

EMISSIONS REDUCTION ASSURANCE COMMITTEE

C/- ERAC Secretariat
GPO Box 787
CANBERRA ACT 2601

The Hon Josh Frydenberg MP
Minister for the Environment and Energy
Parliament House
CANBERRA ACT 2600

Dear Minister

On behalf of the Emissions Reduction Assurance Committee, I am writing to provide you with the Committee's advice on the draft *Carbon Credits (Carbon Farming Initiative—Land and Sea Transport) Methodology Determination 2017* (our reference: 030TP2016). The draft Determination includes a new mode shift activity that would credit emissions reductions from moving freight by rail instead of road.

The Department of the Environment and Energy developed the draft Determination in collaboration with a technical working group of experts from the transport industry and the Clean Energy Regulator. The Committee invited public submissions on the draft Determination in 2016 and also commissioned a separate technical assessment.

Having considered all available information, including from technical experts and industry, the Committee concluded the draft Determination does not meet the offsets integrity standards in section 133 of the *Carbon Credits (Carbon Farming Initiative) Act 2011*. Specifically, the Committee decided the draft Determination does not satisfy the additionality standard in section 133(1)(a): there is a significant risk a substantial proportion of the abatement credited under the draft Determination would occur in the ordinary course of events.

As the draft Determination does not meet the offsets integrity standards, the Committee advise it is not suitable to be made into a Determination. This advice does not affect the existing Land and Sea Transport method.

While the draft Determination does not meet the offsets integrity standards, the Committee believes there is merit in promoting the transfer of freight from road to rail so as to reduce emissions from the transport sector. The Committee encourages the Government to explore other options for achieving this objective.

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

Yours sincerely



Andrew Macintosh
Chair
Emissions Reduction Assurance Committee

6 July 2017

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 new Carbon Credits (Carbon Farming Initiative— Land and Sea Transport) Methodology Determination 2017 (draft Determination)

On 26 June 2017, the Emissions Reduction Assurance Committee (ERAC) decided the draft Determination is not suitable to be made into a Determination.

In making this decision, the ERAC considered:

1. the offsets integrity standards specified in section 133 of the Act;
2. the views of the technical assessors; and
3. the public submissions received during the public consultation period.

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 Determination.

1. Assessment against the offsets integrity standards

Section*	Requirement	Statement
133(1)(a)	The draft Determination's requirements and method should result in carbon abatement that is unlikely to occur in the ordinary course of events (disregarding the effect of the Act).	The draft Determination does not meet this standard. Due to the nature of the factors that influence mode choice decisions, there is a significant risk a substantial proportion of the abatement credited under the draft Determination would be non-additional (it would occur in the ordinary course of events).
133(1)(b)	Estimations of removal, reduction or emission, as the case may be, are measurable and capable of being verified.	The draft Determination includes appropriate equations and methods for estimating emissions and emissions reductions, and for verifying emissions and emissions reductions. Accordingly, the ERAC considers the draft Determination complies with this standard.
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.	The ERAC considers the draft Determination complies with this standard.
133(1)(d)	The draft Determination is supported by clear and convincing evidence.	The evidence base for the draft Determination is generally sound. Accordingly, the ERAC considers the draft Determination complies with this standard.
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.	The method of calculating net abatement for activities under the draft Determination ensures that any material emissions will be deducted. Accordingly, the ERAC considers the draft Determination complies with this standard.
133(1)(f)	Estimates, projections or assumptions included in the methodology are conservative.	Where assumptions and estimates are used, they are conservative. Estimates of road emissions intensities in the mode shift activity were amended based on the technical assessor's recommendations. Accordingly, the ERAC considers the draft Determination complies with this standard.
133(1)(g)	Such other standards that are set out in the legislative rules.	Not applicable.

* Section of the Act

2. Submissions received during public consultation period

Consistent with the requirements of section 123D of the Act, the ERAC published the draft Determination on the Department's website from 25 October 2016 to 21 November 2016.

Nine submissions were received in response to the invitation for public comment.

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 was consulted on the exposure draft of the Determination and has been consulted on the ERAC's final decision.

Conclusion

As the draft Determination does not meet the offsets integrity standards, the ERAC agreed it is not suitable to be made into a Determination. This decision does not affect the existing Land and Sea Transport method.