

I've spoken to the ABC journalist who told me the MO had responded already, that "the claim is incorrect". S 22 also said he was also quoting the CER website is something akin to "our job is to reduce emissions'.

Can you confirm that you have responded please?

Thanks, s 22

OFFICIAL:Sensitive

 From: \$ 22
 @energy.gov.au>

 Sent: Wednesday, 22 December 2021 5:27 PM

 To: \$ 22
 @cer.gov.au>; \$ 22

 Media <</td>
 CER-Media@cer.gov.au>; MediaTeam@industry.gov.au>

 Subject: [SEC=OFFICIAL:Sensitive] Fwd: Info on supply increase

@energy.gov.au>; CER -

Hi CER

Understand ^S ²² already forwarded this enquiry but fine below more information about the claims being made by The Australia Institute.

Can you please provide a response?

s 22

Begin forwarded message:

From: \$ 22@abc.net.au>Date: 22 December 2021 at 4:47:56 pm ACDTTo: \$ 22" \$ 22@energy.gov.au>Subject: Info on supply increase

Hi s 22

Please see attached chart for forecast boost to supply of ACCUs.

And here's what The Australia Institute says:

"So while there might be a spike in prices, the overall idea is that the regulator is going to increasingly be generating a huge supply of offsets, and so potentially the price is going to come down, and it will be easier again for those businesses who aren't actually decarbonizing to just offset and not actually have to invest in that capital that will mean they're decarbonizing or reducing their emissions in real terms."

Script:

"Crucially, she's told the ABC the regulator is positioning itself to significantly boost the supply of ACCUs to help drag the price of carbon credits down."

Thanks, s 22



Figure 1.1 ACCU supply and demand balance (millions), 2019 to 2021



From:	s 22	@cer.gov.au>
Sent:	Tuesday, 21 Septem	ber 2021 5:22 PM
То:	s 22	
Cc:	MediaTeam	
Subject:	FW: Media stateme	nt on ACF/TAI report [SEC=OFFICIAL]
Attachments:	CER - media stateme	ent in response to TAI-ACF report 21
	September 2021.do	OCX

OFFICIAL

FYI

s 22

Senior Communications Adviser | Corporate Team s 22 @cer.gov.au OFFICIAL

From: ^{s 22}

Sent: Tuesday, 21 September 2021 5:21 PM
To: ^{s 22}
Cc: CER - Media
Subject: RE: Media statement on ACF/TAI report [SEC=OFFICIAL]

OFFICIAL

Hi ^{s 22}

For info – we have gone back to:

- ABC
- SMH
- AFR
- The Guardian
- Footprint News

Kind regards

s 22

Senior Communications Adviser Corporate	Team	
s 22	<u>@cer.gov.au</u>	
	OFFICIAL	
From: ^{s 22}		
Sent: Tuesday, 21 September 2021 4:54 PM		
To: ^{s 22}	@energy.gov.au	

Cc: CER - Media <<u>CER-Media@cer.gov.au</u>>

Subject: Media statement on ACF/TAI report [SEC=OFFICIAL]

Importance: High

OFFICIAL

Hi ^{s 22}

Response below and detailed response attached – let me know if you have any changes.

//We are considering the findings of the report '*Questionable integrity* – *Non-additionality in the Emissions Reduction Fund's Avoided Deforestation Method*' released by The Australian Conservation Foundation and the Australia Institute. There are number of shortcomings in the report **(attached)**.

The Emissions Reduction Fund (ERF) is central to the Australian Government's real and measured action to reduce emissions. It has successfully driven measurable reductions in Australia's emissions for nearly a decade. The ERF provides our farmers, Indigenous communities, industries and businesses with critical support by backing on-the-ground, practical projects to reduce their emissions.

The ERF continues to grow with 1,000 different projects volunteering to participate. Together, they are generating hundreds of millions of tonnes of emissions reductions that contribute towards Australia meeting its international targets.

ERF project accreditations are supported by the Clean Energy Regulator's robust scientific data.

The ERF has successfully contracted 6.8 million tonnes of emission reductions in 2021, boosting emissions reductions achieved through ERF auctions to over 200 million tonnes.

Kind regards

s 22



s 22

Senior Communications Adviser | Corporate Team Corporate Branch | Communications and Contact Centre s 22 @cer.gov.au

OFFICIAL

OFFICIAL



21 September 2021

1. Does the CER maintain that the ACCUs created under this method are all real and additional?

The CER maintains that the administration of this method have been consistent with the method. The CER is not aware of robust evidence that the avoided deforestation method is not additional.

2. The analysis by TAI and ACF appears to show that for the avoided deforestation method to represent real avoided deforestation, the assumed rates of deforestation that would have occurred otherwise were implausible. It would have had to increase by between 751 and 12,804 per cent compared to historical rates of clearing. This appears quite objectively to be the case. What is the CER's response?

The CER has only had the TAI and ACF report for a short time and these are complex, highly technical matters. That said, the report appears to be based on some highly questionable assumptions:

That the NSW land clearing permits are not an appropriate additionality test

- All ERF methods have an additionality baseline which would show what would happen in the absence of the project, in this case whether or not land would be cleared.
- The NSW land clearing permits, the INS PVPs, were taken to be a robust baseline for the method because:
 - There was a view that farmers would only engage with permitting arrangements and accompanying red tape if they did intend to clear their land.
 - The ACF report states this was not the case but does not furnish any evidence in support of this.
 - The INS PVPs had to be obtained before 2010, when the then Commonwealth Government first announced the possibility of what became the Carbon Farming Initiative, subsequently the Emissions Reduction Fund.



This means no one could have sought a land clearing permit for the purpose of subsequently getting carbon credits under the CFI/ERF.

The method assumes that the clearing would need to have happened within the 15 year life of the land clearing permit

- This is a deep flaw in the ACF analysis it conflates clearing rates with the timeframe for ACCU issuance. The method does not attempt to calculate a clearing rate the assumption is simply that land will eventually be cleared if there is a permit.
- The 15 year timeframe for crediting ACCUs was not really about mimicking the life span of the clearing permit.
- Instead the crediting timeframe recognises that when a landholder takes a decision not to clear existing trees, all the abatement (ie the avoided emissions) occurs at once, assuming there is an ongoing obligation not to clear. This could mean that all the abatement should be credited at once. At the time the method was made in 2013 the CFI was just beginning and there was a concern that if all the abatement from avoided deforestation was credited at once, the market would be flooded with ACCUs. So, the method allocates the permits over a 15 year period.
- The avoided deforestation method operates in the context of an ongoing permanence period of either 100 years (or 25 years with significant discounts). Almost all avoided deforestation projects in the Western District that have been credited with ACCUs opted for a 100-year permanence period, which means that scheme participants are unable to clear their land for 100 years, irrespective of the duration of the NSW clearing permit.
- This permanence obligation means the assumption in the ACF analysis that the avoided land clearing would need to have occurred with the 15 years of the NSW permit life is incorrect. When landholders sign up to these projects in the ERF, they have committed to keeping the land in trees for 100 years. This was another reason for averaging the abatement over 15 years rather than crediting all at once it created a longer revenue stream for the land holder, creating a further incentive to keep the trees in the ground.
- The ACF analysis relies heavily on a low average clearing rate of 2,510 ha per year this is why the analysis shows high per centage changes. In fact peak clearing rates of 43 000 ha per year as seen in 1988/9 are possible.
- The ACF analysis assumes an upper limit area of land clearing, which appears to come from the total areas approved under PVP between 2005-2010. This is not equivalent to the CEA areas. It assumes 100% of the approved clearing area would be cleared (the upper limit analysis) as opposed to 100% of CEA. This doesn't understand that most of that area is not eligible for broad scale clearing and is not included as part of the CEAs.
- Furthermore, the clearing rate during the period of the CFI operation must account for the fact that a large area of land is no longer eligible because areas of land are now subject to ERF avoided deforestation projects.
- The ACF analysis shows that rates of land clearing are increasing but this likely reflects changes in NSW government land clearing laws, which came into effect in 2017. The graph



at attachment A of the ACF analysis shows what is arguably a discernible impact from CFI/ERF projects after 2010, when the scheme was first in prospect.

• The ERF avoided deforestation projects are preventing land clearing that would otherwise take place.

This appears to undermine the credibility of Australia's emissions reduction strategy, as well as efforts by organisations to achieve carbon neutrality using ACCUs. What is the CER's response?

The ERF has a well-deserved reputation of world's best practice integrity, which is reflected in the premium price paid for ACCUs in the carbon market compared to other units of lesser quality.

I understand that ACF and/or TAI wrote to the Emissions Reduction Assurance Committee in 2019 to alert them to this issue. I understand ERAC conducted a review. What did the review find?

As the ACF was advised in writing by the Chair of the ERAC, David Byers, the initial findings of the review were inconclusive with respect to the concerns about additionality and ERAC asked for more analytic work to be done. This work is ongoing.



From: CER - Media [mailto:CER-Media@cer.gov.au] Sent: Thursday, 20 January 2022 11:46 AM To: MediaTeam <<u>MediaTeam@industry.gov.au</u>> Subject: re: ^{\$ 22} TAI tweets blue carbon [SEC=OFFICIAL]

OFFICIAL

ы<mark>s 22</mark> Н

This is for DISER to respond to, if you wish. Can you please pass on to your socials team? ^{\$ 22} has published a series of tweets on the ERF methods MR, as you may be aware.

Thanks, ^{s 22}

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	Ē	consult.ind Blue carbo In late 202 Reduction	lustry.gov.au n method: proposed O, the Minister for Er tasked the Clean Ene	new method under nergy and Emissions ergy Regulator with
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			OFF	ICIAL
From:	s 22	@cer.gov.au>		
----------	-------------------------------------	--------------------------------------		
Sent:	Monday, 1 November 2021 3:44 PM			
То:	MediaTeam; <mark>s 22</mark>			
Cc:	s 22			
Subject:	FW: URGENT: Media [SEC=OFFICIAL]	a enquiry - The Age - carbon offsets		

OFFICIAL

Hi ^{s 22}

As per my alert – Please see below a media enquiry form The Age. – ^{s 22}

@theage.com.au Environment Reporter

THE AGE INDEPENDENT. ALWAYS. M S 22 Pronoun: S 22 A 717 Bourke Street, Docklands 3008



Question 1 is for you please. I don't expect you can respond by here deadline.

We are letting her know it's with DISER and providing our link to our statement to confirm it stands.

Journalists' Enquiry

I wanted to send a couple of questions your way for a piece I'm writing today about carbon offsets. In its newly released Plan for net zero 2025, the Australian government says 10 to 20 percent of its emission reductions could come from offsets by 2050.

It also says 63 Mt CO_2 -e of accredited carbon offsets could be produced from voluntary planting. 1. Does the Clean Energy Regulator have a view on whether both these claims are achievable? 2. Also, I will mention the recent ACF/AI report on carbon offsets. I know the regulator has provided a response to that in some stories but wanted to make sure you sent me the most recent one please?

My piece will go live online around 4.

To have something added for the paper version I'd need a response by 5pm.

s 22

The figure she refers to is shown on p15 and 72 of the <u>long term emissions reduction plan</u> (see page 72: Modelling for the Plan demonstrates that up to 63 Mt CO₂-e of accredited carbon offsets could be produced each year by 2050, involving 1.5 million hectares of on-farm plantings (equivalent to 2% of total agricultural land). Achieving this level of abatement from targeted environmental plantings is possible without any negative impact on farm output, such as through wind breaks and

riparian buffer zones, and would occur voluntarily on the basis that it produces a more profitable business outcome for the farmers.)

s 22

CER ADVICE:

OFFICIAL

Topic Journalist/outlet Deadline Background and advice	Carbon offsets <mark>s 22</mark> /The Age 5pm <u>Background:</u> Environment reporter at The Age writing a piece on carbon offsets.	
	The report is for a piece that will be going up online at 4pm, with copy for the print version due at 5pm.	
	 s 22 is asking for comment on: the Government's Long Term Emissions Reduction Plan to deliver net zero emissions by 2050 reference to 63 Mt CO₂-e of accredited carbon offsets being delivered by voluntary planting 	
	 further comment on the TAI/ACF report on carbon offsets, ie avoided deforestation 	
	The figure $^{s 22}$ refers to is shown on p15 and 72 of the <u>long term</u> emissions reduction plan (see page 72: Modelling for the Plan demonstrates that up to 63 Mt CO ₂ -e of accredited carbon offsets could be produced each year by 2050, involving 1.5 million hectares of on-farm plantings (equivalent to 2% of total agricultural land). Achieving this level of abatement from targeted environmental plantings is possible without any negative impact on farm output, such as through wind breaks and riparian buffer zones, and would occur voluntarily on the basis that it produces a more profitable business outcome for the farmers.)	
	Advice:	
	 We advise the first question be referred to DISER Media for a response 	
Next steps -	 2. If 1. is agreed, we will alert that DISER Media will provide a response, provide ^{\$ 22} with a DOSER media contact and send a link to the CER's 22 September statement on the TAI?ACF report (<u>News item - Statement in Response to TAI-ACF Report on the Emissions Reduction Fund (cleanenergyregulator.gov.au)</u> Please provide your response in a reply to this email 	

Journalists' Enquiry

I wanted to send a couple of questions your way for a piece I'm writing today about carbon offsets. In its newly released Plan for net zero 2025, the Australian government says 10 to 20 percent of its emission reductions could come from offsets by 2050. It also says 63 Mt CO₂-e of accredited carbon offsets could be produced from voluntary planting. 1. Does the Clean Energy Regulator have a view on whether both these claims are achievable? 2. Also, I will mention the recent ACF/AI report on carbon offsets. I know the regulator has provided a response to that in some stories but wanted to make sure you sent me the most recent one please?

My piece will go live online around 4.

To have something added for the paper version I'd need a response by 5pm.

s 22 | Media Team

Communications and Contact Centre



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 Released under the FOI Act - DISER

 LEX 70466 - Document 16

 Archived: Thursday, 3 February 2022 12:06:35 PM

 From: ERAC

 Sent: Monday, 18 October 2021 11:10:23 AM

 To: Thompson, Shayleen; Bennett, Helen; 'mikeogh@bigpond.net.au'; 'Margie Thomson'; Ford, Mel; Crosbie, Michelle;

 \$ 22

 ; \$ 22

 ; \$ 22

 ; Alex McBratney'; \$ 22

 S 22

 'David Byers'

 Cc: \$ 22

 Pentony, Alamah; \$ 22

Subject: Emissions Reduction Assurance Committee [SEC=OFFICIAL] Last modification date: Tuesday, 1 February 2022 5:35:03 PM Reply requested: Yes Response requested: Yes End: Tuesday, 19 October 2021 10:00:00 AM Conversation: Emissions Reduction Assurance Committee [SEC=OFFICIAL] Attachments: Appendix 1 - Correspondence - 19 October.pdf;ERAC meeting pack 19 October 2021.pdf;

OFFICIAL

Meeting agenda and papers to follow. Please notify the Secretariat if your availability changes. Kind regards, ERAC secretariat

Microsoft Teams meeting

Join on your computer or mobile app Click here to join the meeting

Or call in (audio only) +61 2 8318 0088,,893453327# Australia, Sydney Phone Conference ID: 893 453 327# Find a local number | Reset PIN Learn More | Meeting options

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29 pages removed under s22 of the FOI Act as irrelevant information

OFFICIAL

	Item Number	Date	То	From	Incoming/Outgoing Subject	
s 22	2					

46	22 September 2021	The Committee	Ms ^{s 22} Australian Conservation Foundation	Advising of the release of the Australian Conservation Foundation (ACF)/the Australia Institute (TAI) report on the avoided deforestation method.	See Appendix 1 – A
47	28 September 2021	Ms ^{s 22} Australian Conservation Foundation	Mr David Byers	Acknowledging receipt of the ACF/TAI report on the avoided deforestation method and reiterating work being undertaken to finalise the review of the method.	Response to item 4 See Appendix 1 – A

s 22

LEX 70466 - Document 16a Item 01 – E – ERAC Correspondence Register

Response/Comments

Att 46A & 46B.

46. Att 47A. ${\it 340}$ pages removed under s22 of the FOI Act as irrelevant information



Appendix 1 – Correspondence

The correspondence register (Item 1.E) notes all incoming and outgoing correspondence with the ERAC on relevant committee matters.

Appendix 1 contains items added to the correspondence register since the 17 September 2021 ERAC meeting.

s 22

• Attachments 46A & 46B: The Australia Institute – email and response to agency's statement on the Emissions Reduction Fund's Avoided Deforestation Method - Discussion paper/report.

s 22



13 pages removed under s22 of the FOI Act as irrelevant information

Released under the FOI Act - DISER

LEX 70466 - Document 16b

Att 46A- Official Response ACF-Aust-Institute of integrity-avoided deforestation report

 From: \$ 22
 @australiainstitute.org.au>

 Sent: Friday, 24 September 2021 3:13 PM

 To: Thompson, Shayleen < Shayleen.Thompson@cer.gov.au>; Crosbie, Michelle

 <Michelle.Crosbie@cer.gov.au>; \$ 22
 @cer.gov.au>; ERAC

 <ERAC@cleanenergyregulator.gov.au>
 Cc: \$ 22

 @australiainstitute.org.au>
 Subject: The Australia Institute // Statement in response to the Clean Energy Regulator

Good afternoon

Please find below an official response to the Clean Energy Regulator's <u>statement</u> on the recent paper *Questionable integrity: Non-additionality in the Emissions Reduction Fund's Avoided Deforestation Method.* The Australia Institute's response can also be found <u>here</u>.

Kind regards

s 22

Advisor – Climate & Energy Program s 22 @australiainstitute.org.au

The Australia Institute P +61 2 6130 0530 | W <u>australiainstitute.org.au</u> Level 1 Endeavour House 1 Franklin Street, Manuka ACT 2603





Statement in response to the Clean Energy Regulator

Fundamental questions of integrity have been raised by the Australia Institute and the Australian Conservation Foundation in regards to the Emissions Reduction Fund's avoided deforestation method. Rather than investigate the method in question, the regulator has sought to discredit the analysis, and revealed an alarming lack of understanding of its own methodology.

A full statement in response to the Clean Energy Regulator can be found below:

This week the Australia Institute and Australian Conservation Foundation released a joint report, *Questionable integrity: Non-additionality in the Emissions Reduction Fund's Avoided Deforestation Method,* which revealed that one in five carbon credits generated under the Australian Government's Emissions Reduction Fund is unlikely to represent additional emissions abatement, and that over \$300 million has been spent using public funds purchasing these credits. These findings represent a failure by the Clean Energy Regulator and the Emissions Reduction Assurance Committee to ensure that all Emission Reduction Fund methods meet the offset integrity standards.

The report's analysis found that NSW landholders with clearing permits (formally known in this context as Invasive Native Scrub Property Vegetation Plans (INS PVPs)) were being awarded Australian Carbon Credit Units (ACCUs) for retaining vegetation that it is unlikely they ever intended to clear and that the method is based on a flawed assumption that landholders with these permits would clear the eligible areas within 15 years (the duration of the permits).

The Clean Energy Regulator seeks to discredit The Australia Institute and Australian Conservation Foundation's analysis, arguing the Avoided Deforestation method is not based on the assumption the relevant areas would be cleared within 15 years, consistent with the lifetime of the INS PVPs. In the Clean Energy Regulator's words:

A deep flaw in the TAI-ACF analysis is that it assumes land clearing prevented by the method needed to occur during the 15 years of the clearing permit. This is not the case. ... The 15-year timeframe for crediting Australia carbon credit units (ACCUs) is not about mimicking the life span of the clearing permit. [Emphasis added]

Elsewhere, the Clean Energy Regulator argues that:

Almost all avoided deforestation projects that have been credited with ACCUs opted for a 100-year permanence period, which means scheme participants are unable to clear their land for 100 years, irrespective of the duration of the NSW clearing permit.

The Carbon Market Institute, an industry group which represent generators of ACCUs including under this method, makes similar claims, stating:

The report appears to confuse clearing rates and crediting periods. Avoided Deforestation projects are eligible to receive credits over 15 years, with clearing rates modelled across the 100-year permanence period required by the project, not a 15-year period as the report suggests.

The Clean Energy Regulator and the Carbon Market Institute appear to be confused.

They are confusing the permanence period with the period over which abatement is assumed to occur (and is credited). The permanence period (25 or 100 years) is intended to ensure the abatement associated with sequestration projects is not lost (or reversed) over a prescribed period. It is unrelated to crediting and is only intended to address the risk of reversals.

Crediting is meant to occur after the abatement occurs – in this case, following the period when the forests would have been cleared without the incentive provided by the ERF. This is one of the foundational principles of the ERF. As the <u>ERF White Paper</u> states (at page 76):

ERF methods will provide for emissions reductions to be credited after they have occurred. This will avoid the risk that funds will be expended without achieving emissions reductions.¹

Under the Avoided Deforestation method, the abatement (i.e. the avoided clearing event) is assumed to have occurred within 15 years from the date of project commencement. This is reflected in the fact that the method requires the credits to be issued over 15 years in equal portions. The logic behind the 15 year period is outlined in the Explanatory Statement to the Method:

Section 6 provides that projects covered by this Determination have a 15 year crediting period. This represents a revision in the crediting period from 20 years, as provided for with the original Avoided Deforestation method, <u>to better reflect when abatement occurs</u>. [Emphasis added]²

The Clean Energy Regulator's own guidance on the method states:

The crediting period in the original version was 20 years. In version 1.1, it is 15 years. This change <u>reflects the lifetime of the clearing permits most commonly applicable for these projects.</u> [Emphasis added] ³

These statements **completely contradict** the Clean Energy Regulator's claim that the 15-year crediting period 'is not about mimicking the life span of the clearing permit'.

If the Clean Energy Regulator and Carbon Market Institute were correct, and the method was based on the assumption the avoided clearing events would occur at some point during the 100-year permanence period, the credits should be issued over 100 years, not 15 years. Issuing the credits over 15 years when the abatement was projected to occur at some point over the following 100 years would be contrary to the principle that abatement is only credited once it has occurred.

If the Clean Energy Regulator and the Carbon Market Institute believe this, they should support a proposal to amend the method to ensure the existing projects are credited over 100 years. This would result in most of the existing projects not receiving any further credits until sometime after 2060.

Confusingly, after suggesting the method avoids clearing events that would have occurred at some point over the 100-year permanence period, the Clean Energy Regulator then states that the method is based on the assumption that the abatement occurs 'when a decision is taken not to clear land' (i.e. at project commencement). It then states that, when this decision is made, 'all the emissions from removing vegetation are avoided at once, so all the credits could be issued at once'. If this was the case, the assumed rate of clearing would need to be significantly higher than concluded in The Australia Institute/Australian Conservation Foundation's report.

The Clean Energy Regulator asserts the report is based on a 'serious misunderstanding of the ERF Avoided Deforestation Method'. In its public statements, the Clean Energy Regulator has demonstrated a profound lack of understanding of the methods it is responsible for administering. It has also engaged in behaviour that is extraordinary and totally at odds with the standards expected of a professional government regulatory agency.

Regulators are meant to be impartial and at arm's length to the industries they regulate. The Clean Energy Regulator seemingly sees its role as defending the interests of the carbon industry at all costs and making methods that generate credits for non-existent abatement.

In its most recent review of the ERF, the Climate Change Authority recommended the Commonwealth Auditor-General conduct an audit on the ERF's governance arrangements.

The Australia Institute calls on the Commonwealth Auditor-General to initiate this audit as soon as possible and asks that it include the integrity of the ERF's methods and extent to which they satisfy the offsets integrity standards.

_

¹ Australian Government (2014). *Emissions Reduction Fund White Paper*, <u>https://www.industry.gov.au/sites/default/files/2020-08/erf-white-paper.pdf</u>

² ibid

³ Clean Energy Regulator (2015). *A guide to the avoided deforestation 1.1 method,* <u>http://www.cleanenergyregulator.gov.au/DocumentAssets/Pages/A-guide-to-the-avoided-deforestation-1-1-method.aspx</u> K AR 46B - ACF-Aust-Institute of integrity a Wided deforestation report

Questionable Integrity

Non-additionality in the Emissions Reduction Fund's Avoided Deforestation Method





> Climate & Energy.

Front cover photo. Google Earth Image: ©2021 CNES / Airbus Image, ©2021 Maxar Technologies

About The Australia Institute

The Australia Institute is an independent public policy think tank based in Canberra. It is funded by donations from philanthropic trusts and individuals and commissioned research. We barrack for ideas, not political parties or candidates. Since its launch in 1994, the Institute has carried out highly influential research on a broad range of economic, social and environmental issues.

Our philosophy

As we begin the 21st century, new dilemmas confront our society and our planet. Unprecedented levels of consumption co-exist with extreme poverty. Through new technology we are more connected than we have ever been, yet civic engagement is declining. Environmental neglect continues despite heightened ecological awareness. A better balance is urgently needed.

The Australia Institute's directors, staff and supporters represent a broad range of views and priorities. What unites us is a belief that through a combination of research and creativity we can promote new solutions and ways of thinking.

Our purpose - Research that matters

The Institute publishes research that contributes to a more just, sustainable and peaceful society. Our goal is to gather, interpret and communicate evidence in order to both diagnose the problems we face and propose new solutions to tackle them.

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Level 1, Endeavour House, 1 Franklin Street, Canberra, ACT 2601 Tel: (02) 61300530 Email: mail@australiainstitute.org.au Website: www.australiainstitute.org.au ISSN: 1836-9014

The Avoided Deforestation Method is responsible for more than 20 per cent of total Australian Carbon Credit Units (ACCUs) that have been issued under the Australian Government's Emissions Reduction Fund.

However, the method has significant integrity issues, and the ACCUs generated by avoided deforestation projects appear to represent non-additional abatement. This has implications for those purchasing ACCUs to meet climate targets, including the Australian Government and the private sector.

DISCUSSION PAPER: Richie Merzian, Polly Hemming and Annica Schoo September 2021

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Summary

The Australian Government's \$4.5 billion Emissions Reduction Fund (ERF) purchases reductions in greenhouse gas emissions from a wide range of industries. Vegetation management in the land sector is a significant activity under the ERF, representing approximately 70 per cent of carbon abatement purchased by the government to date.

Different methodologies relating to vegetation management have been developed, including the 'avoided deforestation' method, which provides Australian Carbon Credit Units (ACCUs) for the retention of specific areas of forest in Western New South Wales (NSW) that would otherwise be cleared. The abatement by these projects is described by the Clean Energy Regulator (the government body administering the ERF) as follows:

"A project using this method helps to reduce the amount of greenhouse gas entering the atmosphere, because carbon remains stored in the trees as they grow, and the emissions that would have been created by clearing are avoided. The carbon stored in the trees is called carbon stock, while the net reduction in greenhouse gas emissions as a result of a project is called abatement."¹

Under the *Carbon Credits (Carbon Farming Initiative) Act 2011* (Cth) (the Act), all ERF methods, including avoided deforestation, must meet statutory offsets integrity standards. These standards are meant to ensure the ACCUs issued to participating projects are real and additional.² Specifically, the offsets integrity standards require the following.³

- The methods must result in additional carbon abatement, being abatement that would not occur in the ordinary course of events without the incentive provided by the ERF;
- The emissions, removals and abatement that are estimated under the methods must be measurable and verifiable;
- The methods must ensure the carbon abatement that is credited is able to be used to meet Australia's climate change targets;
- The methods must be supported by 'clear and convincing evidence';
- The methods must account for any material emissions that occur as a consequence of offset projects; and
- The estimates, projections and assumptions used in the methods must be conservative.

This paper demonstrates that the avoided deforestation method fails to meet at least three of the six offsets integrity standards and is likely to be resulting in projects being issued ACCUs for not clearing forests that were never going to be cleared. Subsequently, those who have been buying ACCUs from avoided deforestation projects, including the Australian Government, are likely to have been buying what is colloquially known as 'hot air'.

The avoided deforestation method's core assumption

The avoided deforestation method is based on the assumption that landholders who applied for and received a particular type of NSW land clearing approval, known as an Invasive Native Scrub Property Vegetation Plan (INS PVP), would always act on them and clear the relevant vegetation within 15 years. To be eligible under the method, the INS PVPs must have been issued between 2005 and 30 June 2010 and they must have authorised the permanent conversion of a native forest to grassland or cropland. The eligible INS PVPs only authorised the clearing of remnant native forests and pre-1983 regrowth native forests; other regrowth has historically been allowed to be cleared without government approval.

¹ Clean Energy Regulator (2018) Avoided deforestation method, www.cleanenergyregulator.gov.au/ERF/Choosing-a-projecttype/Opportunities-for-the-land-sector/Vegetation-methods/ Native-forest-protection-(avoided-deforestation)

² Emissions Reduction Assurance Committee (2021). Information Paper: Committee considerations for interpreting the Emissions Reduction Fund's offsets integrity standards Version 2.0 March 2021

³ Carbon Credits (Carbon Farming Initiative) Act 2011 (Cth), s 133.

Between 2005 and 30 June 2010, 257 INS PVPs were issued across NSW, with a combined treatment area of 2.09 million hectares. The vast majority (1.97 million hectares) of the clearing approved under these eligible INS PVPs relates to properties in the Western Local Land Services (LLS) region of NSW.

A valuation of the validity of the method's core assumption

To test the validity of the avoided deforestation method's core assumption that the eligible INS PVPs would always be acted upon, we compared the historical rates of agricultural-related land clearing of remnant woody vegetation and pre-1983 regrowth in the Western LLS region to:

- the total approved treatment area under eligible INS PVPs in the Western LLS (the upper limit of the area that could be eligible under the method); and
- the areas (known as 'carbon estimation areas', or CEAs) over which credits have been issued to avoided deforestation projects in the Western LLS (the lower limit of the area that could be eligible under the method).

The clearing data were derived from the NSW Statewide Landcover and Tree Study (SLATS). Two average historic clearing rates were used: the rate of agriculture-related clearing between 1988 and 2008; and the rate of agricultural-related clearing between 2009 and 2013. These rates were selected because of the time periods reported in SLATS and to exclude the period in which projects became active under the ERF (2014 onward).⁴ It was conservatively assumed for the purposes of the analysis that 65 per cent of all reported woody vegetation clearing was remnant and pre-1983 regrowth.⁵ In order for the core assumption of the avoided deforestation method to be valid and meet the offsets integrity standards, analysis of these data should show that it was likely that the total approved INS treatment area and the aggregate of the CEAs would be cleared within 15 years if the historic rates of clearing continued. Instead, the data suggest that, for these areas to be cleared within 15 years, the rates of clearing would need to have increased by an implausible amount.

The results of the analysis are summarised in Figures A1, A2 and A3. Figure A1 shows that, for the avoided deforestation method's core assumption to be true, the rate of agriculture-related clearing would need to have increased by between 751 per cent and 12,804 per cent.

Figure A2 presents this in an alternative way – the number of years it would take to get through the relevant approved clearing based on historic average clearing rates. It would take between 128 to 1,936 years to clear the amount of forest in question at the historic clearing rates; yet the method assumes these areas would be cleared in 15 years. Whichever way the data are presented, it is clear the avoided deforestation's assumption that the areas would be cleared in the counterfactual is not plausible.

⁴ One project commenced in late 2013, then 52 (of 63) were registered over 2014 and 2015.

⁵ SLATS reports total agriculture-related woody vegetation clearing for the Western LLS but does not report the clearing rate for remnant and pre-1983 regrowth. The assumption that 65 per cent of total agriculture-related clearing was of remnant woody vegetation and pre-1983 regrowth was derived from the Australian Government's deforestation statistics for the Western LLS region over the period 2015-2019.

Figure A1. Required percentage increase in historic agriculture-related clearing rates for the avoided deforestation method's clearing assumption to be true



Figure A2. Number of years of clearing required to get through the relevant approved clearing



Figures A1 and A2 Source: Department of Planning, Industry and Environment (2021). Results Woody Vegetation Change, Statewide Landcover and Tree Study (SLATS) 2019. New South Wales Government, Sydney; and author estimates; Clean Energy Regulator (2021) Environment and Communications Legislation Committee. Answers to Questions on Notice. Department of Industry, Science, Energy and Resources, 2021-2022 Budget Estimates. Question No. 98. Commonwealth of Australia, Canberra.

Figure A3 demonstrates the implausibility of the method's core assumption by comparing the actual rates of clearing of the relevant vegetation for agriculture in the Western LLS to the rate of clearing required to clear the CEAs over 15 years. For the method's assumption to be valid, the clearing rate in the Western LLS in the absence of the projects in 2019 would have to have been almost 27,600

hectares per year, and the average clearing rate over the period 2014-2019 would have to have been 25,739 hectares per year. For comparison, the actual estimated average clearing rate in the Western LLS over this period was 4,372 hectares per year. To put this in perspective, in 2019, total clearing of all woody vegetation for agricultural purposes across the whole of NSW was 23,400 hectares.





Figure A3 Source: Department of Planning, Industry and Environment (2021) Results Woody Vegetation Change, Statewide Landcover and Tree Study (SLATS) 2019. New South Wales Government, Sydney; and authors' estimates; Clean Energy Regulator (2021) Environment and Communications Legislation Committee. Answers to Questions on Notice. Department of Industry, Science, Energy and Resources, 2021-2022 Budget Estimates. Question No. 98. Commonwealth of Australia, Canberra.

Implications of Analysis

The results of the analysis demonstrate that the avoided deforestation method does not satisfy the following offsets integrity standards:

- it is not based on clear and convincing evidence;
- the main assumption that underpins the method is not conservative; and
- the method is likely to be predominantly crediting non-additional abatement.

The method should be revoked immediately.

The deficiencies in the method and the fact it is crediting non-additional abatement brings into question the overall integrity of the ERF and its ability to help Australia meet its climate targets.

The avoided deforestation method is currently responsible for more than 20 per cent of the total number of ACCUs that have been issued under the ERF (roughly 22 million of 100 million ACCUs). To date, the Australian Government has also contracted to buy 26.3 million ACCUs from avoided deforestation projects for approximately \$310 million. Revoking the method will prevent the registration of new avoided deforestation projects. However, it will not stop existing projects from continuing to receive ACCUs over the remainder of their 15 year crediting period. To prevent more government and private money from being wasted on low integrity credits, steps should be taken to stop the existing projects from receiving any further ACCUs.

At the very least, the Australian Government should take steps to warn companies and individuals that buy ACCUs of the integrity problems with avoided deforestation projects and the risk that the ACCUs do not represent real and additional abatement.

Finally, the manifest integrity problems with the avoided deforestation method raise questions about how the method was made and why steps have not been taken to address them.

The deficiencies in the method and the fact it is crediting nonadditional abatement **brings into question the overall integrity of the ERF.**

Introduction

The Australian Government's Climate Solutions Fund, more often referred to by its previous name, the Emissions Reduction Fund (ERF), is a \$4.5 billion scheme aimed at reducing Australia's emissions.

A legacy of the Abbott Government's 2014 'Direct Action' policy, the ERF is administered by the Clean Energy Regulator (CER) and pays businesses, landholders and individuals to reduce emissions by undertaking emissions avoidance or sequestration projects.

Businesses and individuals that participate in the ERF identify and develop offset projects that avoid or sequester emissions according to carbon offset methods that are defined and approved for use under the ERF. Proponents that undertake projects, and measure and report abatement in accordance with an approved method are issued Australian Carbon Credit Units (ACCUs). Crediting involves determining the amount of emissions reductions delivered by a project, with one ACCU issued for each tonne of abatement.

ACCUs can be sold either to the Australian Government through a 'carbon abatement contract' under the ERF, or to the secondary market to enable other entities to offset or meet their carbon abatement obligations. The secondary market includes entities with compliance obligations under the Australian Government's Safeguard Mechanism, and voluntary purchases by businesses and state and territory governments that wish to reduce their net emissions.

Vegetation management projects are a significant part of the ERF, making up almost 60 per cent of ACCUs issued and 70 per cent of all contracted ACCUs.⁶ One of the most popular vegetation

⁸ As of 20 August 2021.

methods has been avoided deforestation. As at September 2021, the avoided deforestation method accounted for more than 20 per cent of issued ACCUs and the Clean Energy Regulator had contracted to buy 26.3 million ACCUs from avoided deforestation projects for approximately \$310 million.⁷

The avoided deforestation method is intended to generate abatement by incentivising the retention of remnant native forests and pre-1983 regrowth native forests in western New South Wales that would otherwise have been cleared. There are currently 63 registered avoided deforestation ERF projects.⁸ At the time of writing, 21.8 million ACCUs had been issued to avoided deforestation projects, and the projects that are currently registered are likely to generate approximately 38 million ACCUS over their 15-year crediting period. The total value of all the ACCUs generated by avoided deforestation projects is ultimately likely to exceed \$500 million and could be more than \$700 million.

This volume of actual and potential abatement makes the avoided deforestation method the third largest under the Emissions Reduction Fund, behind human-induced regeneration and landfill gas.

Given the significance of the avoided deforestation method, it is crucial that the abatement credited under the method is real and additional. This paper evaluates this issue, presenting the results of an analysis on whether the native forests that are eligible for protection under the method were likely to be cleared if the offset projects were not undertaken. The results suggest that most of the forests protected under avoided deforestation projects are unlikely to have been cleared under business-as-usual circumstances (i.e. if the method had not been made) and that the method's assumptions regarding rates of clearing in eligible areas are implausible.

The remainder of the paper is set out as follows: firstly, a background on the avoided deforestation method and its core assumptions is provided. The paper then outlines the method used to analyse the validity of the method's assumptions regarding

⁶ Clean Energy Regulator (2021). Emissions Reduction Fund project register, http://www.cleanenergyregulator.gov.au/ERF/project-andcontracts-registers/project-register Clean Energy Regulator (2021). Carbon abatement contract register, http://www.cleanenergyregulator.gov.au/ERF/ project-and-contracts-registers/carbon-abatement-contract-register

 ⁷ The value was estimated using the weighted average ACCU price from the first four ERF auctions.

forest clearing, followed by the results of this analysis. The paper concludes with a discussion of the implications and recommendations on what should be done to address the problems with the integrity of the method and projects.

A preliminary note on the integrity of the Avoided Deforestation Method

This paper is not the first to question the integrity of the avoided deforestation method. In 2016 academic Paul Burke raised significant concerns about the ERF in general and the likelihood of 'anyway projects' (abatement that would have happened in the absence of an ERF method) being funded under the mechanism. Burke highlighted avoided deforestation as an 'anyway project', meaning that eligible farmers in NSW never intended to clear their land (predominantly because the land in question is considered marginal and clearing is expensive).^{9, 10}

That farmers are being issued ACCUs for land they never intended to clear appears to have been an open secret in the sector since the method's inception, yet as Burke has pointed out, the government has 'yet to engage with this issue'.^{11, 12, 13}

This looked like it may change in 2019 when the Emissions Reduction Assurance Committee (ERAC), an independent statutory committee responsible for ensuring ERF methods comply with the Offsets Integrity Standards, initiated a review of the *Carbon Credits* (*Carbon Farming Initiative – Avoided Deforestation 1.1*) Methodology Determination 2015. A discussion paper was released and the public was invited to submit responses to the paper.¹⁴ The committee advised that it would prepare advice for the Minister based on the outcomes of the review.

In response to the review, concerns about the conservatism and additionality of the method were raised.¹⁵ Prior to the review the Australian Conservation Foundation had already contacted the ERAC in February 2019 with concerns about transparency and leakage.¹⁶

The public consultation period for the review closed on 9 October 2019, almost two years ago. To the knowledge of the authors, advice on the outcomes of the review still has not been provided to the Minister. The ERAC and the CER clearly *still* haven't engaged with the issue, yet, in the interim, four more projects have been registered under the avoided deforestation method and the Clean Energy Regulator has issued a further 5.7 million ACCUs to avoided deforestation projects (issued between FY20 and FY22), worth a total of approximately \$68 million.¹⁷

This paper not only raises questions about the avoided deforestation method itself, it also raises serious questions about the efficacy and governance of Australia's carbon farming legislation.

⁹ Burke (2017) Submission to Australia's review of climate change policies, https://iceds.anu.edu.au/files/Paul-Burke-Submission-to-Australias-2017-Climate-Review_1.pdf

¹⁰ Burke (2016) 'Undermined by adverse selection: Australia's Direct Action abatement subsidies', CCEP Working Paper 1605, https://ccep.crawford.anu.edu.au/sites/default/files/uploads/ccep_ crawford_anu_edu_au/2016-06/ccep1605.pdf

- ¹¹ Kilvert (2019) Is Tony Abbott 2.0 really the strong climate policy Australia needs?, ABC Science, https://www.abc.net.au/news/science/2019-02-28/ climate-cant-be-tricked-by-clever-accounting/10846554
- ¹² Taylor (2015) 'Greg Hunt hasn't a lot to show for \$660m spent on reducing greenhouse emissions', *The Guardian* https://www.theguardian.com/environment/2015/may/01/ greg-hunt-660m-spent-reducing-greenhouse-emissions
- ¹³ Burke (2016) 'Direct Action not giving us bang for our buck on climate change', *The Conversation*, https://theconversation.com/directaction-not-giving-us-bang-for-our-buck-on-climate-change-59308
- ¹⁴ Emissions Reduction Assurance Committee (2019) Review of the Carbon Credits (Carbon Farming Initiative – Avoided Deforestation 1.1) Methodology Determination 2015: Discussion paper, https://consult.industry.gov.au/review-of-the-carbon-credits-carbonfarming-initiative-avoided-deforestation-11-methodology-det
- ¹⁵ Australian Conservation Foundation (2019) Response 512945708, https://consult.industry.gov.au/review-of-the-carbon-credits-carbonfarming-initiative-avoided-deforestation-11-methodology-det
- ¹⁶ Letter to the Emissions Reduction Assurance Committee from Kelly O'Shanassy, dated 6 February 2019
- ¹⁷ Clean Energy Regulator (CER) Emissions Reduction Fund project register, http://www.cleanenergyregulator.gov.au/ERF/ project-and-contracts-registers/project-register

The Avoided Deforestation Method

For a project to be eligible under the avoided deforestation method, landholders must hold an Invasive Native Scrub Property Vegetation Plan (INS PVP) issued under the *Native Vegetation Act 2003* (NSW) between 2005 and 30 June 2010 that authorises the clearing of remnant native forests or pre-1983 regrowth native forests.

INS PVPs were a form of clearing approval that authorised the clearing and other treatment (burning) of 'invasive' native woody plant species that are responsible for vegetation thickening in some areas. Vegetation thickening describes an increase in shrub and tree density by woody plants that may reduce productivity and impact ecosystem processes. Examples of the type of species that were identified as 'invasive' for these purposes in western NSW include mulga (*Acacia aneura*), yarran (*Acacia homalophylla*), black wattle (*Acacia stenophylla*), belah (*Casuarina cristata*), coolibah (*Eucalyptus coolabah*) and bimble box (*Eucalyptus populnea*).

INS PVPs had 15-year terms, meaning the holder of the INS PVP could lawfully clear the identified vegetation in accordance with specified conditions at any time over the 15-year period from the date of issuance.

The avoided deforestation method is based on the assumption that landholders who applied for and received INS PVPs that authorised the clearing of remnant native forests and pre-1983 regrowth native forests would always act on them and clear the relevant vegetation within 15 years.

Reflecting this assumption, under the avoided deforestation method, abatement is calculated by:

- estimating the amount of greenhouse gases that would have been emitted if the forests had been cleared;
- subtracting any carbon dioxide sequestered by ongoing growth of the forests over the crediting period; and
- adding any relevant fire and fossil fuel related emissions.

The abatement from the project is then averaged across the crediting period (15 years) and issued on a pro-rata basis.

The crediting period for avoided deforestation projects is 15 years, which differs from the 25-year crediting period that is used under other ERF sequestration methods. The decision to use a 15-year crediting period was intended to ensure alignment with the term of INS PVPs. This is despite the fact that the actual remaining term of all INS PVPs that provide the basis for avoided deforestation projects is significantly less than 15 years.

Invasive Native Scrub Property Vegetation Plans and the assumptions behind the method

The INS PVP provisions were included in the *Native Vegetation Act 2003* (NSW) to address concerns raised by pastoralists, particularly in the semi-arid and arid regions of western New South Wales, that the proposal to end broadscale clearing in New South Wales would impinge upon their pastoral operations and ability to manage invasive native species.

Pastoralists in the west of the state were given support to prepare INS PVPs, and were encouraged by the state government to apply to clear significant areas of vegetation, even if they had no immediate intentions to act on the approvals.

From the period 2005 up to 2017 (when the *Native Vegetation Act 2003* (NSW) was repealed), 4.93 million hectares of invasive scrub was approved for clearing or other treatment under INS PVPs.

Between 2005 and 30 June 2010 – the period that is eligible under the avoided deforestation method – 257 INS PVPs were issued, with a combined treatment area of 2.09 million hectares.

The vast majority (1.97 million hectares, or 94 per cent of the total) of the clearing approved under these 'eligible' INS PVPs relates to properties in the Western Local Land Service (LLS) region.

The remaining approved treatment area is predominantly spread across properties now located in the Central West (4 per cent) and North West (0.5 per cent) LLS regions.

The extent of the approved treatment area suggests landholders in these regions applied to clear substantially more vegetation than they intended to over the term of the INS PVPs. For example, over the period 1988 to 2005, agriculture-related clearing of both remnant and regrowth woody vegetation across the whole of New South Wales averaged 20,900 hectares per annum – at this rate, it would take 100 years to clear the treatment areas approved under the eligible INS PVPs.

Integrity of the method

Offsets integrity standards

Under the *Carbon Credits (Carbon Farming Initiative) Act 2011* (Cth), all ERF methods are required to satisfy six offsets integrity standards. The available data suggest the avoided deforestation method does not satisfy the following three standards:

• the method is required to be supported by clear and convincing evidence;

- all estimates, projections and assumptions in the method are required to be conservative; and
- the method is required to result in carbon abatement that is unlikely to occur in the ordinary course of events (i.e. the abatement must be additional to what would otherwise have occurred).

Most notably, the assumption that landholders with INS PVPs would always act on them and clear the relevant remnant native forests and / or pre-1983 regrowth native forests within the approved treatment area within 15 years is not credible.

This conclusion is supported by two lines of evidence:

- the extent of the clearing approved under INS PVPs that are eligible to be used under the avoided deforestation method; and
- the trends in clearing (deforestation).

Contextual information on the operation of the avoided deforestation method

As of 20 August 2021, there were 63 registered avoided deforestation ERF projects. As shown in Figure 1, most of these projects (53) were registered between late 2013 and the end of 2015. Only 10 of the existing projects were registered after December 2015.



Figure 1. Date of registration of avoided deforestation projects

The combined project area of the avoided deforestation projects registered as of late August 2021 was 949,075 hectares. However, the project activity – the 'avoidance of deforestation' – is not carried out across the entire project area.¹⁸ Within the project area, proponents are required to delineate specific areas where the project activity is undertaken, and where carbon will be stored, known as carbon estimation areas (CEAs). The remaining areas are called 'exclusion areas'.

The CEAs are the specific areas in which abatement is being achieved and to which ACCUs are issued. Under the avoided deforestation method, the CEAs must only include areas that the proponent is allowed to clear under the relevant INS PVP.

As of 1 July 2021, 59 of the 63 registered projects had mapped their CEAs and reported under the ERF. The CEAs of these projects covered an area of 349,136 hectares. At the time of writing, 21.8 million ACCUs had been issued in relation to these areas.

Reflecting where the INS PVPs were issued, 51 of the 59 reported projects were wholly located in the Western LLS region. The CEAs of these Western LLS projects covered an area of approximately 320,000 hectares and 20 million ACCUs had been issued to these projects as of 20 August 2021.¹⁹

Analysis

Approved clearing in the Western LLS region and the avoided deforestation method assumptions

In assessing the integrity of the avoided deforestation method, we confined the analysis to the Western LLS region. This was because the Western LLS region accounts for the overwhelming majority of the eligible INS PVP treatment area and the registered avoided deforestation projects. There is also a publicly available New South Wales Government dataset on woody vegetation clearing for the Western LLS region that dates back to 1988,²⁰ and a national deforestation dataset that includes disaggregated data on the Western LLS region from 2015.²¹

As discussed, the INS PVPs issued in the Western LLS over the period 2005 to July 2010 authorised the treatment of 1.97 million hectares of remnant and pre-1983 native woody vegetation.

The whole of this treatment area would not necessarily be eligible for inclusion in avoided deforestation projects. To be eligible under the avoided deforestation method:

- a treatment area must include native forest and have forest cover at the date of the application to register the avoided deforestation project, meaning it must be an area of at least 0.2 hectares that is dominated by native trees that have a crown cover of at least 20 per cent of the land area and a height of at least 2 metres; and
- the INS PVP must authorise the clearing of the treatment area to convert it from native forest to cropland or grassland, meaning that, if the authorised treatment was carried out in full, it must result in the conversion of the forest to a non-forest state (i.e. crown cover of less than 20 per cent or vegetation less than 2 metres in height).²²

¹⁸ Generally, the project areas of avoided deforestation projects are defined along farm property boundaries.

¹⁹ The size of the CEAs in the Western LLS avoided deforestation projects was estimated on the basis of the ACCUs issued in relation to the projects over the period 2014-2020, using FullCAM-derived estimates of average onsite live biomass that ranged between 20-38 tonnes of carbon per hectare.

²⁰ Department of Planning, Industry and Environment (2021) *Results* Woody Vegetation Change, Statewide Landcover and Tree Study (SLATS) 2019. New South Wales Government, Sydney.

²¹ Department of Industry, Science, Energy and Resources (2021) Australian Greenhouse Emissions Information System: Activity Tables, https://ageis.climatechange.gov.au/

²² Carbon Credits (Carbon Farming Initiative – avoided deforestation 1.1) Methodology Determination 2015, ss 5, 10 and 21

Treatment areas do not always meet these requirements. However, INS PVPs are not public documents, and the CER is not allowed to publish the location of CEAs. This prevents the accurate identification of the total INS PVP treatment area that is eligible under the avoided deforestation method. The best that can be done is to provide a range, with an upper limit defined by the entire treatment area and a lower limit defined by the existing CEA area within the Western LLS region.

Upper limit - entire treatment area

Figure 2 compares the average total agriculturerelated woody vegetation clearing rates (remnant clearing plus regrowth clearing) for the Western LLS region from two time periods, 1988-2008 and 2009-2013, to the annual clearing rate required to cover the entire approved treatment area over 15 years (remembering that the avoided deforestation method assumes all approved clearing would be carried out within 15 years). The average clearing rate in the Western LLS region was 3,862 hectares per year over the period 1988-2008, and 1,568 hectares per year over the period 2009-2013. In contrast, it would take a clearing rate of 131,536 hectares per year over 15 years to clear the approved treatment area under eligible INS PVPs.

This suggests that, for the avoided deforestation method to result in additional abatement:

- the rate of clearing would have to have been between 34 and 84 times greater than the historical average; and
- all agriculture-related clearing in the Western LLS region over the period roughly spanning 2014-2028 would have been within the INS PVP treatment areas (i.e. no other agriculture-related clearing would have occurred, otherwise the required increase in clearing would need to be higher).

At the historic clearing rates, it would take between 511 and 1,258 years to get through the 1.97 million hectares of approved clearing.

Figure 2. Western LLS, historic average total agriculture-related woody vegetation clearing rates (remnant and all regrowth clearing, 1988-2008 and 2009-2013) vs rate required to clear the entire eligible INS PVP treatment area in 15 years



Figure 2 Source: Department of Planning, Industry and Environment (2021) Results Woody Vegetation Change, Statewide Landcover and Tree Study (SLATS) 2019. New South Wales Government, Sydney; and authors' estimates.

The historic clearing rates presented in Figure 2 include all agriculture-related clearing, covering both remnant clearing and regrowth clearing. As discussed, not all woody clearing required approval under the *Native Vegetation Act 2003* (NSW). Landholders in the Western Division could clear post-1983 regrowth without approval.²³ This meant that the clearing approved under INS PVPs is limited to remnant vegetation and pre-1983 regrowth. Hence, the appropriate basis for comparison is between the historic rate of clearing of *remnant native vegetation and pre-1983 regrowth*, and the rate required to cover the treatment area in 15 years.

There is no readily available data source that provides estimates of the historic rates of remnant and regrowth clearing in the Western LLS region. Due to this, it was necessary to approximate what proportion of total clearing comprised clearing of remnant vegetation and pre-1983 regrowth. To estimate this, we used the Australian Government's deforestation statistics for the Western LLS region, which only cover the period 2015 to 2019.²⁴ Over this period, the proportion of deforestation involving remnant vegetation averaged 43 per cent in the Western LLS region, fluctuating from a low of 18 per cent to a high of 67 per cent. For comparison, the state-wide average over the period 2000 to 2019 was 16 per cent. To ensure the analysis was conservative, we assumed 65 per cent of observed historic clearing involved remnant vegetation and pre-1983 regrowth.

Figure 3 compares the average estimated remnant plus pre-1983 regrowth clearing rates from 1988-2008 and 2009-2013 to the annual clearing rate required to cover the entire approved treatment area over 15 years. The estimated average remnant plus pre-1983 regrowth clearing rate was 2,510 hectares per year over the period 1988-2008, and 1,019 hectares per year over the period 2009-2013, compared to a required clearing rate of 131,536 hectares per year to clear the approved treatment area.

This suggests that, for the avoided deforestation method to result in additional abatement:

- the rate of remnant plus pre-1983 regrowth clearing would have to have been between 52 and 129 times greater than the historical average; and
- all agriculture-related remnant plus pre-1983 regrowth clearing in the Western LLS region over the period roughly spanning 2014-2028 would have been within the INS PVP treatment areas (i.e. no other agriculture-related clearing would have occurred, otherwise the required increase in clearing would need to be higher).

At these historic clearing rates, it would take between 786 and 1,936 years to get through the 1.97 million hectares of approved clearing.

²³ In all other parts of the state, landholders could clear post-1990 regrowth without approval.

²⁴ Department of Industry, Science, Energy and Resources (2021) Australian Greenhouse Emissions Information System: Activity Tables, https://ageis.climatechange.gov.au/





Figure 3 Source: Department of Planning, Industry and Environment (2021) *Results Woody Vegetation Change, Statewide Landcover and Tree Study (SLATS)* 2019. New South Wales Government, Sydney; and authors' estimates.

Lower limit - total CEA area

The most conservative way to estimate the treatment area that was potentially eligible under the avoided deforestation method is to use the CEAs of the 51 registered projects in the Western LLS region that have reported, as of August 2021. These CEAs cover an area of approximately 320,000 hectares. These areas have been audited and endorsed by the CER as meeting the avoided deforestation method's eligibility requirements.

Figure 4 compares the historic average total agriculture-related woody vegetation clearing rates (remnant and all regrowth clearing) from 1988-2008 and 2009-2013 to the rate required to clear the entire CEA area in the Western LLS region in 15 years.

The historic rates were between 1,568 and 3,862 hectares per year, while the required clearing rate to clear all CEAs in 15 years is 21,366 hectares per year.

These data suggest that, for the avoided deforestation method to result in additional abatement:

- the rate of remnant plus pre-1983 regrowth clearing would have to have been between 6 and 14 times greater than the historical average; and
- all agriculture-related remnant plus pre-1983 regrowth clearing in the Western LLS region over the period roughly spanning 2014-2028 would have been within the CEAs (i.e. no other agriculture-related clearing would have occurred, otherwise the required increase in clearing would need to be higher).

At these historic clearing rates, it would take between 83 and 204 years to get through the deforestation approved in the CEAs.





Figure 4 Source: Department of Planning, Industry and Environment (2021) Results Woody Vegetation Change, Statewide Landcover and Tree Study (SLATS) 2019. New South Wales Government, Sydney; and authors' estimates; Clean Energy Regulator (2021) Environment and Communications Legislation Committee. Answers to Questions on Notice. Department of Industry, Science, Energy and Resources, 2021-2022 Budget Estimates. Question No. 98. Commonwealth of Australia, Canberra.

Figure 5 compares the average estimated remnant plus pre-1983 regrowth clearing rates from 1988-2008 and 2009-2013 to the rate required to clear the entire CEA area in 15 years.

The historic rates were conservatively estimated to be between 1,019 and 2,510 hectares per year, while the required clearing rate to clear all CEAs in 15 years is 21,366 hectares per year.

These data suggest that, for the avoided deforestation method to result in additional abatement:

- the rate of remnant plus pre-1983 regrowth clearing would have to have been between 9 and 21 times greater than the historical average; and
- all agriculture-related remnant plus pre-1983 regrowth clearing in the Western LLS region over the period roughly spanning 2014-2028 would have been within the CEAs (i.e. no other agriculture-related clearing would have occurred, otherwise the required increase in clearing would need to be higher).

At these historic clearing rates, it would take between 128 and 314 years to get through the deforestation approved in the CEAs.



Figure 5. Western LLS, estimated historic average agriculture-related remnant plus pre-1983 regrowth clearing rates (1988-2008 and 2009-2013) vs rate required to clear the current CEA area in 15 years

Figure 5 Source: Department of Planning, Industry and Environment (2021) Results Woody Vegetation Change, Statewide Landcover and Tree Study (SLATS) 2019. New South Wales Government, Sydney; and author estimates; Clean Energy Regulator (2021) Environment and Communications Legislation Committee. Answers to Questions on Notice. Department of Industry, Science, Energy and Resources, 2021-2022 Budget Estimates. Question No. 98. Commonwealth of Australia, Canberra.

Comparing credited abatement to historical trends in deforestation emissions

Another way to test the plausibility of the additionality assumptions that underpin the avoided deforestation method is to place the required (or assumed) rates of clearing under the method against the estimated rates of remnant plus pre-1983 regrowth clearing in the Western LLS region after the avoided deforestation projects commenced. As shown in Figure 6, the estimated remnant plus pre-1983 regrowth clearing rates in the Western LLS region over the period 2009 to 2014 were below the long-term average, hovering between 432 hectares per year and 1,464 hectares per year. They then increased significantly, reaching 6,226 hectares in 2019. For the avoided deforestation method's assumptions to be valid, the actual remnant plus pre-1983 regrowth clearing rate in the absence of the projects in 2019 would have to have been almost 27,600 hectares per year, and the average clearing rate over the period 2014-2019 would have to have been 25,739 hectares per year. For comparison, the actual estimated average over this period was 4,372 hectares per year.

The increase in clearing in the Western LLS since the commencement of avoided deforestation projects raises questions about whether the projects have actually prompted an increase (rather than a decrease) in clearing. This could have occurred, for example, if landholders had wanted to undertake clearing in particular areas in the past but they did not have access to the necessary financial resources.

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Figure 6. Historic clearing rates vs clearing rates assumed under the avoided deforestation method*

Figure 6 Source: Department of Planning, Industry and Environment (2021) Results Woody Vegetation Change, Statewide Landcover and Tree Study (SLATS) 2019. New South Wales Government, Sydney; and authors' estimates; Clean Energy Regulator (2021) Environment and Communications Legislation Committee. Answers to Questions on Notice. Department of Industry, Science, Energy and Resources, 2021-2022 Budget Estimates. Question No. 98. Commonwealth of Australia, Canberra.

The avoided deforestation projects could have in effect funded increased clearing in areas outside of the CEAs. While possible, there are a number of alternative explanations for the observed increases in clearing, including changes in the methods used to detect clearing events, the 2017-2019 drought artificially inflating the clearing estimates and changes in state clearing laws.

Summary of results

The core assumption that underpins the avoided deforestation method is that, in the counterfactual where avoided deforestation projects were not initiated, landholders with eligible INS PVPs would have undertaken the approved clearing within 15 years.

As shown in Figure 7, for this to be true, the clearing rate would need to have increased by between 751 per cent and 12,804 per cent. Figure 8

presents this in an alternative way – the number of years of clearing at relevant historic average clearing rates to get through the relevant approved clearing. The number of years needed to achieve this ranges from 128 to 1,936. Whichever way the data are presented, it is clear the avoided deforestation method's assumption that the areas would be cleared in the counterfactual is not plausible.

Figure 7. Required percentage increase in historic clearing rates for avoided deforestation method clearing assumptions to be true



Figure 8. Number of years of clearing required to get through the relevant approved clearing



Figures 7 and 8 Source: Department of Planning, Industry and Environment (2021). *Results Woody Vegetation Change, Statewide Landcover and Tree Study (SLATS) 2019.* New South Wales Government, Sydney; and author estimates; Clean Energy Regulator (2021) *Environment and Communications Legislation Committee. Answers to Questions on Notice. Department of Industry, Science, Energy and Resources, 2021-2022 Budget Estimates. Question No. 98.* Commonwealth of Australia, Canberra.

Conclusion

The results of the analysis demonstrate that the avoided deforestation method does not satisfy the offsets integrity standards: it is not based on clear and convincing evidence; the main assumption that underpins the method is not conservative; and the method is likely to be predominantly crediting nonadditional abatement.

The method's lack of integrity casts a cloud over the integrity of the ERF and its ability to help Australia meet its climate targets. The avoided deforestation method is currently responsible for more than 20 per cent of the total number of ACCUs that have been issued under the ERF. To date, the Australian Government has also contracted to buy 26.3 million ACCUs from avoided deforestation projects for approximately \$310 million.

Beyond being sold to the Australian Government, ACCUs are also sold to the secondary market. While the secondary market includes mandatory purchases from large polluters under the Safeguard Mechanism, it also includes a growing voluntary market. Private businesses and state and territory governments are buying ACCUs to meet their own emissions reductions targets and/or to form the basis of many public 'carbon neutral' or 'net zero' claims.²⁵ The proper functioning of the secondary market hinges on the integrity of the ERF's methods. In the absence of integrity, participants in the market will be misled and, ultimately, the market could fail. The avoided deforestation method should be revoked immediately. To prevent more government money from being wasted, steps should be taken to stop the existing projects from receiving any further ACCUs. The government should also take steps to warn the companies and individuals that buy ACCUs of the integrity problems with avoided deforestation projects, and the risk that the ACCUs do not represent real and additional abatement. Finally, the manifest integrity problems with the avoided deforestation method raise questions about how the method was made and why steps have not been taken to address them.

²⁵ Climate Active (2021) Certified Brands, https://www.climateactive. org.au/buy-climate-active/certified-brands

Appendix A.

A note on data sources: Use of the woody vegetation cover change data rather than deforestation data as the basis for the analysis

With the exception of the data presented in Figure 6, the analysis relies on the New South Wales Statewide Landcover and Tree Study (SLATS) analysis of woody vegetation change. However, the avoided deforestation method only applies to forests and deforestation. The SLATS woody vegetation change analysis looks at human-induced changes in detectable woody vegetation, which can involve vegetation that does not meet the definition of a forest (i.e. it can involve woody vegetation with less than 20 per cent crown cover or less than 2 metres in height). Deforestation involves the conversion of a forest (an area of at least 0.2 ha with trees with a potential or actual crown cover of at least 20 per cent and a potential or actual height of at least 2 metres) to a non-forest state. As such, it would arguably be preferable to undertake the analysis using a dataset that is limited to eligible deforestation.

While there is some validity to this argument, the use of a deforestation dataset would not materially change the overall conclusions. If anything, the use of deforestation data would only make the comparisons worse and further emphasise the implausibility of the assumptions that underpin the method.

The SLATS woody vegetation change dataset was used because it is widely regarded as being more reliable than the Australian Government's deforestation dataset. The public SLATS database also contains a longer time series on woody cover change in the Western LLS than the published Australian Government deforestation dataset, which is used to produce Australia's National Inventory Report (NIR).

Importantly, using the woody vegetation change dataset is conservative for these purposes. This is because, by including woody vegetation clearing that does not meet the forest thresholds, it increases the comparator clearing numbers. If the subset of woody vegetation that does not meet the definition of a native forest was used, the results would be even worse.

This is shown in Figure 9, which compares the total average annual woody vegetation change estimate for the Western LLS region from SLATS to the equivalent NIR deforestation estimate for the period 2015 to 2019. The data in Figure 9 also suggest the differences between the datasets are not large enough to have any material bearing on the results of the analysis.

Regardless of the dataset that is used, the unavoidable conclusion is that the avoided deforestation method does not satisfy the offsets integrity standards and is likely to have resulted in the issuance of ACCUs for a substantial amount of non-existent abatement.



Figure 9. Western LLS region, SLATS average annual woody vegetation change estimate vs equivalent NIR deforestation estimate, 2015 to 2019
The integrity of the government's only climate policy is in question \bigotimes

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From:ERACTo:s 22Cc:s 22Subject:RE: Avoided deforestation analysis [SEC=OFFICIAL]Date:Tuesday, 28 September 2021 5:46:21 PM

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Dea

On behalf of ERAC, I acknowledge receipt of the ACF-TAI report on the avoided deforestation method. We will consider the report as part of our ongoing review of the method.

As advised last month, further analytical work on the method using recent remote sensing data is continuing.

We do not currently see a need to meet with you to discuss the report but will be in touch if we have any follow-up matters to pursue.

Yours sincerely,

David Byers Chair Emissions Reduction Assurance Committee (ERAC)

OFFICIAL From: ^s ²² @acf.org.au> Sent: Wednesday, 22 September 2021 10:04 AM To: ERAC <ERAC@cleanenergyregulator.gov.au> Cc: ^s ²² @australiainstitute.org.au>; ^s ²² @australiainstitute.org.au> Subject: Avoided deforestation analysis

Good morning

Please see attached report on the Australia Institute and ACF's analysis of the avoided deforestation method. We would be happy to meet with the Committee and discuss our findings if that is considered useful to your review.

It is our view that the method should be turned off immediately. We are concerned at the delay in the Committee finalising its review and hope to see an outcome soon.

Yours sincerely

s 22 | Lead Environmental Investigator

Australian Conservation Foundation | <u>www.acf.org.au</u> **p** | ^{s 22} | <u>@AusConservation</u>



Please note this email signature has recently updated and now shows my new phone contact details.

This email and any files transmitted with it may be confidential and legally privileged. If you are not the intended recipient of this email, you must not disclose or use the information contained in it. If you have received this email in error, please notify us by return email and permanently delete the document.

We acknowledge the Traditional Owners of this country and their continuing connection to land, waters and community. We pay respect to their elders past and present and to the pivotal role that Aboriginal and Torres Strait Islander people continue to play in caring for country across Australia. 9 pages removed under s22 of the FOI Act as irrelevant information

From:	ERAC <erac@cleanenergyregulator.gov.au></erac@cleanenergyregulator.gov.au>				
Sent:	Monday, 6 December 2021 6:24 PM				
То:	ERAC; 'David Byers'; Bennett, Helen; 'allison.hortle@csiro.au'; s 22 '; 'Margie Thomson'; 'Alex McBratney'; 'mick.keogh@accc.gov.au'				
Cc:	Thompson, Shayleen; Ford, Mel; Crosbie, Michelle; Pentony, Alannah; ^{s 22}				
Subject: Attachments:	Updated 9 December 2021 ERAC meeting pack [SEC=OFFICIAL] s 22 tt 9 December 2021 ERAC meeting pack (Updated 6 Dec) pdf				
	5 December 2021 EAAC meeting pack (opuated 0 Dec).put				

23 pages removed under s22 of the FOI Act as irrelevant information

OFFICIAL

ltem Number	Date	То	From	Incoming/Outgoing Subject	
s 22					

41	22-Sept-2021	The Committee	Ms ^{s 22} , Australian Conservation Foundation	Advising of the release of the Australian Conservation Foundation (ACF)/the Australia Institute (TAI) report on the avoided deforestation method.	
42	28-Sept-2021	Ms ^{s 22} , Australian Conservation Foundation	Mr David Byers, ERAC Chair	Acknowledging receipt of the ACF/TAI report on the avoided deforestation method and reiterating work being undertaken to finalise the review of the method.	Response to 22 Se

LEX 70466 - Document 17a Item 01 – E – ERAC Correspondence Register

Response/Comments

eptember correspondence.

298 pages removed under s22 of the FOI Act as irrelevant information

 From: Crosbie, Michelle <<u>Michelle.Crosbie@cer.gov.au</u>>

 Sent: Monday, 22 November 2021 5:23 PM

 To: Thompson, Shayleen <<u>Shayleen.Thompson@cer.gov.au</u>>

 Cc: \$ 22
 @cer.gov.au>; \$ 22

 @bigett: FW: integrity issues for greencollar brief [SEC=OFFICIAL:Sensitive]

 Importance: High

OFFICIAL:Sensitive

Hi Shayleen – can we discuss urgently – Alannah has asked me to review for MO meeting brief with GreenCollar later this week that she want to send to Helen this afternoon –I said I would need you to have a look at this - we have made suggested changes in blue below.

Thanks

Michelle

Talking points

Avoided Deforestation method

· ____

• The Avoided Deforestation method involves retaining native forest that would otherwise be cleared for agricultural purposes. All projects are in New South Wales (NSW). They account for twenty per cent of ACCUs issued to date.

- The Australia Institute and the Australian Conservation Foundation released a report on 22 September 2021 comparing historical clearing rates in NSW with land included in avoided deforestation projects. They concluded lower historical rates compared to the larger areas protected in projects showed the method does not provide for additional abatement. The Regulator published a response indicating the concerns were based on flawed analysis and misconceptions about the method.
- The paper also criticised delays in an ERAC review of the method, which commenced in 2019. The ERAC considered the review when new members were appointed in late 2020 and found evidence for a lack of integrity to be uncompelling. More work was requested but was not accorded a high priority due to a heavy work program of new methods and other reviews. The ERAC is now progressing the avoided deforestation review.

OFFICIAL:Sensitive

From: Pentony, Alannah <<u>Alannah.Pentony@industry.gov.au</u>> Sent: Monday, 22 November 2021 5:06 PM To: Crosbie, Michelle <<u>Michelle.Crosbie@cer.gov.au</u>> Subject: integrity issues for greencollar brief [SEC=OFFICIAL:Sensitive] Importance: High

Avoided

• The paper also criticised delays in an ERAC review of the method, which commenced in 2019. The review required complex analysis, and was delayed during Covid and due to priorities for developing new methods. The ERAC is progressing the review.

s 22

Alannah Pentony (she/her) General Manager

Ngunnawal County, Industry House, 10 Binara Street (GPO Box 2013) Canberra ACT 2601 Australia Department of Industry, Science, Energy and Resources P 02 6243 7150 | x47150 | E <u>alannah.pentony@industry.gov.au</u>

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Acknowledgement of Country

Our department recognises the First Peoples of this nation and their ongoing connection to culture and country. We acknowledge First Nations Peoples as the Traditional Owners, Custodians and Lore Keepers of the world's oldest living culture and pay respects to their Elders past, present and emerging.



OFFICIAL: Sensitive