Sourcing ACCUs in the Australian carbon market 2019

Clean Energy Regulator & the Carbon Market Institute

To hear the webinar, phone 1800 896 323 and enter code 47918003#
Webinar – Carbon Markets 101

National Seminar Series & Webinar: Sourcing ACCUs in Australia’s Carbon Market

National Webinar | February | 2019

Carbon Market Institute
About Carbon Market Institute

• Peak body for climate change policy and business in Australia.

• Helping business to seize opportunities in rapidly evolving carbon markets.

• Facilitating connections between business, policy makers and thought leaders.
About Carbon Market Institute

CMI Member Contracted Abatement
Source: Clean Energy Regulator data, CMI data.

CMI Member Scope 1 Emissions
Source: Clean Energy Regulator data, CMI data.

+75%

+40%
About Australian Carbon Industry Code of Conduct

Promoting best practice within Australia’s carbon reduction & sequestration industry.
The 6th Australasian Emissions Reduction Summit will once again be the largest climate change and business event in Australia and takes its place of increasing regional interest and influence. In 2910, the Summit will host 600 national & international delegates from business, government, technology & finance for knowledge exchange & commercial interaction on how to manage risk and opportunity in the transition to a low carbon world.

https://summit.carbonmarketinstitute.org >>
Overview

• National Webinar - Carbon Markets 101
  *Tuesday 19 February*

• Melbourne Seminar – Sourcing ACCUs in Australia’s Carbon Market
  *Wednesday 20 March*

• Sydney Seminar – Sourcing ACCUs in Australia’s Carbon Market
  *Thursday 21 March*

• Brisbane Seminar – Sourcing ACCUs in Australia’s Carbon Market
  *Friday 22 March*

• Perth Seminar – Sourcing ACCUs in Australia’s Carbon Market
  *Monday 25 March*
# Carbon Markets 101

## 1. Market Dynamics – Carbon Market Institute (CMI)
1. About CMI
2. The Domestic & International Policy Framework
3. The Domestic ACCU market

## 2. Legislation & Administration – Clean Energy Regulator (CER)
1. Role of the Clean Energy Regulator
2. The ACCU Market Framework of the Emissions Reduction Fund
   - Project registration and crediting (ACCUs)
   - Government purchasing
   - The safeguard mechanism
   - Secondary market dynamics
International Carbon Market Policy Framework

What makes up the domestic carbon market framework?

International Frameworks & Standards

United Nations Framework Convention on Climate Change (UNFCC)
- The Paris Agreement & Article 6
- The Kyoto Protocol
  - Clean Development Mechanism (CDM)
    - Certified Emissions Reductions (CERs)

International standards relevant to the carbon market
- Gold Standard
  - Verified Emission Reductions (VERs)
- Verified Carbon Standard
  - Verified Carbon Units (VCUs)
International Carbon Markets
Policy Framework

COP24 & the Paris Agreement –
Key Carbon Market Takeaways from Poland

1. Carbon markets can enable greater ambition.

2. Australia’s domestic offset market could be a net global supplier of offsets.

3. Countries are already collaborating on emissions reduction.

4. Negotiations on Article 6 (carbon markets) to be finalised at COP25.
International Carbon Markets
Market Update

International State of Play

Summary map of national or subnational carbon pricing initiatives that are implemented, scheduled or under consideration

International Offsetting Standards
- CDM
- Gold Standard
- Verified Carbon Standard
- Paris Agreement (Article 6) Mechanism?

Source: The World Bank
Domestic Carbon Market Policy Framework

What makes up the domestic carbon market framework?

Federal Climate Policy

Emission Reduction Targets
• 5% below 2000 levels by 2020
• 26–28% below 2005 levels by 2030

Key policy mechanisms associated with the carbon market
• Emissions Reduction Fund (ERF)
• Safeguard Mechanism (SGM)
• National Carbon Offset Standard (NCOS)

Other climate-related policy mechanisms
• Renewable Energy Target (RET)
• Clean Energy Innovation Fund
State Climate Policy

Emission Reduction Targets
- Legislated net-zero emissions by 2050 (VIC)
- Aspirational net-zero emissions by 2050 (NSW, SA, TAS, QLD)
- Aspirational net-zero emissions by 2045 (ACT)
- Aspirational 60% below 2007 levels by 2050 (NT)
- Supports Federal emissions reduction target (WA)

Example of State-based policy relevant to the carbon market
- Land Restoration Fund (QLD)
- Water Sector Statement of Obligations – Emissions (VIC)
- SA Water Corporation greenhouse gas reduction target (SA)
Domestic Carbon Market Policy Framework

What is traded in the carbon market?

Carbon Credits

- Carbon Offset
  - Represent CO$_2$-e stored or avoided by a project.
  - Generated through carbon offset schemes.

- Carbon Allowance
  - Represent the right to emit CO$_2$-e.
  - Often used in mechanisms such as a Cap-and-Trade scheme.

- Generally represents 1 tCO$_2$-e.
- Tradeable.
- Impacts a carbon price.
- Rules differ on how credits are created and used.
Domestic Carbon Market
ACCU Market

How do the key components of the carbon market fit together?

Box 1

Project

ERF
ACCU Supply

ERF Auctions
ACCU Demand
(Government Demand)

Box 2

ERF SGM
ACCU Demand
(Baseline Compliance)

State & Territory
ACCU Demand
(Government Demand)

Voluntary
ACCU, CER, VER, VCU Demand
(Voluntary – i.e. NCOS)

Clean Development Mechanism
CER Supply

Gold Standard
VER Supply

Verified Carbon Standard
VCU Supply
Domestic Carbon Market
ACCU Market

How can carbon credits traded?

Carbon Credits

Contracts
• Entering into a contract for the sale/delivery of credits.
• Contract terms and length may vary depending on the circumstances, such as project type etc.
• Contracting parties may vary from Government to private entities.

Spot Market
• A direct trade with carbon credits available to be sold.
• Can involve carbon brokers/traders or other parties.
• Price determined by the market at the time of sale.
Domestic Carbon Market

ACCU Market

How can ACCUs be sourced?

Box 1
- ERF SGM
- Participants

Box 2
- Contract
- Spot Market
- ERF Participants
- Projects
- CER

Box 3
- Contract
- Spot Market
- Other Market Participants

ERF Participants OR

Spot Market OR

Contract OR
Australia’s Carbon Marketplace contains:

- Information about projects generating abatement;
- A market directory for organisations working in Australia’s domestic carbon market;
- Information about the Carbon Industry Code of Conduct;
- Australia’s policy landscape.

https://marketplace.carbonmarketinstitute.org
Emissions Reduction Fund
ACCU Market Framework

Disclaimer: The Clean Energy Regulator is not a financial adviser. The following information is for general information only.
What we will cover

- Role of the Clean Energy Regulator
- The ACCU Market Framework of the Emissions Reduction Fund
  - Project registration and crediting (ACCUs)
  - Government purchasing
  - The safeguard mechanism
  - Secondary market dynamics
Accelerating carbon abatement for Australia

Carbon Farming Initiative

Emissions Reduction Fund

National Greenhouse and Energy Reporting

Renewable Energy Target

Australian National Registry of Emissions Units

Emissions and Energy Reporting System

REC Registry

Clean Energy Regulator
The ACCU Market Framework of the Emissions Reduction Fund

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Project registration and crediting (ACCUs)

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### ERF projects registered and ACCUs issued by method type

<table>
<thead>
<tr>
<th>Method type</th>
<th>Total registered projects</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>62</td>
<td>8%</td>
</tr>
<tr>
<td>Energy efficiency</td>
<td>47</td>
<td>6%</td>
</tr>
<tr>
<td>Facilities</td>
<td>2</td>
<td>0%</td>
</tr>
<tr>
<td>Industrial fugitives</td>
<td>16</td>
<td>2%</td>
</tr>
<tr>
<td>Savanna burning</td>
<td>74</td>
<td>10%</td>
</tr>
<tr>
<td>Transport</td>
<td>6</td>
<td>1%</td>
</tr>
<tr>
<td>Vegetation</td>
<td>428</td>
<td>55%</td>
</tr>
<tr>
<td>Waste</td>
<td>138</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>773</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

**ACCUs Issued (Millions)**

- Agriculture
- Energy Efficiency
- Facilities
- Industrial Fugitives
- Savanna Burning
- Transport
- Vegetation
- Waste

![ACCUs Issued Graph](image-url)
Government purchasing

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$2.55 billion scheme funding

- $476 million paid
- $1.8 billion currently committed
- Total remaining $226 million

Total contracted abatement: 477 projects under contract

- Vegetation: 125.7 million tonnes
- Landfill and waste: 25.5 million tonnes
- Agriculture: 18.1 million tonnes
- Savanna burning: 13.6 million tonnes
- Energy efficiency: 5.2 million tonnes
- Industrial fugitives: 4.0 million tonnes
- Transport: 1.2 million tonnes

Portfolio of abatement: 193 million tonnes

Average across portfolio: $12

Completed: 20

Contracts on hand: 437

Auction 1: $13.95
Auction 2: $12.25
Auction 3: $10.23
Auction 4: $10.69
Auction 5: $11.82
Auction 6: $13.08
Auction 7: $13.52
Auction 8: $13.87
The Safeguard Mechanism

- **Projects**: Emissions reduction fund participants
- **Crediting**: Reporting and auditing, ACCUs, Secondary market
- **Purchasing**: Auction, Contract, Funds paid
- **Safeguarding**: Baselines

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The Safeguard Mechanism

Baseline types
- Reported
- Calculated

Net emissions
- Total covered emissions

Manage excess
- Apply for a new baseline
- Apply for multi-year monitoring period
- Surrender ACCUs
The Safeguard Mechanism - First year results (2016-2017)

- 203 covered facilities
- 120 reported baselines
- 73 calculated baselines
- 6 multi-year monitoring periods
- 448,097 ACCUs surrendered
Voluntary demand

- Voluntary demand for ACCUs is mainly for offsetting emissions for airlines and corporate entities, and may require offsets for certification under the National Carbon Offset Scheme.
- Voluntary demand for ACCUs is increasing, rising from 25,000 ACCUs in 2014-15 to over 140,000 ACCUs in 2017-18.

State and territory demand

- This is an emerging source of demand and is mainly to meet government commitments or policies to offset emissions.
- State and territory government demand for ACCUs was over 210,000 ACCUs in 2017-18.
A secondary market for ACCUs is emerging and is made up of demand from participants sourcing ACCUs for deliveries under existing ERF contracts, responsible emitters under the safeguard mechanism and other organisations with either statutory or voluntary requirements for units.

ACCU spot prices are now publicly available, currently advertised at $15.75 per ACCU. CommTrade Carbon (as at 12 February 2019).
Australian carbon credit unit market profile

Note: Data and balance of ACCUs current as at 13 December 2018.
Have a question?

Economic Analysis team
Clean Energy Regulator
markets@cleanenergyregulator.gov.au

Click here for ACCU market update

ACCU market update—December 2018

This is the first in a series of regular market updates and provides information on trends in the Australian carbon credit unit (ACCU) market in Australia. The next market update will be released after the 26 February 2019 safeguard mechanism compliance deadline.

The December 2018 market update provides the Clean Energy Regulator’s view of supply and demand of ACCUs under current policies, and explores the key factors that may influence the market in the near future.

Its purpose is to increase market transparency, and drive genuine low cost carbon abatement opportunities. This information should also assist entities who need to source ACCUs, including responsible emitters who need to surrender units under the safeguard mechanisms.

Market observations, highlights and opportunities

- At the eighth Emissions Reduction Fund auction, 3.27 million tonnes of carbon abatement was purchased through 34 carbon abatement contracts at an average price of $13.87 per ACCU.
  - The average price per ACCU purchased across the contract portfolio is $12.
  - There was 10.9 million ACCUs delivered from current Emissions Reduction Fund contracts in 2017–18, which is set to increase to 20.9 million required by 2021–22.
  - Total volume remaining to be delivered under current Emissions Reduction Fund contracts to 2029–30 is now 105.5 million ACCUs.
  - There are currently 3.3 million ACCUs in Australian National Registry of Emissions Units (ANREG) accounts. This balance is 33 percent higher than last financial year’s average of 2.5 million ACCUs.
  - Additional supply is becoming available compared to this time last year, including 5.3 million ACCUs issued in 2018–19 to date.