Australian Government
Clean Energy Regulator

Transforming Australia's carbon markets

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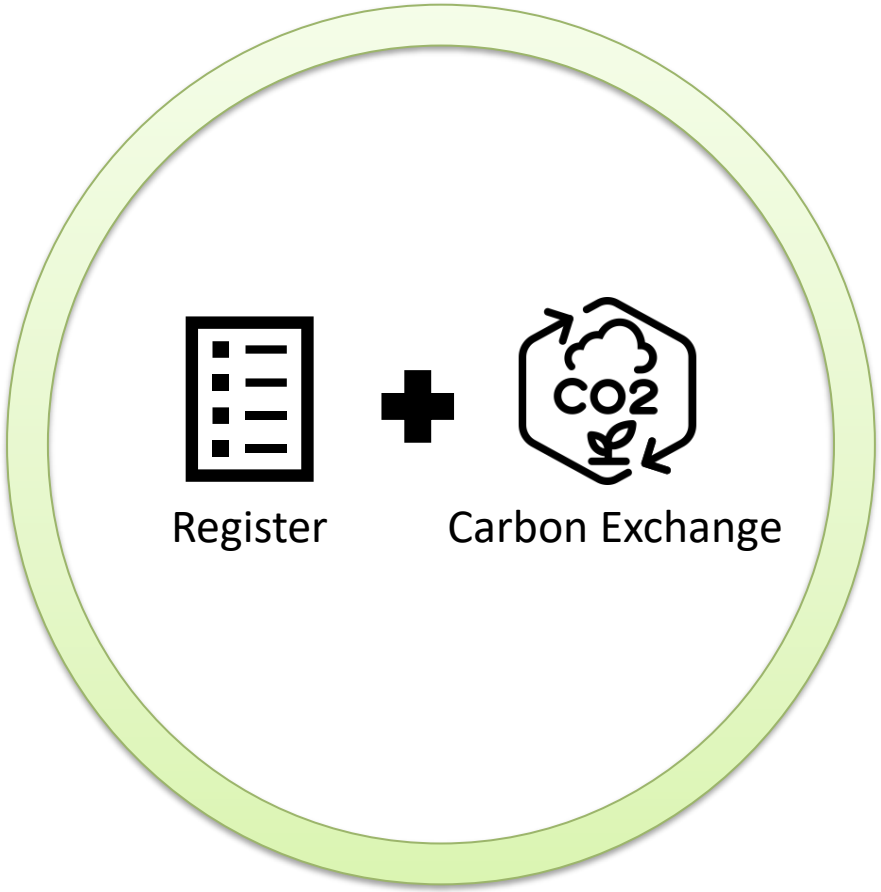
Australia's climate policy context

ACCU Scheme

Safeguard Mechanism Baseline Decline

Renewable Energy Target

Climate related financial disclosures



Nature Repair

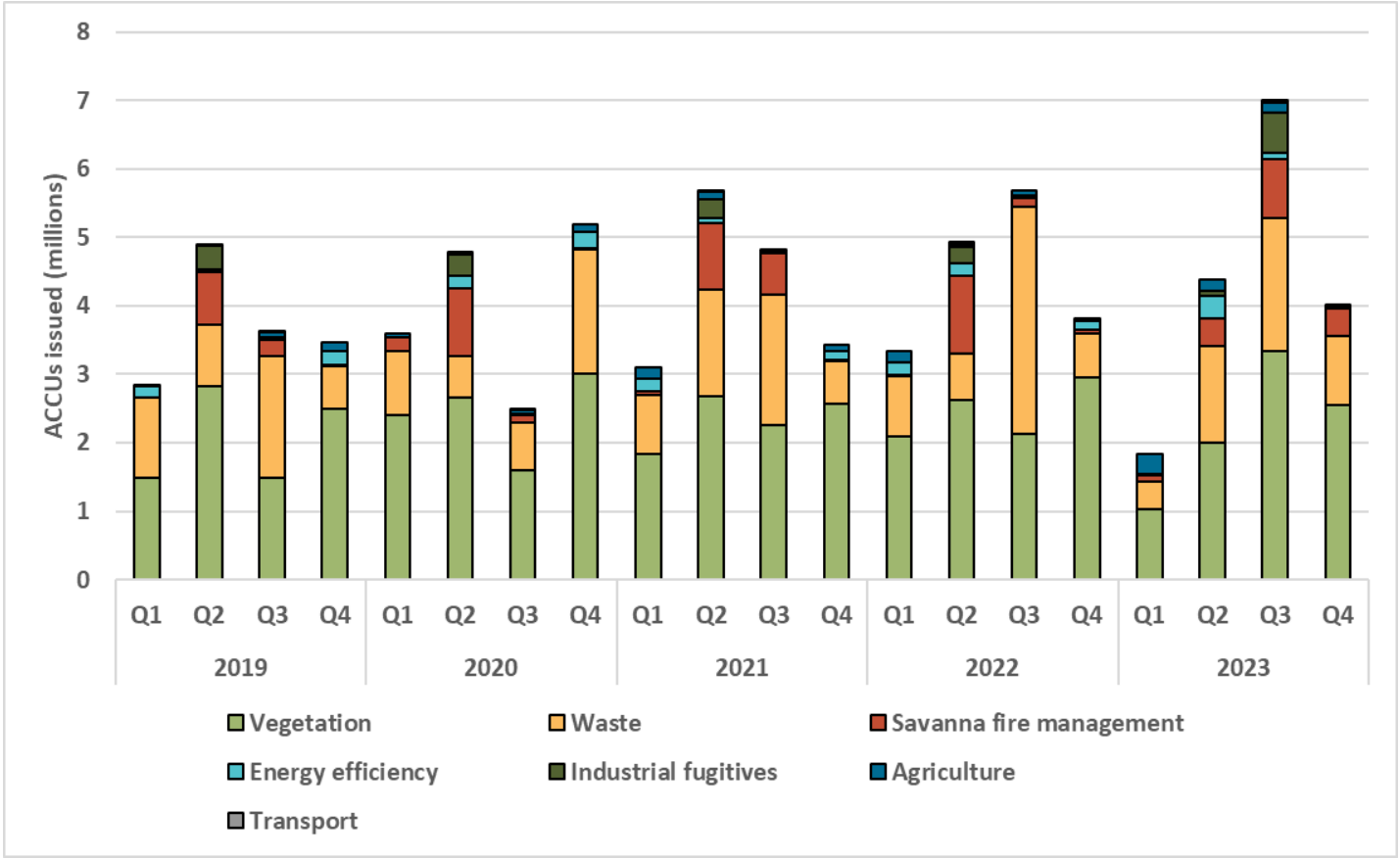
Guarantee of Origin

State and territory targets

Corporate voluntary targets

ACCU MARKET: SUPPLY - ISSUANCES

- For 2023 approx. 17.2 million ACCUs were issued.
- Australian National Registry of Emissions Units (ANREU) holdings grew by 13.5 million to 36.2 million at the end of 2023
- Anticipate at least 20 million ACCUs to be issued in 2024.

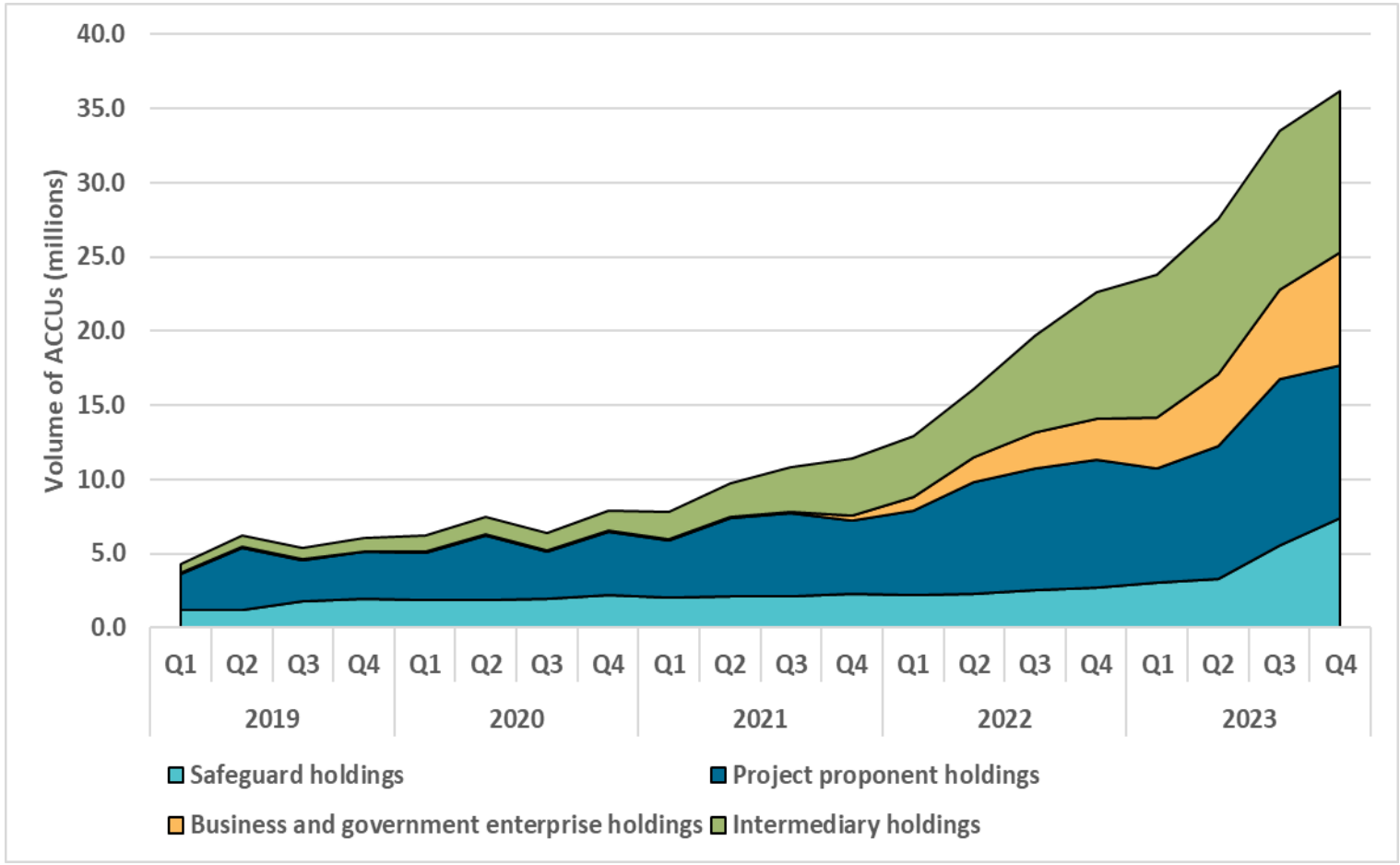


ACCU MARKET : SAFEGUARD ENTITIES AND INTERMEDIARIES

Entities look to hedge for the future.

At the end of 2023, there were 43 Safeguard accounts holding 7.4 million ACCUs.

In 2023, accounts of intermediaries acquired 15.9 million ACCUs and transferred or cancelled/surrendered 13.5 million ACCUs.



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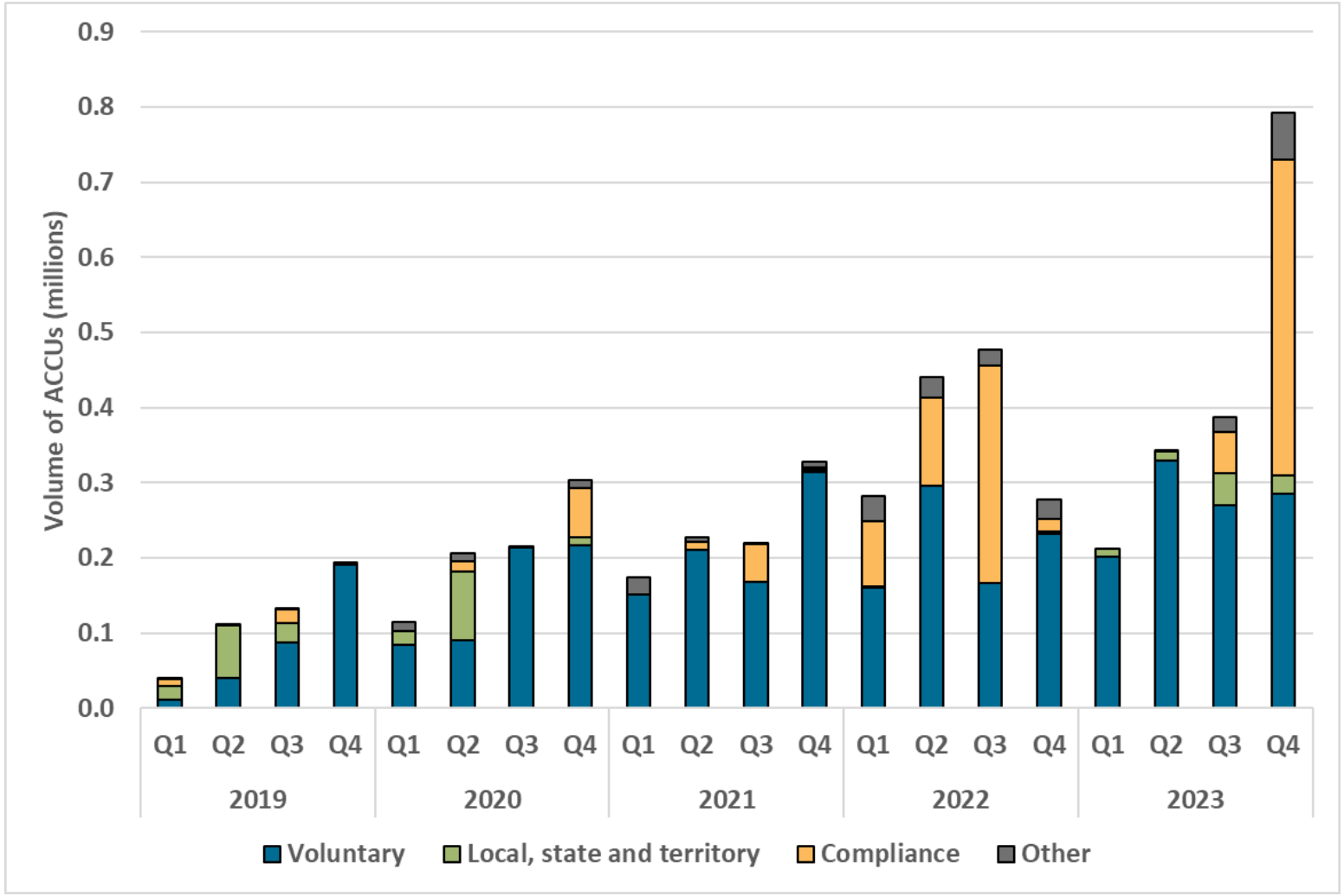
ACCU CANCELLATIONS BY DEMAND SOURCE (EXCLUDING SAFEGUARD ENTITIES)

Cancellation of ACCUs so far driven by non-Commonwealth demand.

Voluntary market demand has now averaged around 40% annual growth over the past 4 years.



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Safeguard Mechanism Reforms

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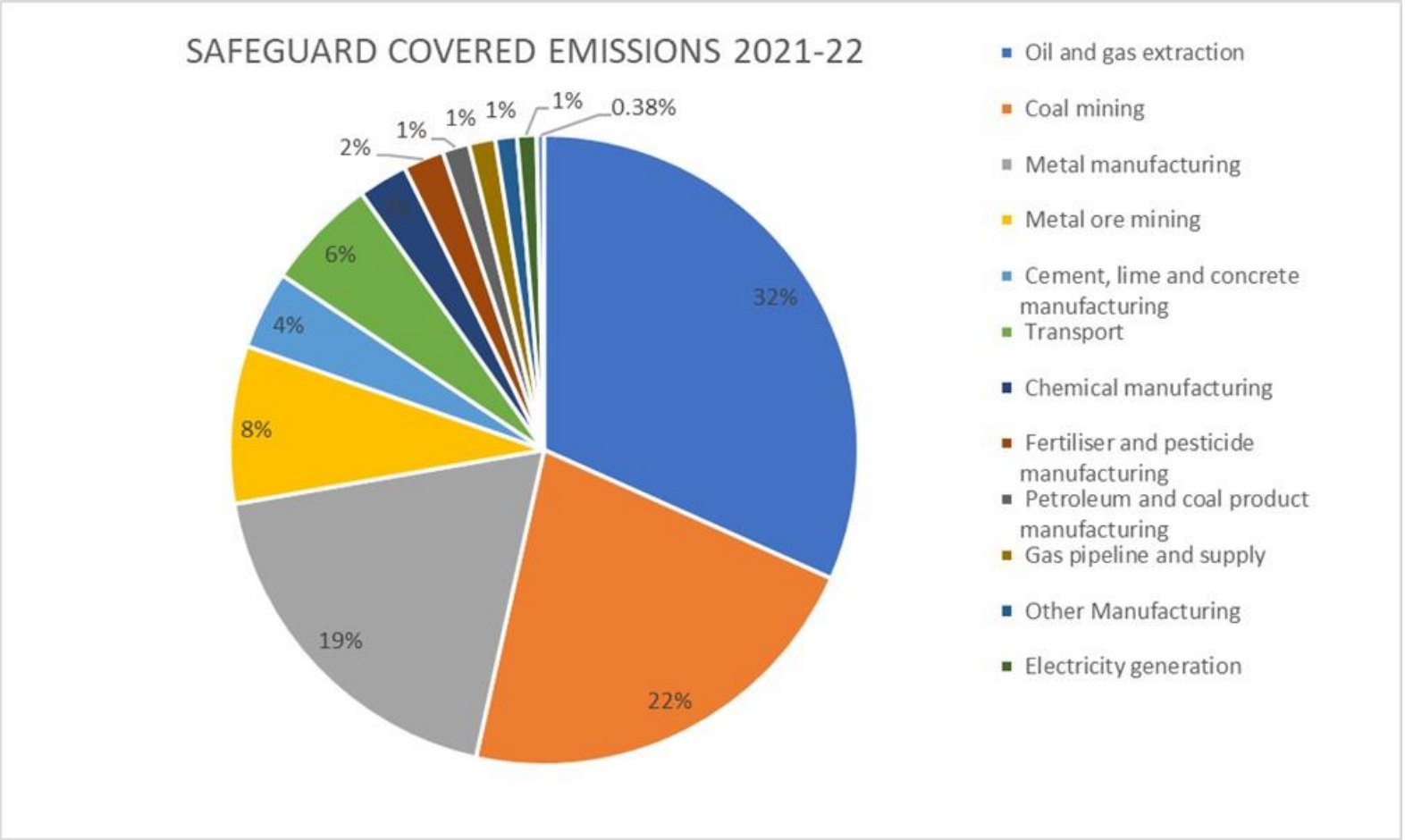
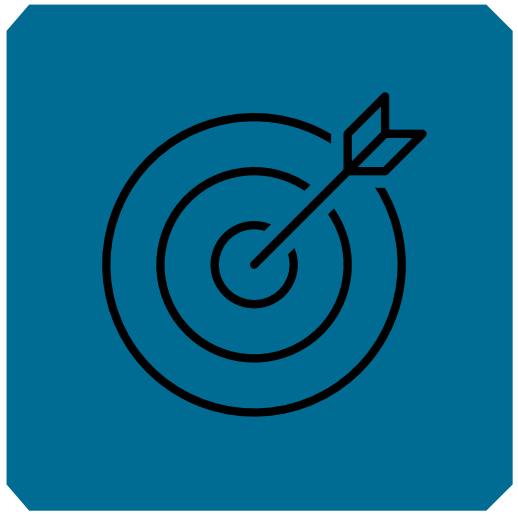
The Safeguard Mechanism

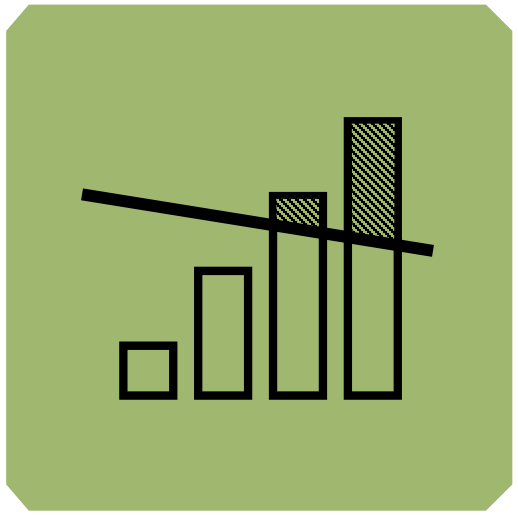
- The Safeguard Mechanism commenced in 2016.
  - Covers ~220 facilities with more than 100,00 tonnes CO_2-e.
  - Sectors include mining, oil and gas, manufacturing, transport and waste facilities.
- Account for approximately 28% of Australia's national emissions.



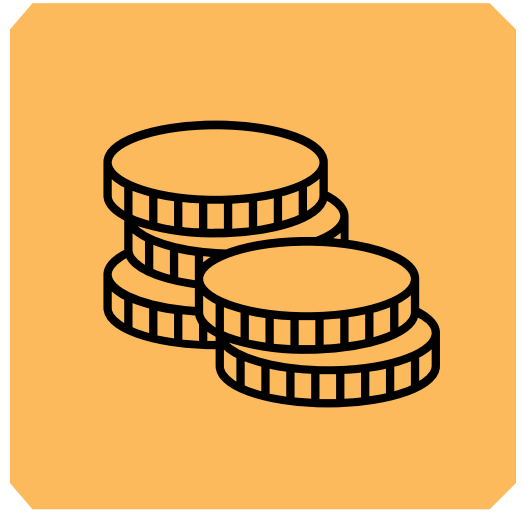
Safeguard Mechanism Reforms



Contribute to national targets



Declining Baselines



Safeguard Mechanism Credits

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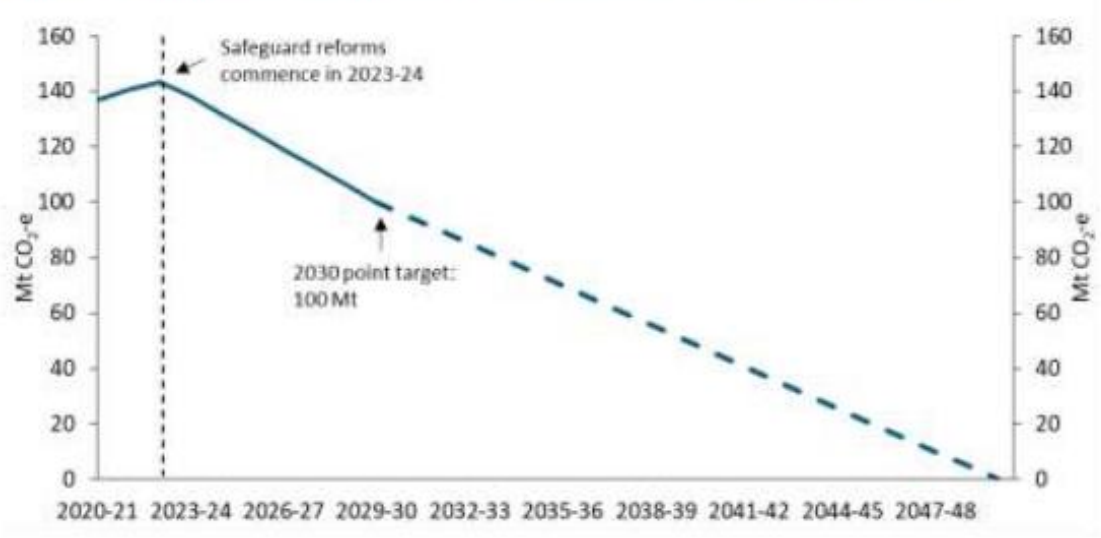
National targets and declining baselines

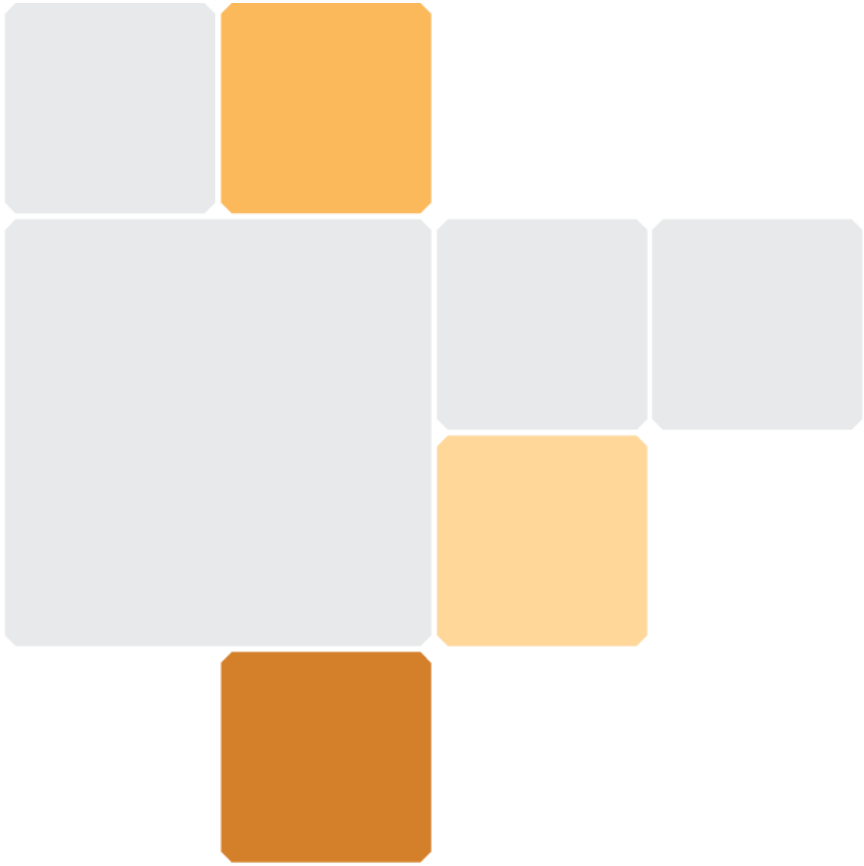
Figure 2.2 Indicative emissions decline trajectory to net zero by 2050



- Safeguard facility's emissions intensities will decline by **4.9% decline rate** each year through to 2030.
  - Aggregated emissions are expected to decrease from ~143Mt p/a to no more than 100 Mt p/a.
  - The decline rate incorporates a **reserve** to account for new facilities and concessional treatment for EITEs.

- Post-2030, emissions intensity decline rates will be set in 5-year blocks.
  - The Department will consult on decline rates following Australia's NDC update in 2025.

Baselines



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New baseline requirements

From **1 July 2023** three main types of baselines apply to Safeguard facilities:

- **“Standard” baseline**
  - Production adjusted framework
    - Government defined **production variables (PVs)**
    - Existing facilities: hybrid **emissions intensity (EI)**
- **Landfill baseline**
  - Retains the same framework
- **Sectoral baseline**
  - Retains the same framework

Declining baselines

Standard baselines

Baseline emissions number =

$$ERC \times \sum PVs\ (quantity\ of\ production \times EI)$$

Baseline emissions number	Emission reduction contribution (ERC)	Production variable (PV)	Quantity of production	Emissions intensity (EI)
Reference point against which annual emissions levels are assessed	% of remaining baseline after the decline rate is applied.	A product produced by the facility.	The quantity of product produced by the facility.	The reference point for the amount of emissions that can be released per unit of production.

EID applications

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Emissions intensity (EI) of production variables

Historical production variables

- Products produced at **existing facilities** between FY17/18 - FY21/22
- EI will transition from ‘facility-specific’ to ‘industry-average’ by 2030
- Calculated based on FY17/18 - FY21/22 data

Transitional production variables

- Products produced at **existing facilities** in FY22/23
- EI subject to ‘industry average’

Application needed by **30 April 2024**

Must include audit report

With no application

New production variables, new Safeguard facilities

- Products produced at **existing facilities** from FY23/24 onwards
- all products produced at **new facilities** from FY23/24 onwards
- EI subject to ‘best practice’

No application required

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Existing PV emissions intensity (hybrid)

Weighting	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Industry average	10%	20%	30%	40%	60%	80%	100%
Facility specific	90%	80%	70%	60%	40%	20%	0%

Observations:

- Transition shifts to 20% p.a. from 2027 – 28.
- Facilities with facility-specific values higher than the industry average values will be subject to steeper baseline reductions through to 2030.

Facilities >1MtCO_2-e

NGER reports must be accompanied by an **audit report** if a Safeguard facility has covered emissions of more than 1,000,000 tCO_2-e in the relevant financial year.

These reports must include

- a reasonable assurance conclusion; or
- a qualified reasonable assurance conclusion;

as to whether the quantities specified in the regulatory report are correct for:

- the **covered emissions** of greenhouse gases from the operation of those facilities, and
- the **production variables** for those facilities

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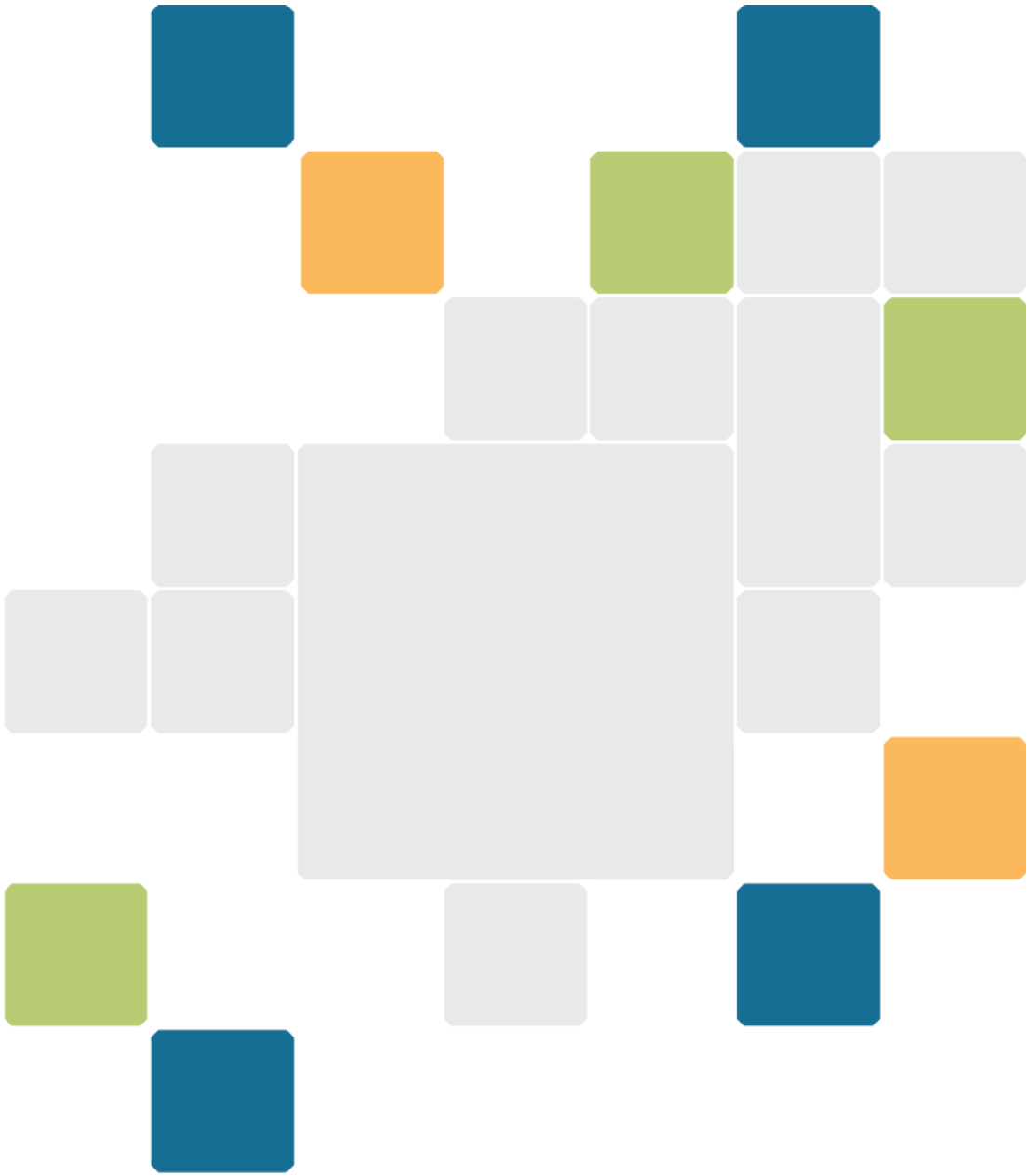
Managing excess emissions



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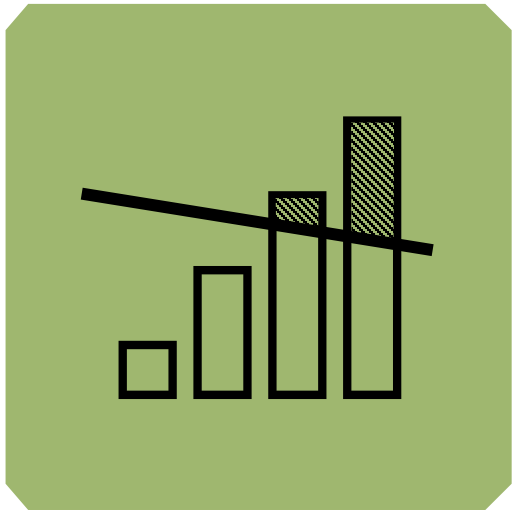
Managing exceedances

Settle exceedance:

- Purchase and surrender Australian carbon credit units (ACCUs) or SMCs.
- Apply to have a multi-year monitoring period (MYMP) declared at the facility to allow up to 5 years to reduce emissions.
- Apply for an exemption if the excess is the direct result of a natural disaster or criminal activity.

Baseline adjustments:

- Apply to borrow up to 10% of the current baseline from the following year (to be repaid with interest) to allow more time to either purchase ACCUs, SMCs, or reduce emissions.
- Apply to become a trade exposed baseline adjusted (TEBA) facility and receiving a discounted decline rate for up to 3 years.



Safeguard Mechanism Credits

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Safeguard Mechanism Credits (SMCs)

Represent 1 tonne of CO2-e within the reformed Safeguard Mechanism's **regulated emissions limit.**

Will be issued to facilities with emissions below their prescribed baseline.

Can be:

- surrendered to meet compliance obligations,
- sold (no restrictions), or
- banked for future use.

Supporting infrastructure

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A single Unit and Certificate Register

Trovio Group will provide a modern Unit and Certificate Register

The new Register will combine CER's existing registers into one, which will hold:

- Australian carbon credit units (ACCUs)
- International units
- Large-scale generation certificates (LGCs)
- Small-scale technology certificates (STCs)
- Future certificates: Safeguard Mechanism credit units (SMCs), Guarantee of Origin (GO) certificates and Nature Repair certificates.

Developing a Carbon Exchange model

- Increase market transparency and improve accessibility.
- Reduce costs to trade and simplify processes.
- Provide a platform to underpin Australia's rapidly growing carbon markets.

Thank you

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