

EMISSIONS REDUCTION ASSURANCE COMMITTEE

C/- ERAC Secretariat
GPO Box 787
CANBERRA ACT 2601

The Hon Greg Hunt MP
Minister for the Environment
Parliament House
CANBERRA ACT 2600

Dear Minister

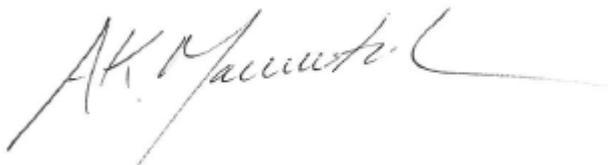
On behalf of the Emissions Reduction Assurance Committee (ERAC), I am pleased to inform you that the ERAC has considered Schedule 1 to the draft *Carbon Credits (Carbon Farming Initiative – Facilities and Minor Corrections) Methodology Variation 2016* (our reference: 004FM2015V1) and advises that it is suitable to be made. The ERAC was not asked to consider the minor corrections proposed in Schedules 2, 3 and 4.

The draft Variation was developed by the Department of the Environment in collaboration with experts from the industrial sector and the Clean Energy Regulator. The Department invited public submissions on the draft Variation.

Having considered the information from these processes, advice from the Clean Energy Regulator, the draft Explanatory Statement and the text of the draft Variation, the ERAC concluded that the draft Variation complies with the offsets integrity standards specified in section 133 of the *Carbon Credits (Carbon Farming Initiative) Act 2011*. On this basis, the ERAC agreed that the Variation was suitable to be made.

Further details of the reasons for the ERAC's advice are included in the attached notice.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A. Macintosh', with a long horizontal flourish extending to the right.

Andrew Macintosh
Chair
Emissions Reduction Assurance Committee

9 February 2016

EMISSIONS REDUCTION ASSURANCE COMMITTEE

Notice of advice to the Minister for the Environment under subsection 123A(2) of the *Carbon Credits (Carbon Farming Initiative) Act 2011* (the Act)

Draft Variation: Schedule 1 to *Carbon Credits (Carbon Farming Initiative – Facilities and Minor Corrections) Methodology Variation 2016* (the draft Variation)

On 4 February 2016, the Emissions Reduction Assurance Committee (ERAC) agreed that, if the *Carbon Credits (Carbon Farming Initiative—Facilities) Methodology Determination 2015* (the Determination) is amended in accordance with the terms of the draft Variation, it will continue to satisfy the offsets integrity standards specified in section 133 of the Act. On this basis, it agreed that the draft Variation is suitable to be made.

In forming this view, the ERAC considered:

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

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

The ERAC took into account and supports the proposed changes to the draft Variation made after the draft was released for consultation.

1. Assessment against the offsets integrity standards

Section*	Requirement	Statement
133(1)(a)	The Determination, as amended, should result in carbon abatement that is unlikely to occur in the ordinary course of events (disregarding the effect of the Act).	<p>The existing Determination specifies clear requirements to ensure that projects are delivering additional carbon abatement. It excludes certain activities and emission sources that cannot be attributed to eligible abatement activities and also accounts for or excludes any additional emissions caused by the implementation of the project. The existing Determination also requires an officer from a facility undertaking a project to sign a statement saying project activities would not have been implemented in the absence of a declaration of the project as an eligible offsets project.</p> <p>The draft Variation does not affect the requirements in the existing Determination that ensure that projects are delivering additional carbon abatement.</p> <p>Accordingly, the ERAC considers the Determination, as proposed to be amended by the draft Variation, complies with this offsets integrity standard.</p>
133(1)(b)	Estimations of removal, reduction or emission, as the case may be, are measurable and capable of being verified.	<p>Appropriate equations are specified in the existing Determination for the calculation of emissions reductions and project emissions.</p> <p>Appropriate methods to enable verification of these estimations are specified for data collection and monitoring, and reporting, as the Determination uses existing requirements under the <i>National Greenhouse and Energy Reporting Act 2007</i>.</p> <p>The draft Variation does not affect the equations and processes in the existing Determination for the measurement and verification of emission reductions and project emissions.</p> <p>Accordingly, the ERAC considers the Determination, as proposed to be amended by the draft Variation, complies with this offsets integrity standard.</p>

133(1)(c)	Carbon abatement used in ascertaining the carbon dioxide net abatement amount for a project must be eligible carbon abatement from the project.	<p>In the existing Determination, the carbon abatement used in ascertaining the carbon dioxide net abatement amount for a project is eligible carbon abatement from the project because proponents must use National Greenhouse and Energy Reporting emissions numbers to calculate abatement from the project.</p> <p>The draft Variation does not affect the process in the existing Determination for calculating carbon abatement from the project.</p> <p>Accordingly, the ERAC considers the Determination, as proposed to be amended by the draft Variation, complies with this offsets integrity standard.</p>
133(1)(d)	The draft Variation is supported by clear and convincing evidence.	<p>The existing Determination is supported by clear and convincing evidence, including data available to the Department and the Clean Energy Regulator, information provided by industry experts, and technical assessments of a draft of the Determination.</p> <p>Accordingly, the ERAC considers the Determination, as proposed to be amended by the draft Variation, complies with this offsets integrity standard.</p>
133(1)(e)	Material amounts, in carbon dioxide equivalent, of greenhouse gases that are emitted as a direct consequence of carrying out the project are deducted.	<p>In the existing Determination, net abatement is calculated after deducting the emissions generated as a direct result of carrying out the project. The Determination accounts for material amounts of emissions both inside and outside the facility boundary, and provides detailed calculations for the estimation of these quantities.</p> <p>The draft Variation does not affect the way net abatement is calculated in the existing Determination.</p> <p>Accordingly, the ERAC considers the Determination, as proposed to be amended by the draft Variation, complies with this offsets integrity standard.</p>

133(1)(g)	Estimates, projections or assumptions included in the methodology are conservative.	<p>The assumptions and estimates included in the existing Determination are conservative, including the net abatement estimate. In particular, emissions intensity baselines are set using the lowest emissions intensity year of the four NGER reporting years preceding the commencement of the project.</p> <p>The draft Variation amends the baseline period such that it now includes the four NGER reporting years prior to project registration and any subsequent years before project commencement, making the methodology for calculating abatement more conservative.</p> <p>Accordingly, the ERAC considers the Determination, as proposed to be amended by the draft Variation, complies with this offsets integrity standard.</p>
133(1)(h)	Such other standards that are set out in the legislative rules.	Not applicable.

* Section of the Act

2. Submissions received during public consultation period

The ERAC received 2 public submissions regarding the draft Variation published on the Department's website between 8 December and 22 December 2015 consistent with the requirements of section 123D of the Act.

Except for those submissions subject to a request not to publish under subsection 123D(5), all public submissions have been published on the Department's website.

3. Relevant advice from the Clean Energy Regulator

The Clean Energy Regulator advised the ERAC that it supports the draft Variation.

Conclusion

On the basis that all the offsets integrity standards are met, the ERAC agreed that the draft Variation is suitable to be made.