Mr Mike Kaiser
Secretary
DCCEEW
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Submission via Email: ACCUScheme@dcceew.gov.au

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Dear Mr Kaiser

Re: Carbon Credits and Other Legislation Amendment (Integrity and Transparency) Bill

Thank you for the opportunity to provide feedback to the Department of Climate Change, Environment, Energy and Waste (DCCEEW) on the on the *Carbon Credits and Other Legislation Amendment (Integrity and Transparency) Bill* ("the Bill") and granting an extension of time for this submission. The Waste Management and Resource Recovery Association of Australia (WMRR) as the national peak body representing Australia's $20 billion waste and resource recovery (WARR) sector, represents over 2,300 members across more than 380 organisations, spanning industry, government, research institutions and NGOs. Our sector plays a critical role in Australia's economy through infrastructure delivery, collection, resource recovery, manufacturing of secondary materials, energy recovery, and community engagement. Central to our advocacy is the connection between carbon reduction and the transition to a circular economy. By prioritising waste avoidance and the recovery and reuse of materials, the WARR sector extends material life, reduces reliance on virgin resources, and delivers significant emissions reductions while supporting jobs and economic resilience.

WMRR emphasises that the Australian Carbon Credit Unit (ACCU) Scheme is becoming increasingly structurally important to the WARR sector's transition pathway towards a circular and net zero economy. The ACCU Scheme is one of the few meaningful economic incentives capable of driving investment in large-scale WARR infrastructure such as landfill gas capture, Alternative Waste Treatment (AWT), organics processing, anaerobic digestion and Energy from Waste (EfW). In particular, the Landfill Gas Method has significantly increased landfill gas capture and combustion across Australia. The ACCU Scheme is particularly important given WARR infrastructure is both capital and operationally more intensive and long-lived, whilst landfill disposal remains comparatively cheap (disincentivising innovative resource recovery), resource recovered product markets remain immature; and existing waste policies alone (including waste levies) have not sufficiently shifted investment behaviour. As such, "integrity" settings under the ACCU Scheme cannot become so restrictive that investment collapses. WMRR also fears that poorly aligned federal and state carbon regulation (such as state-based facility emissions targets) could undermine ACCU Scheme participation under the reformed integrity settings.

The Bill proposes substantial reforms to the ACCU Scheme through a broad package of amendments to the *Carbon Credits (Carbon Farming Initiative) Act* 2011 (CFI Act).The proposed reforms are intended to implement recommendations arising from two (2) independent reviews of the Scheme — the 2022 Chubb Review and the 2023 Climate Change Authority

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(CCA) Review – which identified opportunities to strengthen integrity, transparency and administrative efficiency. Proposed changes include:

- expanding eligible interest holders to include registered native title claimants, introduce up front consent requirements and clarify the consent obligations imposed exclusive possession native title land.
- replacing the Emissions Reduction Assurance Committee (ERAC) with a new Carbon Abatement Integrity Committee (CAIC), which will have broader advisory functions including priorities for method development, expanded governance arrangements and enhanced publication obligations.
- introducing a new Integrity Risk Method Declaration (IRMD) framework, enabling the Minister to require projects to transition to alternative methods where an existing method is found to pose a material risk to Scheme integrity. The framework includes mandatory consultation requirements, CAIC advice and transitional arrangements for affected projects (no more than 2 years for emissions avoidance offsets projects or a shorter period of no less than 6 months if specified by the Minister).
- amendments to the "newness" test so that certain research, innovation and development activities undertaken to support ACCU method development will not prevent a future project from being registered under the Scheme.
- transferring responsibility for ACCU purchasing from the Clean Energy Regulator (CER) to the DCCEEW, alongside replacement of the existing "least cost abatement" purchasing principle with a broader "value for money" approach.
- extensive integrity and compliance reforms, including new relinquishment powers for over-crediting, strengthened enforcement powers for the CER, expanded fit and proper person requirements, and new infringement notice provisions.
- a broad suite of administrative amendments to improve scheme flexibility and reduce compliance burdens. These include reforms relating to permanence obligations, crediting periods, reporting timeframes, project registration requirements and carbon maintenance obligations, as well as measures intended to streamline administration and provisions to decrease the frequency of Climate Change Authority (CCA) reviews from three (3) to every five (5) years.

Many of these reforms are broadly welcomed as they provide flexibility in project administration and reporting/ crediting periods, ultimately helping support higher-value ACCUs and more durable investment conditions, in particular:

- reforms to support research and development participation through revised "newness" rules so that those R&D activities that certify certain requirements are disregarded when determining when a project has begun;
- allowing the Minister to extend a crediting period based on the advice of the CAIC regardless of previous advice against an extension if the method meets the Offset Integrity Standards;
- increasing the time for reporting of abatement from six (6) to nine (9) months after a reporting period ends, which should help reduce the reporting burden;
- allowing proponents to vary the start time of a project crediting period (no later than the deferral limit), which should help new projects (especially those with long development times) enter the ACCU Scheme, and
- changes to the government purchasing of ACCUs in line with the recommendations of the Chubb Review to better allow flexibility in designing purchasing projects against government priorities and in line with the "value for money" principle for procuring goods and services on behalf of the Commonwealth (rather than "least cost abatement").

However, some of the reforms, which are undoubtedly aimed at promoting stronger market confidence in ACCUs and reducing the risk of low-integrity credits undermining prices may also create several operational, financial, regulatory and investment risks for the WARR sector, which is highly exposed to ACCU policy settings because landfill gas capture, organic waste diversion, methane avoidance, waste-to-energy, alternative waste treatment and other emissions reduction projects rely on stable methodologies, predictable crediting arrangements and long-term investor confidence. The largest risks relate to methodology uncertainty, expanded regulator powers, potential ACCU relinquishment liabilities, and the possibility of long-term WARR projects being forced to transition away from existing methods.

WMRR provides the following comments for DCCEEW to consider:

i. The Carbon Abatement Integrity Committee (CAIC) should recognise the WARR sector as a field of expertise.

In WMRR's view, given the expanded powers of the CAIC and the significant impact the WARR sector has on emissions reduction, it would be prudent for the CAIC to include WARR as a specific field of expertise under s257A, noting that members are appointed by the Minister on the basis of having substantial experience or knowledge and significant standing it at least one field of expertise (currently identified as (i) Aboriginal peoples and Torres Strait Islanders; (ii) agriculture and land management, including food security; (iii) climate change, including adaptation and decarbonisation strategies; (iv) public administration, including governance of public entities; (v) rural and regional development; (vi) any other relevant matters). WMRR notes that the amendments enable the CAIC to obtain technical expertise outside the CAIC (as the ERAC has done through the Integrity Committee Stakeholder Roundtable). However, WMRR submits that Australia should prioritise the WARR sector in emissions reduction efforts given it is a significant and cost-effective source of greenhouse gas emission abatement – well beyond methane from landfill given 45% of emissions comes from material in circulation and we know that the replacement of recycled materials for virgin materials has significant abatement savings. The CAIC should include the WARR sector as a proposed field of expertise given:

- the CAIC's broadened powers to prioritise methods for proponent led method development (PLMD), and the WARR sector currently undergoing a transition to more circular methodologies such as Energy from Waste, which are highly technical and scientific technologies requiring a nuanced understanding of waste stream inputs, calorific values of resources and their impacts on emissions.
- concerns about slowing methodology development . The reforms centralise more integrity oversight under the CAIC and it is hoped that this will streamline timeframes and requirements, rather than slow deployment of innovative waste solutions and new methods. WMRR notes that the proposed reforms include provisions for the CAIC to suspend processing applications for declarations of eligible offsets projects for an increased period of 18 months, which is concerning (even if the reasons for the suspensions are published by the CIAC in the interest of transparency). The WARR sector depends on new methods to assist in commercialising emerging technologies which can divert waste from landfill and recover resources, replacing virgin materials. Again, progressing these methods relies on understanding the complexities of WARR systems from waste inputs through to recovered material markets.
- the proposed amendments enable the CAIC to undertake reviews of methods before they expire, and then advise the Minister. Given that most methods for the WARR sector only have seven (7) to ten (10) year crediting periods (yet are long term infrastructure projects), and the significance of the ACCU Scheme in enabling the decarbonisation of the WARR sector, it is essential that WARR expertise is retained within the CAIC.
- the proposed reforms include provisions that require the publication of the advice given by the CAIC and any related public consultation. WARR projects often involve commercially sensitive information including proprietary technology, operational performance, emissions modelling assumptions, feedstock composition and

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contract structures. There is a concern that expanded publication powers may create concern about disclosure of commercially sensitive data. WMRR notes that requests can be made in writing to the CAIC not to publish commercially sensitive information, however requires the CAIC to have a nuanced understanding of the WARR sector to appreciate why some information could be considered commercial in confidence (as it may indicate tonnage and flow rates of commercial in confidence long term waste contracts).

ii. *Integrity Risk Method Declarations are a risk for the WARR sector when considered against changing climate change reporting requirements*

The reforms introduce a new Ministerial power to issue an Integrity Risk Method Declaration (IRMD) where a methodology is considered to fail the Offsets Integrity Standards and poses a material risk to scheme integrity. Thus, existing projects could eventually be prevented from generating ACCUs under that method, if a methodology is reviewed and deemed to present an integrity risk. This is a significant concern for the WARR industry at present due to the changing policy and reporting settings around Safeguard Mechanism and Climate Change Reporting requirements, such as those being considered for NSW which is considering setting emissions targets for facilities within the recently introduced Emissions Reporting and Climate Change Mitigation and Adaptation Plans (CCMAP).

There are concerns that under the Reducing Methane Emissions from Landfill Gas Method 2025 – which differentiates default baselines to encourage greater participation by small and regional landfills by applying a 0% default baseline – the state regulatory baseline under the CCMAP will be considered to override the default baseline, making any ACCUs generated by these regional landfills susceptible to an IRMD , and undermine the stronger financial incentive of the ACCU scheme for landfill licensees to invest in abatement technologies. Similar concerns are raised by the Productivity Commission's recommendation for the 2026-27 review of the Safeguard Mechanism to reduce the emissions threshold for facilities under the Safeguard Mechanism from 100,000 to 25,000 tonnes of carbon dioxide equivalent (CO_2-e) per year.

Landfill gas abatement projects and other WARR infrastructure projects are capital intensive and often financed over long periods. An IRMD is a particularly significant risk for facilities with long depreciation periods as there is the possibility that methodologies can effectively be invalidated mid-project. Projects may be required to transition to new methodologies within limited timeframes. For landfill gas abatement, it is uncertain what those alternative methods could be. This risk may discourage new ACCU project registrations and discourage investment in abatement, particularly for smaller, regional landfills. Furthermore, if WARR related methodologies are publicly questioned or suspended, ACCU prices and project valuations may become volatile.

iii. *Expanded compliance and enforcement risk may deter smaller facilities participating in the ACCU Scheme*

The reforms significantly expand the powers of the Clean Energy Regulator (CER), including compulsory relinquishment powers, reversal of decisions based on false or misleading information, infringement notices, injunction powers and expanded fit and proper person tests. Whilst WMRR recognises that currently, the CER can only relinquish credits on grounds of "false and misleading" information which is used in all cases, and the introduction of a processes for relinquishing credits issued based on "incorrect information" and modelling discrepancies "where updated information provided in later offset reports leads to lower modelled abatement than previously credited" are intended to mitigate the risk of proponents experiencing reputational impacts (of being deemed "false and misleading") , there is also a risk that this expanded compliance and enforcement process will mean that facilities will likely need more legal oversight ,expanded internal compliance systems, data management and auditing.

The reforms basically create new powers where updated modelling shows lower abatement than previously credited. It is important to remember that the emissions produced by WARR facilities are inextricably linked to societal consumption, over production and local facility constraints such as transportation and population. Apart from total capacity thresholds, operators lack input control over the volume or composition of the waste material received. These fluctuating input characteristics necessarily impact the volume of emissions produced and is something that WARR facilities must manage and mitigate but cannot control. WARR projects necessarily rely on emissions modelling assumptions, particularly for methane capture efficiency, landfill decay curves, fugitive emissions estimation and baseline calculations. Future recalculations could require ACCUs to be relinquished, creating further risks and disincentives for the WARR sector.

Many waste operators already face workforce shortages and technical capability gaps, so escalating regulatory complexity and additional carbon scheme administration around emissions modelling and assigning possible ramification for modelling discrepancies may become difficult to manage internally, particularly for smaller operators and those newer to the Scheme. This may disproportionately impact regional and smaller operators – particularly local government run regional landfills – who may be concerned that without access to the latest modelling technologies and techniques, they will be disadvantaged with a penalty later. The proposed amendment to reverse decisions based on false or misleading information in Schedule 2, Part 10 and the provisions under Schedule 2, Part 6 to issue infringement notices which could published by the CER in the interest of "transparency" further extenuates these perceived risks for the WARR sector.

In WMRR's view, the reforms proposed by the Bill should promote increased transparency of the ACCU Scheme and emissions reporting. However, some reforms may create a tension between improving long-term market credibility and integrity, and preserving investment certainty, operational flexibility and commercial viability. These tensions need further consideration to ensure that emissions abatement projects in the WARR sector are not dissuaded from progress or participation due to these risks. For this reason, WMRR believes that ensuring that the WARR sector is represented in the CAIC would best mitigate these risks. WMRR trusts that our concerns will be considered when finalising the Bill.

Please contact the undersigned if you wish to further discuss WMRR's submission.

Yours sincerely

Gayle Sloan
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Waste Management and Resource Recovery Association of Australia