

## **EXPLANATORY STATEMENT**

### *Carbon Credits (Carbon Farming Initiative) Act 2011*

#### *Carbon Credits (Carbon Farming Initiative) Amendment (Extended Accounting Period) Rule 2016*

#### **Purpose**

The *Carbon Credits (Carbon Farming Initiative) Amendment (Extended Accounting Period) Rule 2016* (the Amendment Rule) amends section 6 of the *Carbon Credits (Carbon Farming Initiative) Rule 2015* (the Principal Rule).

This amendment enables projects registered under the *Carbon Credits (Carbon Farming Initiative—Source Separated Organic Waste) Methodology Determination 2016* (the Determination) to have an extended accounting period.

#### **Background: Emissions Reduction Fund**

In 2014, the Australian Government amended the *Carbon Credits (Carbon Farming Initiative) Act 2011* (the Act) with the Carbon Farming Initiative Amendment Act 2014 (the Amendment Act). The Amendment Act established the Emissions Reduction Fund by expanding the crediting of emissions reductions under the Carbon Farming Initiative to the non-land based sectors of the Australian economy.

The primary objective of the Emissions Reduction Fund is to assist Australia to meet its greenhouse gas emissions reduction targets, consistent with its international obligations under the United Nations Framework Convention on Climate Change and the Kyoto Protocol.

The Emissions Reduction Fund does this by purchasing approved and verified emissions reductions from registered projects. The Clean Energy Regulator is empowered under the Act to conduct processes to purchase emissions reductions, and enter into contracts for this purpose.

#### **Operation**

The Act is supported by subordinate legislation, including the *Carbon Credits (Carbon Farming Initiative) Regulations 2011* (the Regulations) and the Principal Rule. The Regulations and Principal Rule provide detailed explanations of the way in which the Act is administered by the Clean Energy Regulator. The Minister is empowered to make legislative rules under section 308 of the Act.

Section 7A of the Act sets out that an eligible offsets project of the kind specified in the legislative rules may have an extended accounting period. The extended accounting period begins immediately after the end of the crediting period and ends at a time ascertained in accordance with the legislative rules.

The extended accounting period enables a project proponent to report and be credited for emissions reductions accrued during the project's crediting period, as set out in the Determination. It is important to note that the extended accounting period does not change the length of the crediting period, and that any activity which occurs during the extended accounting period (i.e. after the end of the crediting period) is not eligible to be credited for emissions reductions.

Organic waste decomposes in landfill to produce methane over many years. The Determination calculates the emissions reductions from the avoided disposal of organic waste in landfill. The extended accounting period more accurately reflects the rate at which the avoided landfill emissions would have arisen. This is the same approach to calculating and crediting emissions reductions as that used in the *Carbon Credits (Carbon Farming Initiative—Alternative Waste Treatment) Methodology Determination 2015*. For these reasons, the extended accounting period provision in the Principal Rule is amended to enable eligible offsets projects registered under the Determination to have an extended accounting period and receive all credits to which they are entitled.

### **Public consultation**

The Amendment Rule was developed by the Department of the Environment in consultation with a technical working group of experts from the waste industry and the Clean Energy Regulator. The waste technical working group held multiple meetings in 2015 and reviewed a draft version of the Amendment Rule. An exposure draft of the Amendment Rule was made available on the Department of the Environment website for public comment from 6 October 2015 to 3 November 2015. No comments were received.

### **Amendment Rule Details**

Details of the Amendment Rule are at [Attachment A](#). Numbered sections and items in this explanatory statement align with the relevant sections and items of the Amendment Rule and the Schedule.

A Statement of Compatibility with Human Rights prepared in accordance with the *Human Rights (Parliamentary Scrutiny) Act 2011* is at [Attachment B](#).

**Details of the *Carbon Credits (Carbon Farming Initiative) Amendment (Extended Accounting Period) Rule 2016***

1 Name

Section 1 sets out that the name of the Amendment Rule is the *Carbon Credits (Carbon Farming Initiative) Amendment (Extended Accounting Period) Rule 2016*.

2 Commencement

Section 2 sets out that the Amendment Rule commences at the same time as the *Carbon Credits (Carbon Farming Initiative—Source Separated Organic Waste) Methodology Determination 2016*.

3 Authority

Section 3 sets out that the Amendment Rule is made under the *Carbon Credits (Carbon Farming Initiative) Act 2011*. In particular, section 308 of the Act includes the power for the Minister to make legislative rules.

4 Schedules

Section 4 sets out that the Amendment Rule amends the *Carbon Credits (Carbon Farming Initiative) Rule 2015* (the Principal Rule) in the manner set out in the schedules.

## **Schedule 1 Amendments**

### **1 Section 6**

This item repeals section 6 of the Principal Rule and replaces it with an amended extended account period rule.

The *Carbon Credits (Carbon Farming Initiative—Alternative Waste Treatment) Methodology Determination 2015* was listed in the extended accounting period rule in the Principal Rule on 1 August 2015.

The amended extended accounting period rule includes the *Carbon Credits (Carbon Farming Initiative—Source Separated Organic Waste) Methodology Determination 2016* as well as the *Carbon Credits (Carbon Farming Initiative—Alternative Waste Treatment) Methodology Determination 2015*.

The extended accounting period for both determinations is six years.

**Statement of Compatibility with Human Rights**

*Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011*

***Carbon Credits (Carbon Farming Initiative) Amendment (Extended Accounting Period) Rule 2016***

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

**Overview of the Legislative Instrument**

The *Carbon Credits (Carbon Farming Initiative) Amendment (Extended Accounting Period) Rule 2016* (the Amendment Rule) sets out the detailed rules for implementing and monitoring emissions offsets projects undertaken in accordance with determinations made under section 106 of the *Carbon Credits (Carbon Farming Initiative) Act 2011*.

The *Carbon Credits (Carbon Farming Initiative—Source Separated Organic Waste) Methodology Determination 2016* (the Determination) sets out a particular approach for the issuing of credits for calculated abatement. This approach better aligns with the rate of abatement for these projects, and is consistent with the other waste diversion methodology set out in the *Carbon Credits (Carbon Farming Initiative—Alternative Waste Treatment) Methodology Determination 2015*. The Amendment Rule gives effect to the extended accounting period required in the Determination.

**Human rights implications**

The Amendment Rule does not engage any of the applicable rights or freedoms.

**Conclusion**

The Amendment Rule is compatible with human rights because it does not limit any human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

**Greg Hunt, Minister for the Environment**