

Public consultation paper: Alternative assurance arrangements for Low-risk Plantation Forestry Projects

The Clean Energy Regulator is seeking your views on proposed changes to the audit requirements for small scale schedule 1 plantation forestry projects under the Australian Carbon Credit Unit (ACCU) Scheme.

Under the proposed amendments to the [Carbon Credits \(Carbon Farming Initiative\) \(Audit Thresholds\) Instrument 2015](#), (Audit Thresholds Instrument), the Clean Energy Regulator proposes to define a new class of alternative assurance projects, namely Low-Risk Plantation Forestry Projects. New plantation forestry (Schedule 1) projects under the [Carbon Credits \(Carbon Farming Initiative—Plantation Forestry\) Methodology Determination 2022 \(the method\)](#), that meet the proposed conditions in the Audit Thresholds Instrument would be eligible to be issued an ‘alternative’ audit schedule that requires only one scheduled audit, being the initial audit.

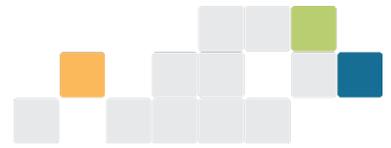
To support the reduction in the number of audits, the Clean Energy Regulator will use geospatial tools and other measures to verify that abatement is being achieved and monitor for disturbances. The Clean Energy Regulator has a high degree of confidence in using geospatial tools to monitor the integrity of plantation forestry projects because a new plantation is readily observable, is planted uniformly, and comprises all one species. Precision in the carbon abatement delivered by these projects, derived through the FullCAM model, is therefore high.

The proposed conditions for Low-Risk Plantation Forestry Projects are that:

- The project must be a plantation forestry project which is covered only by subparagraph 8(1)(a) of the [Carbon Credits \(Carbon Farming Initiative—Plantation Forestry\) Methodology Determination 2022](#);
- The anticipated and reported carbon estimation area(s) (CEA) for the project must be no more than 200 hectares;
- The project will be subject to an initial audit as per section 74 of the [Carbon Credits \(Carbon Farming Initiative\) Rule 2015](#) (CFI Rule); and
- The project is subject to geospatial monitoring and other compliance checks by the Clean Energy Regulator.

Existing projects or new applications under the method that meet these criteria will be eligible to ‘opt in’ to the specified alternative assurance arrangements. Schedule 1 projects registered under the Carbon Credits (Carbon Farming Initiative – Plantation Forestry) Methodology Determination 2017 will be required to vary to the 2022 method to be eligible for alternative assurance arrangements.

The proposed alternative assurance arrangement would reduce the number of audits required to just one scheduled audit for the project, being an initial audit as per section 74 of the [Carbon Credits \(Carbon Farming Initiative\) Rule 2015](#) (CFI Rule). Section 74 of the CFI Rule sets out the scope of an ‘initial audit’ which includes whether the project has been carried out in accordance with the section 27 declaration that is in operation for the project, the methodology



determination used for the project, and the CFI Act. An 'initial audit' must cover either the first reporting period or the first 6 months of the project, whichever is longest.

The initial audit will provide the Clean Energy Regulator with assurance that the project is being undertaken in accordance with the legislative framework and that the settings in FullCAM are calibrated correctly to calculate abatement. This will provide a sound basis of integrity on which further assurance can be conducted by the Clean Energy Regulator using geospatial tools and other compliance checks.

The Clean Energy Regulator is seeking feedback on the draft amendments to the Proposed amendments to the Carbon Credits (Carbon Farming Initiative) (Audit Thresholds) Instrument 2015 (Attachment 1), which set out the proposed conditions that a plantation forestry project must meet to be eligible for alternative assurance arrangements under the ACCU Scheme.

Stakeholder views are sought on whether:

- the proposed conditions and risk profile for eligible projects is optimal,
- the integrity of projects can be adequately assured under the proposed audit regime, and
- reduced audit requirements are likely to improve participation rates.

Submissions are due by 5 pm AEST, Wednesday 1 May 2024. Any submissions received after this date will be considered at the discretion of the Clean Energy Regulator. It is preferred that submissions be submitted electronically to StrategyCoordination@cer.gov.au.

Background

The ACCU Scheme has a critical role in achieving Australia's legislated emissions reduction targets of 43 per cent below 2005 levels by 2030, and net zero by 2050. The Australian Government is committed to ensuring the ACCU Scheme has high integrity and delivers confidence to participants, the market, and the wider public.

The Audit Thresholds Instrument sets out the audit requirements for projects under the ACCU scheme. For most projects, scheduled audits consist of an initial audit, followed by a set number of subsequent audits proportionate to the forecast abatement. The minimum number of required audits is usually 3.

As industry innovates and technologies develop, there are opportunities to recognise alternatives to audits that provide a level of assurance that is fit for purpose and does not reduce scheme integrity. Such alternatives can reduce administrative burden for participants and increase scheme participation, including for small-scale projects for which audit costs can be a barrier.

The CFI Rule and the Audit Thresholds Instrument were amended in 2021 to provide alternative assurance options for projects that can be considered 'low risk'. These changes to the audit framework have made it easier for farmers and landholders to participate in the ACCU Scheme, by reducing the cost of scheduled



audits and instead being subject to geospatial monitoring and other compliance checks by the Clean Energy Regulator.

While a commercial incentive exists for plantation forestry projects, existing audit requirements may pose a barrier for smaller projects participating in the ACCU scheme with each audit estimated to cost upwards of \$20,000.

Upholding the integrity of the method while reducing barriers to participation may increase the rate of establishment of new plantations in Australia. Based on the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES)' Australian plantation statistics 2023 update, Australia's total plantation area continues to decline and is currently at its smallest area since 2003-04, due to ongoing conversion of hardwood plantations to other land uses.

The CFI Rule and the Audit Thresholds Instrument allow the Clean Energy Regulator to add classes of alternative assurance projects, if appropriate alternative assurance mechanisms can be demonstrated.

The Clean Energy Regulator considers plantation forestry projects under subparagraph 8(1)(a) of the method to be low risk for a reduced audit regime because:

- Requiring proponents to submit an initial audit provides confidence that the operation of the project is in accordance with the requirements of the methodology determination and the CFI Act.
- Instead of further scheduled audits, the Clean Energy Regulator will use geospatial tools and other compliance checks to verify that abatement is being achieved and to monitor for disturbances.
- The Clean Energy Regulator has a high degree of confidence in using geospatial tools to monitor the integrity of plantation forestry projects because a plantation is uniform, being all one species. Precision in the carbon abatement delivered by these projects, derived through the FullCAM model, is therefore high.
- Abatement for these projects is modelled rather than measured and can be estimated conservatively in FullCAM. The initial audit will provide assurance that FullCAM has been calibrated correctly for the project.

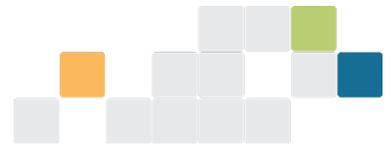
More information about estimation of emissions abatement and crediting of plantation forestry projects is in the plantation forestry simple method guide, the FullCAM Guidelines and the method itself: [Plantation forestry method \(cleanenergyregulator.gov.au\)](#).

Alternative assurance projects may still be subject to additional scheduled or targeted audits if there is a reasonable apprehension that they no longer meet the required conditions under the Audit Thresholds Instrument. This is consistent with the fact that the Clean Energy Regulator also retains the ability to subject projects to compliance audits and a portion of these projects would be audited under the annual assurance program funded by the Clean Energy Regulator.

For more information about the Clean Energy Regulator's approach to compliance and assurance under the ACCU Scheme, please visit [ACCU Scheme Compliance and Assurance Framework | Clean Energy Regulator](#).

Confidentiality and privacy

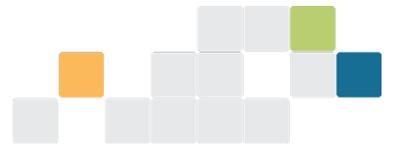
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A request may be made under the *Freedom of Information Act 1982* (Cth) for a submission marked ‘confidential’ to be made available. Such requests will be determined in accordance with provisions under the *Freedom of Information Act 1982*.

The agency will deal with personal information contained in, or provided in relation to, submissions in accordance with the [privacy policy](#).



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