



Australian Government
Clean Energy Regulator

**EMISSIONS
REDUCTION
FUND**

Market sounding: Direct abatement offers

Submissions due 14 October

16 August 2016

Direct abatement offers – market sounding

Purpose

The Clean Energy Regulator invites written submissions from interested parties on the proposal to open an alternative purchasing process of a 'direct abatement offer' under the Emissions Reduction Fund.

The three Emissions Reduction Fund auctions to date have been highly successful, contracting 143 million tonnes of abatement. However, it is possible that we have not yet tapped into all segments of the market that are capable of delivering large volumes of well-priced abatement. The Emissions Reduction Fund White Paper (page 48) stated that:

- *The Government recognises that some projects may deliver large volumes of emissions reductions and the Emissions Reduction Fund should provide incentives for such projects.*
- *The Government will retain discretion to enter out-of-auction contracts for major projects which can deliver emissions reductions above 250 000 tonnes of CO₂-e per year, on average, or 1.25 MtCO₂-e or more over the contract period. To enable this, the Clean Energy Regulator will be given the flexibility to use different types of procurement and tendering processes.*

Consistent with the White Paper, we would like to hear from stakeholders with possible large abatement projects at a single site that may be more suited to being brought forward through a direct abatement offer.

A direct offer process is not intended to provide an alternative pathway for proponents of projects that are unsuccessful at an auction, nor will it change the settings of the next auction in November 2016.

Responses to consultation will aid the Clean Energy Regulator in its future purchasing of carbon abatement. In designing its carbon abatement purchasing processes, the Clean Energy Regulator must have regard to the purchasing principles in the *Carbon Credits (Carbon Farming Initiative) Act 2011*.

Issues for consultation

- Do you have a project in mind for a large facility that might be enabled by a direct abatement offer?
- What level of abatement is likely to accrue from your project, and across what timeframe will this abatement be delivered? Note that providing this information does not bind you in any way.
- What aspects of this project's implementation would make it difficult to participate in the auction?
- What other considerations would you recommend the Clean Energy Regulator take into account in designing any out of auction purchasing process?

Direct abatement offers - proposed conditions for eligibility

- Only projects using emissions avoidance methods at a single site will be considered. A list of methods is available on the [Clean Energy Regulator website](#)¹.
- A direct offer would only be open to individual projects able to deliver emissions reductions above 250,000 tonnes of abatement per year (on average) or a total of at least 1.25 million tonnes.
- It must be demonstrated that purchasing through an auction is inhibitive to the project participating in the Emissions Reduction Fund.
- Normal provisions for purchasing of abatement will apply, for instance:
 - » the project to be contracted must be registered using an approved method under the Emissions Reduction Fund by the Clean Energy Regulator now, or before the purchasing.
 - » Proposed sellers must have completed and passed [Fit and Proper Persons requirements](#)².
 - » The contract length will not exceed 10 years.
 - » Payment will be made on delivery of Australian carbon credit units.

Possible mechanics of a direct abatement offer

The points below indicate how offers could be made and assessed. This may be refined or revised in the light of the feedback to this market sounding.

- The Clean Energy Regulator would announce that we are open to receiving direct abatement offers and publish guidelines on our website.
 - » The Regulator would set a benchmark price against which offers would be assessed. The benchmark price would be based on market information that the Regulator has received from abatement purchased through previous auctions and will not be disclosed.
- Offers received by the Regulator would be assessed on their own merits, in the order in which they are received, until we declare we are no longer open to offers.
 - » eligibility with respect to the guidelines would be tested. The offer must identify the project, abatement on offer, contract length and the price being offered as well as the reasons that warrant a direct offer.
- The Clean Energy Regulator will assess whether the price represents value for money compared to the benchmark price. The Regulator may accept or decline the offer dependant on that assessment.
- The participant will have one additional opportunity to offer a price within a specified period. If the second price exceeds the Regulators' assessment of value for money, then the offer will be unsuccessful.
- Projects put forward through a direct offer would be excluded from Emissions Reduction Fund auctions for a period of 12 months, regardless of whether a carbon abatement contract results from the offer.
- Details of the contracted price would not be made public. Other details will be published on the [carbon abatement contract register](#)³ in line with the published details of other carbon abatement contracts.

¹ <http://www.cleanenergyregulator.gov.au/ERF/Choosing-a-project-type/Opportunities-for-industry/facility-methods>

² <http://www.cleanenergyregulator.gov.au/ERF/Want-to-participate-in-the-Emissions-Reduction-Fund/Step-1-Apply>

³ <http://www.cleanenergyregulator.gov.au/ERF/project-and-contracts-registers/carbon-abatement-contract-register>

- The standard carbon abatement contract code of common terms used by auction participants would be used for a direct offer unless advised after the consultation period.

How to make a submission

Submissions are due by 14 October 2016. Any submissions received after this date will not be considered.

Submissions should be sent electronically, preferably in Microsoft Word or other text-based formats, and address the questions outlined in 'Issues for consultation' above.

Submissions can be forwarded to: CER-Consultations@cleanenergyregulator.gov.au⁴

The agency will consider all feedback received on this proposal. The Clean Energy Regulator will publish a summary of the feedback we receive.

Confidentiality statement

All submissions will be treated in confidence. Any request made under the *Freedom of Information Act 1982* for access to a submission marked confidential will be determined in accordance with that Act.

⁴ CER-Consultations@cleanenergyregulator.gov.au