Australian Government
Clean Energy Regulator

EMISSIONS REDUCTION FUND

Deliver ACCUs on schedule to meet contract terms

Understanding and developing a delivery schedule

V2. July 2016

Deliver ACCUs on schedule to meet contract terms

A delivery schedule is an essential part of a carbon abatement contract. Making sure you can meet your delivery schedule and deliver Australian carbon credit units (ACCUs) on time to the Clean Energy Regulator relies on early and careful planning.

The role of a delivery schedule

A delivery schedule sets out the dates you will deliver ACCUs to the Clean Energy Regulator as well as the quantity of ACCUs that will be delivered on those dates. Nominating a delivery schedule is required when registering to enter into an Emissions Reduction Fund auction. A delivery schedule is legally binding.

It is possible to deliver ACCUs to the Clean Energy Regulator ahead of schedule. To arrange early delivery of your ACCUs, you must notify the Clean Energy Regulator of your plans. If early delivery will occur in the same financial year as the scheduled delivery, you must provide five business days' notice to the Clean Energy Regulator. If early delivery will occur in a different financial year, 20 business days' notice is required.

Developing your delivery schedule

Working out a delivery schedule should be included as part of your business planning for your Emissions Reduction Fund project. This is because you need to consider:

- How long it will take to set up your project and start generating abatement.
- The reporting periods for your project.
- How much abatement your project will achieve in each reporting period.
- The time you need to prepare and submit a project report for each reporting period.
- The time the Clean Energy Regulator needs to assess project reports and issue ACCUs into your Australian National Registry of Emissions Units (ANREU) account.

Key points

- Your delivery schedule is legally binding.
- Give yourself plenty of time – plan your delivery schedule early. Build in the time needed to prepare your project reports. Consider when an audit of your project is needed as well as the time the Clean Energy Regulator has to assess your report and issue ACCUs.
- The Clean Energy Regulator has 90 days to complete its assessment of your project report.
- You may deliver ACCUs ahead of schedule.
- If you have fewer ACCUs than estimated and your delivery date is due, you may purchase ACCUs on the secondary market to make up any shortfall and deliver on schedule.
- You must submit a project report to be able to apply to claim ACCUs for abatement achieved by your project.
- ACCUs must be in your ANREU account before you can deliver them to the Clean Energy Regulator.
- Any additional ACCUs earned by your project may be sold on the secondary market.

Know your abatement

Understanding how much abatement your project delivers and when will help you identify reporting periods for your project. Some projects may deliver similar volumes at regular intervals. Others may generate small amounts initially that increase over time and then plateau.

ACCUs are issued only for abatement achieved by a project with one ACCU issued for each tonne of carbon dioxide equivalent (tCO_2-e) sequestered or avoided. Knowing how much abatement your project may achieve in a reporting period is a helpful indicator of how many ACCUs may be issued to your project and at what point in time. This information will aid in identifying the most appropriate timing for delivery of ACCUs to the Clean Energy Regulator and in what quantity.

Prepare your report

To be issued with ACCUs for your project, you must submit a project report to the Clean Energy Regulator at the end of each reporting period. The method you are using and Part 6 of the *Carbon Credits (Carbon Farming Initiative) Act 2011* detail the type of information to be included in your report. You have six months from the end of each reporting period to complete your project report and submit it to the Clean Energy Regulator. The time it takes to prepare your report will depend on the reporting requirements of the method you have chosen to use, how well you have you recorded all the information that is needed and whether an audit report is required.

- A **reporting period** is a period of time within a project's **crediting period** for which a project report is prepared for submission to the Clean Energy Regulator.
- A **crediting period** is the period of time a project is able to apply to claim ACCUs. There are a number of reporting periods over the crediting period of a project. A crediting period starts on the date a project is registered or on a start date nominated by the scheme participant up to 18 months after a project is registered.
- A **delivery period** is the duration of time of a carbon abatement contract under which ACCUs are delivered to the Clean Energy Regulator. It starts on the date a contract commences and continues until the contract expires. The maximum delivery period is seven or 10 years, depending on the project. A delivery schedule must fall within the delivery period for a project.

An account with ACCUs

ACCUs must be in your ANREU account for you to be able to deliver them to the Clean Energy Regulator on the dates nominated in your delivery schedule. You can apply to claim ACCUs at the same time as you submit your report, however it is important to note that ACCUs are not issued automatically on receipt of your project report and application to claim ACCUs. The Clean Energy Regulator has 90 days to assess your project report and application to claim ACCUs.

If you have fewer ACCUs than estimated and your delivery date is due, you may purchase ACCUs on the secondary market to make up any shortfall and deliver on schedule. You may also purchase ACCUs on the secondary market if your delivery date is due and ACCUs have not yet been issued for abatement earned by your project. The Clean Energy Regulator does not regulate secondary markets.

Only Kyoto ACCUs can be delivered under a carbon abatement contract.

How a delivery schedule may apply to different projects

The following examples show how planning is essential for developing a delivery schedule. Each example assumes a complete project report is submitted and delays have not occurred owing to the Clean Energy Regulator requiring further information from scheme participants to finish its assessment.

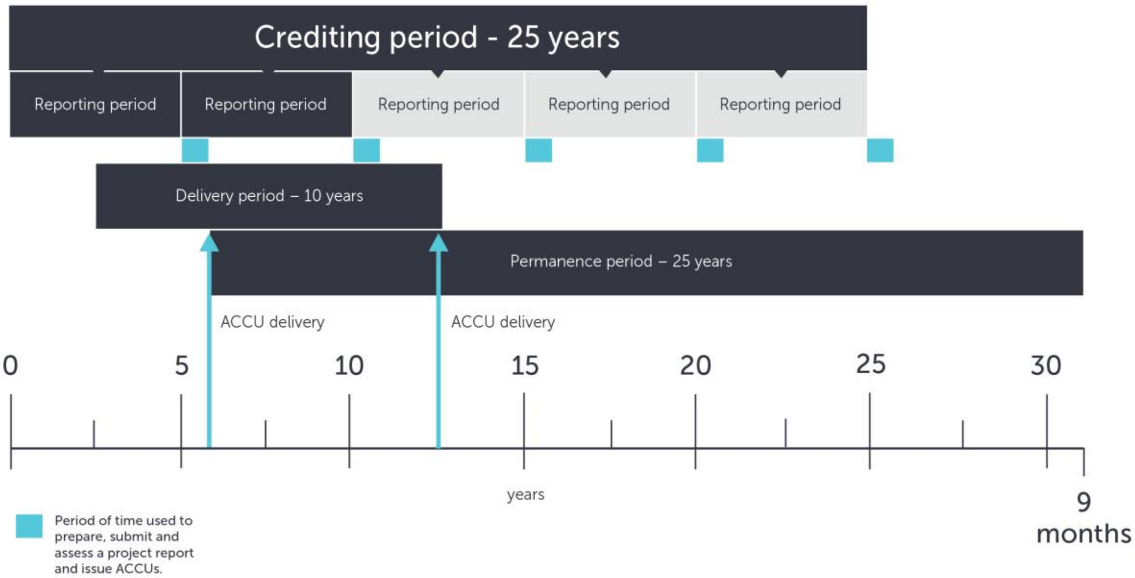
Project example – sequesters CO_2 in vegetation

A project using the Human-induced regeneration of a permanent even-aged native forest – 1.1 method has a crediting period of 25 years (Figure 1). As a sequestration project, it is subject to a permanence period, which starts on the date ACCUs are first issued to the project. The scheme participant nominated a 25 year permanence period rather than a 100 year permanence period. This means the project must be maintained for 25 years, even though the project's crediting, reporting and delivery periods may have ended.

The scheme participant wishes to enter into a contract with the Clean Energy Regulator to sell ACCUs issued to their project. The maximum delivery period for projects that sequester carbon is 10 years.

Standard reporting periods for sequestration projects may be between six months and five years from the start of a project's crediting period with a minimum of five reporting periods required. The scheme participant has calculated that it is most beneficial to report on the project every five years.

Figure 1. Project example – sequesters carbon in vegetation



When planning their delivery schedule, the scheme participant allowed the maximum six months for preparing and submitting project reports for each reporting period, and the 90 days the Clean Energy Regulator has to assess each report and issue ACCUs.

They also took into account estimates of abatement for their project in each reporting period and the number of ACCUs that may be issued to them as a result. Using this information, the scheme participant nominated two dates for their delivery schedule and the quantity of ACCUs they would deliver on each date.

If they were able to deliver ACCUs earlier than their nominated delivery dates, the Clean Energy Regulator would permit early delivery.

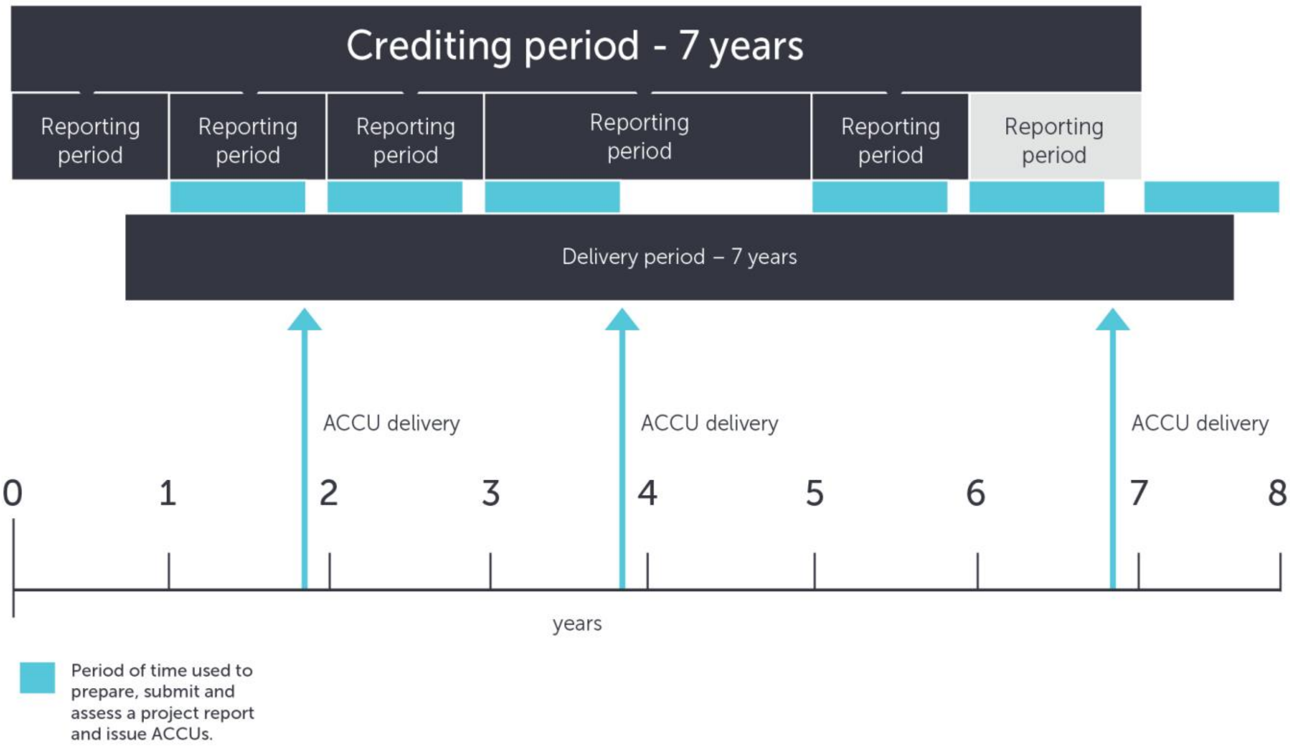
From their planning, the scheme participant knew that ACCUs issued for the last three reporting periods would not be sold to the Clean Energy Regulator as the delivery period will have ended before the ACCUs were issued. The scheme participant planned to sell ACCUs from the last three reporting periods on the secondary market.

Project example – avoids emission of greenhouse gases into the atmosphere

A project using the Commercial and public lighting method has a crediting period of seven years (Figure 2). The scheme participant wishes to enter into a contract with the Clean Energy Regulator to sell ACCUs issued to their project. The maximum delivery period for projects that avoid emissions is seven years.

Standard reporting periods for projects that avoid emissions are between six months and two years, with a minimum of four reporting periods required. The scheme participant has estimated it is most beneficial to report on their project annually for the first three years of the crediting period, followed by a reporting period of two years before returning to annual reporting for the last two years of the crediting period.

Figure 2. Project example – avoids emissions of greenhouse gases



When planning their delivery schedule, the scheme participant allowed the maximum six months for preparing and submitting project reports for each reporting period, and the 90 days the Clean Energy Regulator has to assess each report and issue ACCUs.

The scheme participant also took into account estimates of abatement for their project in each reporting period and the number of ACCUs that may be issued to them as a result. Using this information, the scheme participant nominated three dates for their delivery schedule and the quantity of ACCUs they would deliver on each date.

If they were able to deliver ACCUs earlier than their nominated delivery dates, the Clean Energy Regulator would permit early delivery.

From their planning, the scheme participant knew that ACCUs issued for the last reporting period would not be sold to the Clean Energy Regulator because the delivery period will have ended before the ACCUs were issued. The scheme participant may sell ACCUs from the final reporting period on the secondary market.

Other resources

- Commercial and public lighting method - https://www.legislation.gov.au/Series/F2015L00980
- Human-induced regeneration of a permanent even-aged native forest – 1.1 - https://www.comlaw.gov.au/Series/F2013L01189
- Carbon Credits (Carbon Farming Initiative) Rule 2015 - https://www.legislation.gov.au/Series/F2015L00156
- Want to participate in the Emissions Reduction Fund? - http://www.cleanenergyregulator.gov.au/ERF/Want-to-participate-in-the-Emissions-Reduction-Fund