The Hon Angus Taylor MP  
Minister for Energy and Emissions Reduction  
Parliament House  
CANBERRA ACT 2600

Dear Minister

On behalf of the Emissions Reduction Assurance Committee (the Committee), I am pleased to advise that the Committee has considered the draft Carbon Credits (Carbon Farming Initiative—Carbon Capture and Storage) Methodology Determination 2021 (the draft CCS method), and recommends that it is suitable to be made. The attached notice of advice sets out the Committee’s consideration of the draft CCS method against the Offsets Integrity Standards as contained in section 133 of the Act.

The draft CCS method credits emissions reductions achieved through the capture and permanent storage of greenhouse gases in underground geological reservoirs. The Clean Energy Regulator developed the draft CCS method following your prioritisation of this work on 20 October 2020. The draft CCS method was developed through a co-design process run by the Clean Energy Regulator involving almost 50 stakeholders in workshops, written submissions, and bilateral meetings.

The Committee invited public submissions on the draft CCS method from 29 June to 27 July 2021. Thirty-nine submissions were received during the consultation period. Overall, the majority of submissions, particularly from industry and research bodies supported the draft CCS method. Many of these stakeholders had participated in the co-design process and acknowledged the success of the process in developing a considered method in a short timeframe. A number of submissions raised concerns with the method, particularly the potential to enable new oil and gas facilities.

The Committee and the Clean Energy Regulator considered all submissions carefully and, although several minor changes to the draft CCS method were made to ensure that the policy intent was reflected, no material policy changes occurred following public consultation.

The key features of the draft CCS method are:

- Requiring that CCS projects must be licenced, approved, or authorised under a regulatory framework that meets criteria set out in the method, or under the relevant Commonwealth legislation.
- A crediting period of 25 years is provided to reflect the high likelihood CCS projects will provide additional abatement over that period compared with business as usual.

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1 Offshore CCS projects in Commonwealth waters are undertaken under the Offshore Petroleum and Greenhouse Gas Storage Act 2006.
• Abatement is calculated based on the amount of greenhouse gases captured at each capture point less all direct emissions from the project.

• Three percent of Australian carbon credit units (ACCUs) credited will be withheld to account for the risk of reversal, that is, the loss of stored greenhouse gas emissions to the atmosphere after the crediting period. The withheld ACCUs will be refundable on evidence of successful site closure issued by the regulating authority.

• Projects involving direct air capture or enhanced oil, gas or hydrocarbon recovery are not eligible.

The Committee’s decision to endorse the draft CCS method was chaired by me, as Acting Chair. The Chair, Mr David Byers, withdrew from deliberations and did not take part in decision making on the method due to a declared interest.

Please contact me if you have any questions regarding this advice.

Yours sincerely,

Mick Keogh
Acting Chair
Emissions Reduction Assurance Committee

24 September 2021
EMISSIONS REDUCTION ASSURANCE COMMITTEE

Notice of advice to the Minister for Energy and Emissions Reduction under section 123A(2) of the Carbon Credits (Carbon Farming Initiative) Act 2011 (the Act)

Draft Carbon Credits (Carbon Farming Initiative—Carbon Capture and Storage) Methodology Determination 2021 (draft method)

On 17 September 2021 the Emissions Reduction Assurance Committee (the Committee) agreed that the draft method is suitable to be made.

In forming this view, the Committee considered:

1. the offsets integrity standards specified in section 133 of the Act;
2. the submissions received during the public consultation period; and
3. advice from the Clean Energy Regulator.

The Committee was not directed to have regard to any additional issues under section 123B of the Act in providing its advice on the draft method.

Assessment against the offsets integrity standards

The table below provides a summary of how the draft method has addressed the offsets integrity standards. The Committee considers that the draft method complies with the offsets integrity standards.

<table>
<thead>
<tr>
<th>CFI Act reference</th>
<th>Offsets integrity standards</th>
<th>How the method addresses the offsets integrity standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>133(1)(a)</td>
<td>Additionality: projects covered by the draft method should result in carbon abatement unlikely to occur in the ordinary course of events (disregarding the effect of the CFI Act).</td>
<td>• CCS projects are unlikely to occur in the ordinary course of events given they are high capital cost investments that in the absence of the ERF would not result in additional revenue streams or cost savings. • Low numbers of implemented CCS projects domestically and internationally support the view that CCS projects go beyond what would occur in the ordinary course of events.</td>
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<td>133(1)(b)</td>
<td>Measurable and verifiable: estimates of emissions, removals or reductions are measurable and capable of being verified.</td>
<td>• The draft method contains appropriate equations for calculating emissions reductions and project emissions, as well as ways of verifying estimates for data collection, monitoring and reporting.</td>
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<tr>
<td>Section</td>
<td>Description</td>
<td>Note</td>
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<td>133(1)(c)</td>
<td>Eligible carbon abatement: carbon abatement used in ascertaining the carbon dioxide net abatement amount for a project must be eligible carbon abatement from the project.</td>
<td>• Subsequent to public consultation, minor changes have been made to equations to ensure mathematical clarity and consistency. • The Department of Industry, Science, Energy and Resources has advised it is eligible carbon abatement.</td>
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<td>133(1)(d)</td>
<td>Evidence based: the draft method is supported by clear and convincing evidence.</td>
<td>• The draft CCS method is based on industry, expert, and scientific evidence.</td>
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<td>133(1)(e)</td>
<td>Project emissions: material greenhouse gases emitted as a direct consequence of carrying out the project are deducted.</td>
<td>• All material greenhouse gases emitted as a direct consequence of carrying out a project are deducted in the draft CCS method’s equations. • After public consultation, minor changes were made to equations to ensure mathematical clarity and consistency.</td>
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<tr>
<td>133(1)(g)</td>
<td>Conservative: estimates, projections or assumptions included in the methodology are conservative.</td>
<td>• The draft CCS method contains controls for the potential stored emissions could be reversed. Three percent of abatement is withheld to be returned on site closure to ensure the draft method is conservative.</td>
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