



Carbon Credits (Carbon Farming Initiative— Facilities and Minor Corrections) Methodology Determination Variation 2016

I, Greg Hunt, Minister for the Environment, make the following legislative instrument.

Dated 17:3:16

GREG HUNT

Greg Hunt
Minister for the Environment

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1 Name

This is the *Carbon Credits (Carbon Farming Initiative—Facilities and Minor Corrections) Methodology Determination Variation 2016*.

2 Commencement

This instrument commences on the day after it is registered.

3 Authority

This instrument is made under subsection 114(1) of the *Carbon Credits (Carbon Farming Initiative) Act 2011*.

4 Amendment of methodology determinations

Each instrument that is specified in a Schedule to this instrument is amended or revoked as set out in the applicable items in the Schedule concerned, and any other item in a Schedule to this instrument has effect according to its terms.

Schedule 1—Amendments of the *Carbon Credits (Carbon Farming Initiative—Facilities) Methodology Determination 2015*

[1] Section 5 (definition of *baseline period*)

Repeal the definition, substitute:

baseline period: the *baseline period* for a facilities project consists of:

- (a) unless paragraph (b) applies:
 - (i) the 4 consecutive NGER reporting years preceding the NGER reporting year in which the project is declared as an eligible offsets project; and
 - (ii) any subsequent NGER reporting years preceding the NGER reporting year in which the first project abatement activity begins to be implemented; or
- (b) if the first project abatement activity has begun to be implemented before the project is declared as an eligible offsets project—the 4 consecutive NGER reporting years preceding the NGER reporting year in which the first project abatement activity had begun to be implemented.

Note: Paragraph (b) would only apply if the project meets the substitute newness requirement in subsection 19(3).

[2] Section 5 (definition of *essential component*)

Repeal the definition, substitute:

essential component, in relation to a generating unit, means a component of a generating unit or equipment related to the generating unit at the facility that is necessary for the generating unit to generate electricity.

[3] Section 5 (definition of *existing generating unit*)

Repeal the definition, substitute:

existing generating unit: a generating unit is an *existing generating unit* for a facility during an NGER reporting year if:

- (a) the following are satisfied:
 - (i) the generating unit was used to generate electricity at the facility during the baseline year;
 - (ii) the generating unit is used to generate electricity at the facility during the NGER reporting year;
 - (iii) none of that generating unit's essential components have been added or replaced after the end of the baseline year; or
- (b) the following are satisfied:
 - (i) the generating unit was used to generate electricity at the facility during the baseline year;
 - (ii) the generating unit is used to generate electricity at the facility during the NGER reporting year;
 - (iii) since the end of the baseline year, one or more essential components of the generating unit were added or replaced;
 - (iv) such changes together have not had a material effect on project abatement for the project during the NGER reporting year.

[4] Section 5 (definition of *major disruption to production*)

Repeal the definition, substitute:

major disruption to production: a ***major disruption to production*** occurs at a facility during an NGER reporting year (the ***disruption year***) if:

- (a) a maintenance activity or a plant shutdown (a ***disrupting activity***) occurs at the facility during the disruption year; and
- (b) there is a change of 10% or more in the emissions intensity of a production variable for the facility for the disruption year when compared with the emissions intensity of the variable for:
 - (i) unless the disruption year is the first NGER reporting year of the baseline period—the NGER reporting year that immediately precedes the disruption year; or
 - (ii) unless the disruption year is the last NGER reporting year of the baseline period—the NGER reporting year that immediately follows the disruption year.

[5] Section 5 (definition of *new generating unit*)

Repeal the definition, substitute:

new generating unit: a generating unit is a ***new generating unit*** for a facility during an NGER reporting year if:

- (a) the generating unit:
 - (i) was not used to generate electricity at the facility during the baseline year; and
 - (ii) is used to generate electricity at the facility during the NGER reporting year; or
- (b) the following apply:
 - (i) the generating unit was used to generate electricity at the facility during the baseline year;
 - (ii) the generating unit is used to generate electricity at the facility during the NGER reporting year;
 - (iii) since the end of the baseline year, one or more essential components of the generating unit were added or replaced;
 - (iv) such changes together have had a material effect on project abatement for the project during the NGER reporting year.

Note: A generating unit covered by paragraph (b) will also be a replaced generating unit.

[6] Section 5

Insert in the appropriate alphabetical position:

original output variable, for a facility, means an output variable that was produced or processed by the facility in the first NGER reporting year of the baseline period.

[7] Section 5 (definition of *replaced generating unit*)

Repeal the definition, substitute:

replaced generating unit: a generating unit is a ***replaced generating unit*** for a facility during an NGER reporting year if:

- (a) the generating unit:

- (i) was used to generate electricity at the facility during the baseline year; and
 - (ii) is not used to generate electricity at the facility during the NGER reporting year; or
- (b) the following apply:
- (i) the generating unit was used to generate electricity at the facility during the baseline year;
 - (ii) the generating unit is used to generate electricity at the facility during the NGER reporting year;
 - (iii) since the end of the baseline year, one or more essential components of the generating unit were added or replaced;
 - (iv) such changes together have had a material effect on project abatement for the project during the NGER reporting year.

Note: A generating unit covered by paragraph (b) will also be a new generating unit.

[8] Section 5 (definition of *shared equipment*)

Repeal the definition.

[9] Paragraph 11(1)(a)

Omit “an output variable”, substitute “a production variable”.

[10] Paragraph 11(1)(b)

Repeal the paragraph.

[11] Paragraph 11(1)(c)

Omit “output variable” (wherever occurring), substitute “production variable”.

[12] Subsection 11(3)

Repeal the subsection, substitute:

- (3) In working out the maximum productive capacity of the equipment that was used to produce or process the production variable in the first NGER reporting year in the baseline period, the productive capacity of equipment that existed at the facility site during that NGER reporting year is not to be included if the equipment:
 - (a) was not used to produce or process the production variable during that NGER reporting year; and
 - (b) has now been decommissioned.

[13] Section 12

Repeal the section, substitute:

12 Meaning of *significant output variable change*

- (1) For this determination, the facility undergoes a ***significant output variable change*** if, in any NGER reporting year of the baseline period, the emissions associated with the production of all the discrete output variables amount to 5% or more of the total emissions of the facility.

- (2) For this section, an output variable of the facility during an NGER reporting year is *discrete* if:
- (a) it is not a production variable; and
 - (b) it is not incorporated into a production variable in accordance with subsection 16(2) or represented by a production variable adopted under section 17.

[14] Paragraph 15(2)(b)

Omit “have been provided to the Regulator”, substitute “are provided to the Regulator no later than the first 31 October after the end of the project’s baseline period”.

[15] Paragraph 15(2)(c)

Repeal the paragraph, substitute:

- (c) the facility has, after the end of the project’s baseline period, one or more production variables;
- (ca) information that demonstrates that all of the facility’s production variables were used or produced at the facility in every NGER reporting year of the project’s baseline period is provided to the Regulator no later than with the first offsets report;

[16] Paragraph 15(2)(d)

Repeal the paragraph, substitute

- (d) the facility did not undergo a major change during the project’s baseline period before the date of the relevant application under section 22 of the Act, and does not undergo a major change on or after that day until the last day of the project’s baseline period;

[17] Paragraph 15(2)(e)

Omit “access to”, substitute “, at the time of preparation of the first offsets report for the project, relevant”.

[18] Paragraph 16(1)(a)

After “only”, insert “over the baseline period”.

[19] Paragraph 16(1)(b)

Repeal the paragraph, substitute:

- (b) if the facility has more than one output variable over the baseline period—each original output variable.

[20] After subsection 16(1)

Insert:

- (1A) A project proponent must make the choices in subsection 16(2) and section 17 before applying under section 22 of the Act based upon data available at the time of application and may only remake those choices if, after the end of the baseline period, the project

proponent's original choices would no longer meet the requirements of subsection 16(2) and section 17.

[21] Heading to subsection 16(2)

At the end, add “during the baseline period”.

[22] After paragraph 16(2)(b)

Insert:

and

(c) at least one of the similar output variables is an original output variable;

[23] Subsection 16(2)

Omit “them to be separate production variables for the facility”, substitute “each original output variable to be a separate production variable for the facility”.

[24] Note to subsection 16(2)

Repeal the note, substitute:

Note: This allows for certain output variables produced after the first year of the baseline period to be included as a production variable with one or more original output variables. If the facility has other original output variables that are not similar output variables, the project proponent must also choose the other original output variables to be production variables for the facility (see paragraph (1)(b)).

[25] Subsection 16(3)

Repeal the subsection and subsection heading, substitute:

New output variables after end of baseline period

(3) If:

- (a) during an NGER reporting year a facility starts to produce or process an output variable (the ***new output variable***) not produced or processed by the facility during the project's baseline period; and
- (b) the project proponent has not chosen an input, or intermediate product, to be a production variable for the facility under section 17; and
- (c) the new output variable is quantified using the same unit of measurement as an existing production variable (the ***similar production variable***); and
- (d) the average emissions per unit of the new output variable over the first full NGER reporting year after it is introduced is, or is reasonably expected to be, no less than 95% of the average emissions per unit of the similar production variable over the most recent NGER reporting year in which the similar production variable was produced;

the project proponent may, subject to subsection (4), choose the new output variable to be part of the similar production variable.

(4) If:

- (a) the project proponent has chosen a new output variable to be part of a similar production variable under subsection 16(3); and

- (b) the choice was based upon a reasonable expectation that paragraph (3)(d) was satisfied; and
 - (c) the average emissions per unit of the new output variable over the first full NGER reporting year after it is introduced is less than 95% of the average emissions per unit of the similar production variable over:
 - (i) if the similar production variable was produced in that NGER reporting year—that year; or
 - (ii) otherwise—the last earlier NGER reporting year during which the similar production variable was produced;
- the project proponent may no longer treat the new output variable as part of the similar production variable for all subsequent NGER reporting years.

[26] Subsection 17(3)

Omit “chose”, substitute “choose”.

[27] Paragraphs 18(b) and (c)

Repeal the paragraphs, substitute:

- (b) a description of each intended production variable for each facility to which the project relates, including details of the following:
 - (i) if the intended production variable is an output variable (other than an output variable that is electricity, heat, cooling or a multi-component, elaborately transformed product)—the key substance of value in the output variable;
 - (ii) if the intended production variable is an input or intermediate product—the key substance of value in the input or intermediate product; and
- (c) information that shows that each intended production variable has been chosen in accordance with section 16 or 17 based upon data available at the time of application; and
- (ca) an explanation of how the intended production variables would enable paragraph 15(2)(d) to be satisfied; and

[28] Subsection 26(1)

Omit “subsection (2)”, substitute “subsections (2) and (4)”.

[29] After subsection 26(3)

Add:

- (4) If:
 - (a) a facility has not begun to implement any project abatement activities in the period between the end of the baseline period for the project and the end of an NGER reporting year; or
 - (b) the amount worked out under subsection (1) for a facility for an NGER reporting year relates to an NGER reporting year that is part of the baseline period for the project;
- the total facility abatement for the facility for that NGER reporting year is taken to be zero.

[30] Subsection 27(4)

Repeal the subsection, substitute:

- (4) The on-site facility abatement for the facility for an NGER reporting year (the *relevant NGER reporting year*) is taken to be zero if the facility undergoes a significant expansion during either:
- (a) the relevant NGER reporting year; or
 - (b) an earlier NGER reporting year after the end of the baseline period.

[31] Section 56 (definition of $Q_{Exist,r}$)

Omit “baseline year”, substitute “NGER reporting year”.

[32] Subparagraph 59(3)(a)(ii)

Omit “using shared equipment”, substitute “by multiple generating units”.

[33] After section 65

Insert:

65A Information to confirm eligibility in the first offsets report

If the offsets report about the project is for the first reporting period for the project, the report must include:

- (a) if the production variables differ from the intended production variables described in accordance with paragraph 18(b) because of new choices under subsection 16(1A):
 - (i) a description of each production variable for each facility to which the project relates, including details of the following:
 - (A) if the production variable is an output variable (other than an output variable that is electricity, heat, cooling or a multi-component, elaborately transformed product)—the key substance of value in the output variable;
 - (B) if the production variable is an input or intermediate product—the key substance of value in the input or intermediate product; and
 - (ii) information that shows that each production variable has been chosen in accordance with section 16 or 17; and
 - (iii) an explanation of why the intended production variables described in accordance with paragraph 18(b) would not satisfy sections 16 and 17; and
- (b) information that demonstrates that the facility did not undergo a major change during the project’s baseline period.

[34] Subsection 66(2)

Repeal the subsection, substitute:

- (2) The description must include:
- (a) details of the key substance of value in the output variable (unless the output variable is electricity, heat, cooling or a multi-component, elaborately transformed product); and

- (b) how the requirements of subsection 16(3) are satisfied in relation to the output variable.

[35] After paragraph 69(b)

Insert:

- (ba) if the method for calculating the carbon dioxide equivalent net abatement amount for the reporting period for the facility involves determining whether one or more generating units are existing generating units—information that demonstrates that each of those existing generating units are not new generating units;

[36] Paragraph 78(1)(b)

Omit “, or a significant output variable change,”.

[37] Subsection 78(2)

Omit “, or a significant output variable change,”.

Schedule 2—Amendments of the *Carbon Credits (Carbon Farming Initiative—Estimating Sequestration of Carbon in Soil Using Default Values) Methodology Determination 2015*

[1] Subparagraph 31(1)(a)(i)

Before “in the surface soil”, insert “5.5”.

[2] Subparagraph 31(1)(a)(ii)

Before “in the subsoil”, insert “4.8”.

Schedule 3—Amendments of the *Carbon Credits (Carbon Farming Initiative—Commercial and Public Lighting) Methodology Determination 2015*

[1] Subsection 5(1)

Insert in the appropriate alphabetical position:

licensed person means a person authorised by law or other regulatory arrangements to undertake a particular kind of lighting upgrade in a State or Territory, such as a lineworker.

Note: Such an authorisation may be through a licence, accreditation, registration or some other permission.

[2] Subsection 11(2)

Omit all words up to and including “who must provide”, substitute “If all or part of the upgrade is not required to be undertaken by a licensed person—that part of the upgrade must be undertaken by, or supervised by, a licensed electrician, and they or their supervisor must provide”.

[3] Paragraph 11(2)(a)

After “he or she”, insert “undertook or”.

[4] After subsection 11(2)

Insert:

- (2A) If all or part of the upgrade is required to be undertaken by a licensed person—that part of the upgrade must be undertaken by such a person and they or their supervisor must provide a signed statement that:
- (a) states that he or she undertook or supervised the completion of the upgrade; and
 - (b) specifies the date the lighting system is commissioned; and
 - (c) certifies that the requirements in paragraphs (1)(a) to(c) are satisfied.

[5] Subsection 23(2) (subparagraph (b)(i) of the definition of $LCP_{B,i,j}$)

After “Schedule 3 and is”, insert “directly”.

[6] Subsection 24(2) (sub-subparagraphs (b)(ii)(A) and (B) of the definition of $LCP_{P,i,j}$)

Repeal the sub-subparagraphs, substitute:

- (A) for a combination of lamp and directly connected control gear that is listed in Schedule 3—the lamp circuit power, in watts, specified in that Schedule; or

[7] Paragraph 30(3)(f)

Repeal the paragraph, substitute:

- (f) any statements by a licensed electrician or licensed person made for the purposes of subsection 11(2) or (2A).

[8] After the heading to Schedule 3

Insert:

Note: In identifying the lamp circuit power (watts) to apply, the control gear in column 3 must be directly connected to the lamp type in column 2. Control gear listed in column 3 which is not directly connected to the lamp types in column 2 is not covered by this Schedule.

Schedule 4—Amendments of the *Carbon Credits (Carbon Farming Initiative—High Efficiency Commercial Appliances) Methodology Determination 2015*

[1] Subsection 16(8)

Omit “less”, insert “more”.