5 June 2020

Climate Energy Regulator
5 Farrell Place
CANBERRA ACT 2601

Email: CER-ERFConsultation@cleanenergyregulator.gov.au

Re: Draft guidance on meeting the regulatory additionality requirement for the Emissions Reduction Fund

The Minerals Council of Australia (MCA) representing Australia's minerals exploration, mining and processing industry, supports decarbonisation of the minerals sector consistent with the climate and development goals of the Paris Agreement and based on a nationally coordinated approach to climate and energy policy.

The MCA supports the Australian Government's Emissions Reduction Fund (ERF) as offering important incentives to invest in offsetting activities. It considers offset schemes to be highly complementary to and legitimately co-existing with other government policies and programs to primarily help reduce emissions as cheaply as possible. Of course there can also be many non-CO_2 co-benefits (regional, environmental, cultural) associated with these investments as well.

The MCA welcomes the Clean Energy Regulator's (CER) consultation process on regulatory additionality and supports its effort to expand the eligibility of the ERF by providing projects governed by existing measures an opportunity to generate Australian Carbon Credit Units (ACCUs) for abatement deemed additional to their prevailing legal requirements.

Administrative arrangements that serve as barriers to facilitating as broad a portfolio of worthy abatement projects under the ERF do need addressing, and the recent King Report considers that the ERF's additionality rules are restrictive.

The *Carbon Credits (Carbon Farming Initiative) Act 2011* (Carbon Farming Initiative) stipulates that regulatory additionality excludes projects required to be carried out by or under a law of the Commonwealth, a State or a Territory. The MCA endorses in-principle the additionality provisions of the ERF to the extent that they ensure investments and abatement outcomes are not rewarded with taxpayer funding if they would have otherwise occurred within an 'ordinary course of events' (i.e. business as usual or BAU).

The CER's proposal to grant eligibility to projects operating under existing governance arrangements that (i) do not specify a particular activity, and (ii) where proponents agree to voluntarily and permanently acquit in the Australian National Registry of Emissions Units (ANREU) a sufficient number of ACCUs generated from the project to meet their current obligations seems a reasonable compromise to the current application of regulatory additionality.

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This provision may further incentivise the continued generation of high-quality offsets over and above what would otherwise be required by a project, while still allowing for the co-reporting of abatement outcomes by jurisdictions and for international compliance purposes (note this is not double counting as jurisdictions have no obligation to report internationally). These outcomes are consistent with the ERF's goals of incentivising offset projects, increasing the volume of abatement, and helping Australia meet its international obligations.

The CER observes in its discussion paper that some states and territories have voluntarily adopted the ERF's framework for its 'robust and established carbon accounting mechanisms'. While this is to be lauded, it may consequently preclude projects located in these jurisdictions from generating ACCUs due to the regulatory additionality condition. The corollary is that jurisdictions are not necessarily adopting the ERF framework for the explicit purpose of upholding the goals of the ERF (as indicated above).

The Western Australian (WA) Environmental Protection Authority for example states in its emissions guideline that companies are expected to outline strategies to demonstrate all reasonable and practicable measures have been applied to avoid, reduce and offset scope 1 emissions over the life of a project. This is within a context of the EPA recognising ACCUs as an appropriate offset standard (presumably among others) that proponents can voluntarily adopt. The Queensland Government's Land Restoration Fund on the other hand requires projects to be co-registered under the ERF.

The CER's proposed approach of granting regulatory additionality to existing projects whose abatement outcomes are deemed beyond BAU legal requirements may accommodate the two situations described above. In addition to it practically providing for a project's co-eligibility under jurisdictional initiatives and the ERF, the CER may also consider whether the voluntary adoption of the ERF's standards exceeds what might otherwise be recognised by jurisdictions for initiatives that may be unbeholden to the ERF's goals.

As a final observation, the MCA strongly supports the need for a nationally coordinated approach to addressing climate change. The MCA remains unconvinced that the current situation if all states and territories unilaterally adopting emissions reduction targets, and implementing an assortment of uncoordinated localised policies and programs, can efficiently complement national measures like the ERF or ensure national emissions track dependably to international pledges and/or at the lowest national economic cost.

Yours Sincerely

TANIA CONSTABLE PSM
CHIEF EXECUTIVE OFFICER