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Australian Government Seeks Input on Implementation of Carbon Credit Scheme

Article By:

Peter Y. Malyshev

Sukhvir Basran

In August 2023, the Australian Department of Climate Change, Energy, the Environment and Water (DCCEEW) solicited feedback on proposed amendments to the Australian Carbon Credit Unit (ACCU) Scheme. This is the third step in the process of modernizing the ACCU, which was initiated in 2022, when an independent panel reviewed the Scheme with the goal of increasing its efficacy and transparency. The panel delivered **16 recommendations** in December that year. The Australian Government accepted the recommendations in principle in January 2023, and began translating them into concrete and actionable updates. The ACCU Review Implementation Plan was released in June 2023.

ACCUs are a tradable financial product and have largely been purchased by the Australian Government. The market is also open to private parties, typically those motivated by compliance obligations or voluntary commitments, though ACCUs tend to be generated by land-based projects with "practice changes," i.e., livestock removal, native plantings, or forest regeneration. Two industrial project methods also exist: landfill gas, which involves landfill methane being converted into biogas or electricity, and carbon capture and storage.

The DCCEEW sought feedback on a number of areas including:

- new ACCU Scheme principles;
- information publication requirements;
- the Commonwealth Government's role as a purchaser of ACCUs;
- the functions of the Carbon Abatement Integrity Committee; and
- the requirements for native title consent to projects

Taking the Temperature: As we discussed in our previous coverage of the ACCU Scheme, a key concern with Australia's carbon credit market has been a lack of transparency regarding the basis for the carbon credits. Globally, there has been considerable scrutiny of carbon credit schemes, including by the United Nations and at COP27 in November 2022. Lack of transparency and effectiveness continue to be major concerns. We have frequently discussed the perceived drawbacks and criticisms of the use of carbon credit schemes here, here and here. In September, Reuters reported that, for the first time in seven years, voluntary carbon markets had shrunk, as large corporations retreated from previous commitments. For example, Shell stepped back from its spending and volume targets for carbon offsets after previously declaring an intent to invest $100 million a year in offsets and use credits equivalent to 120 million tons of CO_2 per year by 2030.

Another concern with the lack of integrity in carbon credit markets is the greenwashing risk we discussed previously, particularly in high-emissions industries such as transportation and aviation. In the U.S., a group of Democratic senators last year called for better oversight of the market for carbon offsets. In an October 2022 letter to the Commodity Futures Trading Commission, senators pointed to the potential for companies to engage in greenwashing and the risk that carbon credits may in fact reduce incentives for corporations to actively work towards carbon reduction: "The purchase of offsets allows many of these multinational companies to make bold claims about emission reductions and pledges to reach 'net zero,' when in fact they are taking little action to address the climate impacts of their industry. Several studies have highlighted that carbon offset projects are frequently illegitimate, and those that do contribute to meaningful emissions reductions are often representative of broader 'pay to pollute' schemes that place profit over protecting frontline

communities." In response, the Whistleblower Office of the Division of Enforcement of the CFTC issued an alert on June 20 advising the public on how to identify and report potential violations connected to fraud or manipulation in the carbon markets.

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