EXPLANATORY STATEMENT

Issued by the Minister for Energy and Emissions Reduction

Carbon Credits (Carbon Farming Initiative) Act 2011

Carbon Credits (Carbon Farming Initiative—Carbon Capture and Storage) Methodology Determination 2021

Purpose

The *Carbon Credits (Carbon Farming Initiative—Carbon Capture and Storage) Methodology Determination 2021* (the Determination) credits emissions reductions from activities that capture greenhouse gases, transport those gases and inject them into geological formations for permanent storage, preventing the captured emissions from being released into the atmosphere.

The Determination sets out the rules for calculating, crediting and reporting the greenhouse gas abatement from projects undertaking carbon capture and storage activities for the purpose of creating Australian carbon credit units (ACCUs). It also sets out the rules for eligibility of projects to be credited for greenhouse gas abatement, and specific notification and monitoring requirements.

Background to the Emissions Reduction Fund

The *Carbon Credits (Carbon Farming Initiative) Act 2011* (the Act) enables the crediting of greenhouse gas abatement from emissions reduction activities across the economy. Greenhouse gas abatement is achieved by reducing or avoiding emissions or by removing carbon from the atmosphere and storing it in soil, biomass or organic matter.

In 2014, the Australian Parliament passed the *Carbon Farming Initiative Amendment Act 2014*, which established the Emissions Reduction Fund. Further information on the Emissions Reduction Fund is available at: www.industry.gov.au/funding-and-incentives/emissions-reduction-fund or www.cleanenergyregulator.gov.au/ERF.

Emissions reduction activities are undertaken as offsets projects. The process involved in establishing an offsets project is set out in Part 3 of the Act. An offsets project must be covered by, and undertaken in accordance with, a methodology determination.

Subsection 106(1) of the Act empowers the Minister to make a methodology determination by legislative instrument. The purpose of a methodology determination is to establish procedures for estimating abatement (emissions avoidance or sequestration) from eligible projects and rules for monitoring, record-keeping, and reporting. These determinations will ensure that emissions reductions are genuine—that they are both real and additional to business as usual.

In deciding to make a methodology determination, the Minister must have regard to the advice of the Emissions Reduction Assurance Committee (ERAC), an independent expert panel established to advise the Minister on proposals for methodology determinations. The

Minister must not make or vary a methodology determination if the ERAC has advised that it does not comply with the offsets integrity standards, which are set out in section 133 of the Act. The Minister must also consider any adverse environmental, economic, or social impacts likely to arise as a result of projects to which a methodology determination applies.

Offsets projects undertaken in accordance with a methodology determination and approved by the Clean Energy Regulator (the Regulator) can generate ACCUs representing emissions reductions from the project.

Background to the Determination

In response to a recommendation of the *Report of the Expert Panel examining additional sources of low cost abatement* (the King Review) to facilitate the development of a carbon capture and storage method, the Government commenced consultation on a method in April 2020. In September 2020 the Australian Government's first *Low Emissions Technology Statement – 2020* (the Statement) identified carbon capture and storage as one of Australia's priority low emissions technologies, setting a stretch goal of getting the cost of carbon capture and storage down to $20 per tonne stored. The Statement also noted that Australia has a comparative advantage in carbon capture and storage with several potentially suitable storage sites located close to sources of carbon dioxide. Subsequently, in December 2020, carbon capture and storage was announced as one of 5 priority Emissions Reduction Fund methods to be developed in 2021. Carbon capture and storage is a technology that could enable new low emissions industries such as hydrogen production, as well as reduce emissions in hard to abate sectors such as oil and gas, and cement and steel manufacture.

The Determination credits emissions reductions from activities that capture, transport and then inject greenhouse gases into geological formations for permanent storage. These captured emissions would have otherwise been released to the atmosphere. The Determination sets out the rules for calculating, crediting, and reporting the greenhouse gas abatement from projects undertaking carbon capture and storage activities for the purpose of creating ACCUs.

The key features of the Determination are:

- a crediting period of 25 years to reflect the significant capital and ongoing operational costs and high likelihood that carbon capture and storage will provide additional abatement compared with business as usual over that time frame.
- recognising that existing State and Territory legislation governs the operation of carbon capture and storage facilities, including requirements for storage site selection, monitoring and reporting, and storage site closure. The Determination identifies the minimum criteria that State and Territory legislative frameworks regulating projects for sequestration of greenhouse gas in underground formations should meet in order for projects located within those jurisdictions to be eligible to be covered by the Determination. Existing Commonwealth, State and Territory legislative frameworks that specifically regulate sequestration of greenhouse gases in underground formations located in those jurisdictions were assessed as part of the method development process and found to be robust and to meet such criteria.
- specifying that a new project involves capturing a new source of greenhouse gases that will be injected into an existing or new storage site to enable new sources of greenhouse gases to be registered as new projects with a new crediting period. This mechanism is

designed to facilitate "hub and spoke" models of carbon capture and storage and maximise the use of storage sites.

- appropriate controls for the "risk of reversal" of stored greenhouse gas emissions being returned to the atmosphere. While the risk of reversal is considered to be very low due to Australia's geological formations and robust jurisdictional regulatory frameworks, the Determination contains a provision to withhold 3% of credits issued during the 25-year crediting period. These credits will be returned to the project proponent on evidence that the storage site has been closed to the standard required by the relevant Commonwealth, State or Territory authority.
- ACCUs are issued according to the net abatement number for each reporting period, which is based on the quantity of greenhouse gases captured for permanent storage less the project emissions and the 3% abatement withheld for risk of reversal. Project emissions include emissions associated with capture, transport, monitoring, verification, and injection activities.

Legislative authority for making the Determination

The Determination is made under subsection 106(1) of the Act, which gives the Minister the power to make a methodology determination by legislative instrument.

In addition, specific provisions are made under subparagraph 27(4A)(a)(ii) of the Act (which allows a methodology determination to specify requirements in lieu of the newness requirement in subparagraph 27(4A)(a)(i)) and paragraph 69(3)(b) of the Act (which allows a methodology determination to set a different period than the 7-year default crediting period provided for emissions avoidance projects under paragraph 69(3)(a) of the Act).

Application of the Determination

The Determination sets out the requirements for carbon capture and storage projects seeking to generate ACCUs from capturing greenhouse gases, transporting those gases, and injecting them into geological formations for permanent storage. The requirements set out in the Determination were designed to reflect the requirements of the offsets integrity standards and to ensure that credited emissions reductions are real and additional to business as usual. The offsets integrity standards require that:

- the application of the method specified in the Determination to a carbon capture and storage project that is an eligible project results in carbon abatement that is unlikely to occur in the ordinary course of events and is eligible carbon abatement under the Act; and
- carbon abatement amounts are measurable and capable of being verified; and
- the method specified in the Determination is supported by clear and convincing evidence; and
- material emissions that are a direct consequence of an eligible project are deducted; and
- estimates, assumptions or projections used in the method specified in the Determination should be conservative.

Project proponents wishing to implement projects under the Determination must make an application to the Regulator under section 22 of the Act. They must also meet the general eligibility requirements for an offsets project set out in subsection 27(4) of the Act, which

include compliance with the requirements set out in the Determination, and the additionality requirements in subsection 27(4A) of the Act. The additionality requirements are:

- the newness requirement; and
- the regulatory additionality requirement; and
- the government program requirement.

The Determination specifies a requirement in lieu of the newness requirement (see section 11) under subparagraph 27(4A)(a)(ii) of the Act. The purpose of the requirement in lieu of the newness requirement is to allow projects that relate to the extraction of hydrocarbons and involve a new source of greenhouse gases, but are using existing capture point equipment, to meet the newness requirement. The in lieu of newness requirement is designed to simplify newness for all carbon capture and storage projects so that it hinges only on taking a final investment decision. However, the in lieu of newness requirement does not extend to projects that do not have a new source of greenhouse gases.

The Government is providing pre-operational support for carbon capture and storage projects under the recently announced Carbon Capture, Use and Storage Development Fund and the Carbon Capture, Use and Storage Hubs and Technology Program; and by expanding the mandate of the Australian Energy Agency (ARENA) to enable it to support the development of emerging carbon capture and storage technologies. This Government support aims to incentivise technology uptake by industry; however, it will need to be supplemented by support provided under the Determination, given the large scale and extensive investment required for carbon capture and storage projects. Therefore, receiving this pre-operational support will not make projects ineligible under the Emissions Reduction Fund.

Document incorporated by reference

Two equations in sections 20 (Calculating emissions from the capture of greenhouse gases) and 21 (Calculating processing, compression and transportation emissions) require emissions factors to be used in calculations. The emissions factors are those set out in the document entitled "National Greenhouse Accounts Factors" (NGA Factors), published by the Department as in force from time to time.

The incorporation of that document (which is described as the NGA Factors document in the Determination) as in force from time to time is authorised by section 106(8) of the Act.

When the Determination was made, the document could be viewed on the Department of Industry, Science, Energy and Resources' website (http://www.industry.gov.au).

To assist with integrity and avoid duplication of requirements, the instrument also directly incorporates Commonwealth legislation, such as the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*, and indirectly incorporates State and Territory legislation through the definition of 'recognised law of a State or Territory'. These legislative schemes are incorporated as in force from time to time consistent with subsection 106(8) of the Act and can be freely accessed from the normal websites for such legislation, such as http://www.legislation.gov.au for Commonwealth legislation and links to other State and Territory legislation can be found here: https://info.australia.gov.au/information-and-services/public-safety-and-law/legislation/states-and-territories.

Public Consultation

The Determination was developed by the Regulator through a co-design process with industry, potential end-users, scientists, technical experts and the ERAC. The co-design process involved workshops, bilateral stakeholder consultation, and technical review.

An exposure draft of the Determination was published on the website of the Department of Industry, Science, Energy and Resources' website for public consultation from 29 June 2021 to 27 July 2021. Thirty-nine submissions were received: 4 from environmental and non-government organisations; 5 from individuals; 6 from general industry stakeholders; 10 from oil and gas industry stakeholders; 6 from industry peak bodies; 3 from professional service providers; and 5 from research organisations. Overall, the majority of submissions indicated broad support for the draft Determination. Details of the non-confidential submissions are provided on the Department's website, https://www.industry.gov.au/.

Determination details

Details of the Determination are at Attachment A. Numbered sections in this explanatory statement align with the relevant sections of the Determination. The definition of terms highlighted in ***bold italics*** can be found in the Determination.

For the purposes of subsections 106(4), (4A) and (4B) of the Act, in making the Determination the Minister has had regard to, and agrees with, the advice of the ERAC that the Determination complies with the offsets integrity standards and that the Determination should be made. The Minister is satisfied that the carbon abatement used in ascertaining the carbon dioxide equivalent net abatement amount for a project is eligible carbon abatement from the project. The Minister has also had regard to whether any adverse environmental, economic or social impacts are likely to arise from the carrying out of the kind of project to which the Determination applies and to other relevant considerations.

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

Attachment A

Details of the Determination

Part 1 Preliminary

1 Name

Section 1 sets out the full name of the Determination, which is the *Carbon Credits (Carbon Farming Initiative—Carbon Capture and Storage) Methodology Determination 2021*.

2 Commencement

Section 2 provides that the Determination commences on the day after it is registered on the Federal Register of Legislation.

3 Authority

Section 3 provides that the Determination is made under subsection 106(1) of the Act.

4 Duration

Section 4 sets out the period during which the Determination is in force.

Under subparagraph 122(1)(b)(i) of the Act, a methodology determination remains in force for the period specified in the determination. The Determination will remain in force for the duration set out in section 4 unless sooner revoked in accordance with section 123 of the Act or section 42 of the *Legislation Act 2003*.

Paragraph 4(a) provides that the Determination begins on commencement (as set out in section 2).

Paragraph 4(b) provides that, unless sooner revoked, the Determination ends on the day before it would otherwise be repealed under subsection 50(1) of the *Legislation Act 2003*. Instruments are repealed under that provision on 1 April or 1 October following the tenth anniversary of registration on the Federal Register of Legislation. Paragraph 4(b) ensures that the Determination will expire in accordance with subparagraph 122(1)(b)(i) of the Act.

If the Determination expires in accordance with section 122 of the Act or is revoked under section 123 of the Act during a crediting period for a project to which the Determination applies, the Determination will continue to apply to the project during the remainder of the crediting period under subsections 125(2) and 127(2) of the Act. Project proponents may apply to the Regulator during a reporting period to have a different methodology determination apply to their projects from the start of that reporting period (see subsection 128(1) of the Act).

5 Definitions

Section 5 defines terms used in the Determination. Generally, where terms are not defined in the Determination, they have the meaning given by section 5 of the Act.

Under section 23 of the *Acts Interpretation Act 1901*, words in a legislative instrument in the singular number include the plural and words in the plural number include the singular.

The following terms used in the Determination are particularly important because they help specify the project requirements in Parts 2 and 3.

The definition of ***capture point*** is significant and underpins the carbon capture and storage method. The term is defined as any plant, building, structure or piece of stationary equipment at which greenhouse gases are captured by a person for the purpose of ***permanent storage*** by the holder of a ***relevant authority*** in a ***storage site***. The greenhouse gases may be generated from an industrial process, including electricity generation, or extracted from a hydrocarbon field, such as for oil and gas. For an industrial facility engaged in post-combustion carbon dioxide capture from flue gas, the capture point will be where the carbon dioxide is removed from the flue gas. For a gas production facility capturing reservoir carbon dioxide, the capture point will be an acid gas removal unit, or other similar technology where the sulphides, criteria air pollutants, and carbon dioxide are removed.

Permanently stored and ***permanent storage*** have corresponding meanings where greenhouse gases are injected into a ***storage site*** in compliance with a ***relevant authority*** and so that the greenhouse gases would not be able to escape or return to the atmosphere.

The terms ***recognised law of a State or Territory***, ***recognised licence*** and ***recognised reservoir*** are interrelated terms that provide a structure to recognise the State and Territory legislative frameworks that regulate carbon capture and storage projects in Australian jurisdictions.

Recognised law of a State or Territory sets the criteria that the legislative frameworks that regulate carbon capture and storage projects must meet for a project to be eligible under the Determination.

A ***recognised licence*** is defined as an authorisation to inject greenhouse gases that is issued under a ***recognised law of a State or Territory*** and a ***recognised reservoir*** is defined as an underground geological formation, reservoir, or site that is suitable for the injection of greenhouse gases for permanent storage under a ***recognised law of a State or Territory***.

Relevant authority is a significant term as it is used in the definition of ***permanent storage***, which in turn is used in the subsection 7(1) to define a carbon capture and storage project and in the definition of ***capture point***. A ***relevant authority*** is defined as a greenhouse gas injection licence under the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* or a ***recognised licence*** under a ***recognised law of a State or Territory***.

A ***storage site*** is defined as an underground geological formation, reservoir, or site that is either an identified greenhouse storage formation under the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* or a ***recognised reservoir***.

6 References to factors and parameters from external sources

Section 6 refers to factors or parameters used in calculations that are derived from external sources. Most parameters are derived from the *National Greenhouse and Energy Reporting Regulations 2008* or the *National Greenhouse and Energy Reporting (Measurement) Determination 2008* (the NGER (Measurement) Determination) made under subsection 10(3) of the *National Greenhouse and Energy Reporting Act 2007* (the NGER Act).

The effect of subsection 6(1) is that if those legislative instruments are amended during a project's reporting period, then the project proponent will be required to use the factor or parameter prescribed in the instrument that is in force at the end of the reporting period.

Paragraph 6(2)(a) provides that subsection 6(1) does not apply if the Determination sets out other requirements.

Paragraph 6(2)(b) provides that subsection 6(1) does not apply where it is not possible to apply a factor or parameter in an instrument that is in force at the end of the reporting period. An example of circumstances where this may occur is where the monitoring approach defined in an external source is amended to require additional or different monitoring practices after the reporting period has commenced. In these circumstances it is not possible to retrospectively undertake monitoring activities in accordance with the new requirement.

As provided for by section 10 of the *Acts Interpretation Act 1901* and section 13 of the *Legislation Act 2003*, references to external documents which are legislative instruments (such as the NGER (Measurement) Determination) are references to versions of those instruments as in force from time to time. In circumstances where paragraph 6(2)(b) applies, it is expected that project proponents will use the version of legislative instruments in force at the time at which monitoring or other actions were conducted. Subsection 31(1) sets out reporting requirements to be followed when paragraph 6(2)(b) applies.

Part 2 Carbon capture and storage projects

7 Carbon capture and storage projects

The effect of paragraphs 27(4)(b) and 106(1)(a) of the Act is that a project must be covered by a methodology determination, and that the methodology determination must specify the kind of offsets project to which it applies.

Section 7 specifies the high-level features of the project that distinguishes it from other kinds of offsets projects. Subsection 7(1) states that the Determination applies to projects that capture greenhouse gases that would otherwise be released to the atmosphere, for transportation to and injection into one or more storage sites so that the gases are permanently stored.

The purpose of subsection 7(3) is to provide clarity that projects involving the injection of greenhouse gases that has the effect of enhanced (oil, gas or hydrocarbon) recovery are specifically excluded from generating credits under the Determination. Projects involving direct air capture are also excluded from the scope of the Determination.

Project eligibility requirements are defined more extensively in Part 3 of the Determination.

Part 3 Project requirements

8 Operation of this Part

Part 3 of the Determination specifies requirements that must be met in order for a carbon capture and storage project to be an eligible offsets project.

The effect of paragraph 106(1)(b) of the Act is that a methodology determination must set out requirements that must be met for a project to be an eligible offsets project. Under paragraph 27(4)(c) of the Act, the Regulator must not declare that a project is an eligible offsets project unless the Regulator is satisfied that the project meets these requirements.

Subsection 8(1) indicates that the Determination (in section 9) sets out requirements that must be met by an application for declaration of a carbon capture and storage project as an eligible offsets project.

Subsection 8(2) indicates that the Determination (in sections 10 and 13) sets out requirements that must be met for a carbon capture and storage project to be an eligible offsets project.

Subsection 8(3) indicates that the Determination (in section 11) sets out a requirement in lieu of the newness requirement.

Subsection 8(4) indicates that a period is specified for the crediting period of projects under the Determination. The period is specified in section 12.

9 CCS project plan must accompany section 22 application

The purpose of section 9 is to require a project proponent to outline how a carbon capture and storage project will be operated and give the Regulator an understanding of how the injected greenhouse gases will be permanently stored. This will assist with assessing the section 22 application for the project (that is, the application under section 22 of the Act to declare the project as an eligible offsets project under the Determination).

Subsection 9(1) provides that an application for a carbon capture and storage project to be declared as an eligible offsets project must be accompanied by a CCS project plan. The requirement for a CCS project plan is to provide sufficient information to the Regulator about the project being undertaken. The purpose of this requirement is not to assess the project against legislation outside of the CFI Act as this is the role of the authority within the relevant jurisdiction that administers the recognised law.

Subsection 9(2) includes a detailed description of what must be included in a CCS project plan and includes information about the carbon capture and storage project and how it will be operated, with a particular emphasis on how the operation of the project will ensure the permanent storage of the injected greenhouse gases.

Subsection 9(3) provides that a project proponent must take reasonable steps to ensure that a carbon capture and storage project is undertaken in accordance with the CCS project plan, including if the plan is revised pursuant to subsection 9(4).

Subsection 9(4) requires that a project proponent revise the CCS project plan if the operation of a project deviates materially from what is set out in the CCS project plan and the Regulator notifies the project proponent to update the project plan information to address a particular issue omitted from or covered by the project plan.

10 Requirements for a carbon capture and storage project

Section 10 sets out eligibility requirements for ***carbon capture and storage projects***.

Under subsection 10(1) a carbon capture and storage project must not involve the use of a capture point that was previously identified in another carbon capture and storage project involving greenhouse gases generated from industrial processes (including electricity generation). This is intended to prevent greenhouses gases that are already being captured from being credited under a new project with a new crediting period. This subsection only applies where greenhouse gases are *generated* from industrial processes and does not apply where greenhouse gases are extracted from a hydrocarbon field.

Subsection 10(2) requires that a carbon capture and storage project must not involve a hydrocarbon field from which greenhouse gases were previously extracted and captured for permanent storage by another carbon capture and storage project. This is to restrict new crediting periods to new sources of greenhouse gas emissions. However, this subsection does not exclude a hydrocarbon field that has previously been involved in a carbon capture and storage project as a source of greenhouse gases from subsequently being used as a storage site for another carbon capture and storage project (as long as it does not have the effect of enhanced oil, gas or hydrocarbon recovery).

Together with paragraph 11(2)(b), section 10 provides that a carbon capture and storage project must involve a new capture point if greenhouse gases generated from industrial processes (including electricity generation) are being captured. However, a new source of greenhouse gases from a new hydrocarbon field can involve existing infrastructure that captures and processes greenhouse gases provided that the hydrocarbon field was not previously used in another carbon capture and storage project as a source of captured greenhouse gases.

11 Newness

Section 11 sets out substitute newness requirements provided for by subparagraph 27(4A)(a)(ii) of the Act. It interacts with section 10 to set project eligibility requirements.

Paragraph 11(2)(a) clarifies that newness is met where the final investment decision has not been made for a project.

Paragraph 11(2)(b) provides that a capture point relating to greenhouse gases extracted from a hydrocarbon field need not be new and may have been previously involved in another project, but only in the circumstances set out in subsection 10(2) – that is that the hydrocarbon field is a new source of greenhouse gases covered by a carbon capture and storage project.

Subsection 11(3) defines how the term ***final investment decision*** is to be interpreted. For the purposes of the Determination, under paragraph 11(3)(a), this term has the meaning that is generally accepted within the corporate finance community. Paragraph 11(3)(b) further clarifies that a final investment decision is not one that depends on the project being declared an eligible offsets project under the Determination. The purpose of this approach is to recognise that carbon capture and storage projects are very large capital-intensive projects with long development periods and that the examples described in subsection 27(4C) of the Act that would otherwise be relevant in determining newness do not necessarily apply to carbon capture and storage projects.

12 Crediting period

Section 12 sets a crediting period of 25 years for carbon capture and storage projects. Paragraph 69(3)(b) of the Act allows a methodology determination to set a different period than the 7-year default period provided for emissions avoidance projects under paragraph 69(3)(a) of the Act.

The 25-year crediting period recognises the large upfront and ongoing costs of a carbon capture and storage project and that they will not generally generate additional revenue other than from ACCUs. The crediting period is the period over which carbon capture and storage projects are expected to generate additional abatement, that is, abatement beyond the ordinary course of business.

13 Using NGER methods to work out factors and parameters

Section 13 clarifies that carbon capture and storage projects that report under the *National Greenhouse and Energy Reporting Act 2011* are to use the same factors and parameters in the reports required by that Act as they use for calculating project emissions during a reporting period under the Determination. This ensures a consistent approach in calculating emissions for the Emissions Reduction Fund project and for NGER reporting.

Subsection 13(2) defines an NGER method to be a method specified in the NGER (Measurement) Determination.

Part 4 Net abatement amount

14 Operation of this Part

Section 14 sets out that Part 4 of the Determination contains formulae to calculate net abatement. Paragraph 106(1)(c) of the Act provides that a methodology determination must specify how to calculate the carbon dioxide equivalent (CO_2-e) net abatement amount for an eligible offsets project in relation to a reporting period.

15 Overview of gases accounted for in abatement calculations

Section 15 sets out the greenhouse gas sources that are assessed to determine the net abatement amount.

16 Net abatement amount for a reporting period in the crediting period

The approach for calculating the carbon dioxide equivalent net abatement amount in tonnes of CO_2-e for an eligible offsets project and for a reporting period in the crediting period is set out in **equation 1**.

Equation 1 uses the total greenhouse gases captured for permanent storage (***CGG***) less the project emissions (***CCSE***) and less the methane injected by the project that would not have been released to the atmosphere in the absence of the project ($\boldsymbol{Q_{CM}}$) to calculate that amount.

The ***CCSE*** is the sum of emissions for the reporting period from:

- the capture of the greenhouse gases, worked out using **equation 5**; and
- processing, compression, and transportation of greenhouse gases, worked out using **equation 8**; and
- fugitive emissions from the transportation and injection of greenhouse gases, worked out using **equation 12**; and
- total fuel use associated with monitoring and verification activities, worked out using **equation 13**; and
- fugitive emissions from the storage site, worked out using **equation 15**; and
- any captured greenhouse gases transferred to an off-taker, worked out using **equation 16**.

This figure is then reduced further by the 0.97 factor to withhold 3% of ACCUs to manage the longer-term risk of reversal, that is, the loss of greenhouse gases from the storage site after injection for permanent storage has ceased.

17 Amount of captured greenhouse gases

Equation 2 sets out how to calculate the amount of greenhouses gases captured for permanent storage by a project during a reporting period in the crediting period, in tonnes CO_2-e. The calculation involves summing all captured greenhouse gases across all relevant greenhouse gas types being methane, carbon dioxide and nitrous oxide.

A project may involve one or more capture points.

The factor γ_j converts the 3 greenhouse gases from cubic metres at standard conditions of pressure and temperature to tonnes CO_2-e.

18 Greenhouse gases captured

Equation 3 sets out how to calculate the volume of greenhouses gases captured by a project at capture points during a reporting period in the crediting period in cubic metres for each of the 3 greenhouse gases (Vol_j). The volume of each greenhouse gas at each of the project's capture points is summed. The results from **equation 3** are then used in **equation 2**.

Subsection 18(1) sets out requirements that must be met in measuring the quantity of a particular gas type at a capture point ($Vol_{j,n}$) and provides two calculation options that are described by reference to the NGER (Measurement) Determination. Both options in the NGER (Measurement) Determination specify that the gases are to be measured at standard conditions of pressure and temperature.

Subsection 18(2) provides that conversions relating to standard conditions of pressure and temperature are to be made in a manner consistent with subsection 2.32(7) of the NGER (Measurement) Determination.

19 Amount of captured methane

Section 19 is primarily relevant to projects that have one or more capture points engaged in natural gas production or processing where the greenhouse gases captured would be oxidised in the absence of the project. It is common regulatory practice by State and Territory regulatory authorities to require natural gas production or processing facilities to undertake oxidisation under their environmental approvals to remove air pollutants prior to venting the waste gas.

Equation 4 calculates the variable Q_{CM}, which is used in **equation 1** for calculating net abatement.

Q_{CM} is calculated by reference to the volume of methane that is captured at the capture points for the reporting period. The effect of its inclusion in **equation 1** is to ensure no abatement is credited for methane injected into the storage site where the facility would not have released that methane into the atmosphere in the absence of the project. This ensures that credited abatement is additional and goes beyond business as usual.

Where a capture point had previously oxidised its methane, there would have been emissions generated as a result of the oxidisation process. **Equation 4** includes an adjustment to incorporate these emissions in $E_{CH4,n}$. $E_{CH4,n}$ is the emissions that would have resulted from the combustion of the methane and **equation 4** decreases Q_{CM} by the value $E_{CH4,n}$.

For projects whose capture point did not involve a thermal oxidisation process as described above, $Vol_{CH4,n}$ and $E_{CH4,n}$ will be designated as zero, and **equation 4** would assign a zero value for Q_{CM} in such cases.

20 Calculating emissions from the capture of greenhouse gases

Section 20 includes **equations 5, 6 and 7** which, together, are used to calculate the figure CR_E. This figure forms part of the calculation of the figure *CCSE*, which is deducted from the total captured greenhouse gas emissions in **equation 1** in section 16. The figure CR_E is calculated using **equation 5** and represents emissions from the energy used in relation to

capturing the greenhouse gases at each capture point n (CR_n), and includes both scope 1 (direct – $ECRE_{Scope1,n}$) and scope 2 (grid electricity – $ECRE_{Scope2,n}$) emissions.

Subsection 20(2) sets out **equation 6** which is the formula for calculating CR_n. **Equation 6** requires that project proponents use the calculations for scope 1 emissions contained in Parts 2.2, 2.3 and 2.4 of the NGER (Measurement) Determination for the relevant fuel used to create the energy used by the capture point. For calculating scope 2 emissions, subsection 20(2) requires the project proponent to use **equation 7** provided for in subsection 20(4).

Subsection 20(3) sets CR_n at zero where the capture process would still occur in the absence of the project. For example, a liquified natural gas facility will need to remove the reservoir carbon dioxide prior to liquefaction regardless of being part of a carbon capture and storage facility. In this situation, the capture process would be business as usual and not a direct result of the project. Therefore, the resulting emissions need not be included in the abatement calculation.

Subsection 20(4) sets out **equation 7**, which provides the approach for calculating $ECRE_{Scope2,n}$, which is the scope 2 emissions relating to the capture of greenhouse gases at a capture point.

Subsection 20(4) provides 3 options for calculating the emissions factor, ***EF***, for calculating scope 2 emissions. If the project is using electricity from an electricity grid for which there is an emissions factor in the NGA Factors document, the NGA Factor ***EF*** to be used is the one in place for that grid at the end of the reporting period. If the electricity used is not from a grid covered by the NGA Factors document, or is from a source other than a grid, the project proponent can use an emissions factor provided by the supplier of the relevant electricity that reflects the emissions intensity of the electricity and is worked out in accordance with subsections 20(5) and (6), or use the off-grid electricity emissions factor provided in the NGA Factors document. (The NGA Factors document is the document entitled "National Greenhouse Accounts Factors", published by the Department and as in force from time to time. For calculations of ***EF*** for a reporting period, the relevant factors from the NGA Factors document will be the ones from the version of that document in force at the end of the reporting period.)

Subsection 20(5) provides the approach for calculating an emissions factor for scope 2 emissions from consumed electricity used in relation to capture where it is not from a grid covered by the NGA Factors document or is from a source other than a grid and the factor is provided by the supplier of the electricity. Subsection 20(5) requires the ***EF*** to be worked out on a sent-out basis and a measurement or estimation approach consistent with the NGER (Measurement) Determination.

If the NGER (Measurement) Determination does not contain any relevant measurement or estimation approach, subsection 20(6) allows a project proponent to use an approach that is consistent with the *National Measurement Act 1960*.

In some situations, a single energy source will provide useful energy to both the capture equipment and a productive activity, that is, another activity at the facility such as electricity generation or natural gas processing. Emissions associated with the energy source will need to be apportioned between the two uses according to the energy used by each purpose.

21 Calculating processing, compression and transportation emissions

Section 21 provides equations for calculating E_{PCT}, which are the scope 1 emissions and scope 2 emissions associated with the energy used to process, compress and transport the greenhouse gas stream that will be injected into the storage site.

Processing refers to treatment of the greenhouse gases prior to transportation. Treatment of the greenhouse gases may include removing contaminants such as sulphides, and water removed through heating or other mechanisms. Processing emissions are the emissions associated with the energy required to undertake this activity.

Compression of the greenhouse gases is required prior to the transportation of the stream to the storage site for injection. Compression emissions are the emissions associated with the energy required to undertake this activity.

Transportation refers to the movement of the greenhouse gas from the capture point to the injection point. Greenhouse gases can generally be transported via pipeline, road, rail or ship. Transportation emissions are the emissions that result from this activity. Transportation emissions do not include fugitive emissions from pipelines that may be used to transport the greenhouse gases. Section 22 provides the equations used to calculate fugitive emissions associated with transporting greenhouse gases.

Section 21 uses two concepts to enable the apportionment of project emissions where more than one project shares equipment used in processing, compression and transportation. The two concepts are: ***project greenhouse gases*** and ***co-mingled greenhouse gases***. These concepts are defined in section 5. Project greenhouse gases refers to greenhouse gases that are from a single project with no other gases included. An example would be where the processing, compression and transportation emissions are from a single project. Co-mingled greenhouse gases are comprised of greenhouse gases from a project and greenhouse gases from sources other than that project. These other gases may be from other projects or sources unrelated to an Emissions Reduction Fund project.

Subsection 21(1) sets out **equation 8**, which is the formula for calculating E_{PCT} being the emissions from processing, compression and transportation. The resulting E_{PCT} figure is used in calculating ***CCSE*** in **equation 1** in section 16. **Equation 8** requires:

- calculating the emissions from processing, compression and transportation of ***project greenhouse gases*** from a capture point ($E_{PCT,n}$) using **equation 9**; and
- calculating the emissions from the processing, compression and transportation of ***co-mingled greenhouse gases*** ($E_{CMPCT,m}$) using **equation 11**, which is then apportioned by the ratio of greenhouse gases captured by the project as determined by **equation 2** (***CGG***) divided by the amount of ***total captured greenhouse gases*** (***Total CGG***).

Subsections 21(2) and (4) set out **equation 9** and **equation 11**.

Equation 9 calculates $E_{PCT,n}$, which is the sum of the Scope 1 ($EPCT_{Scope1,n}$) and Scope 2 ($EPCT_{Scope2,n}$) emissions from the processing, compression and transportation of project greenhouse gases.

Equation 11 calculates $E_{CMPCT,m}$, which are the scope 1 ($ECMPCT_{Scope1,m}$) and scope 2 ($ECMPCT_{Scope2,m}$) emissions from the processing, compression and transportation of co-mingled greenhouse gases.

Both $E_{PCT,n}$ and $E_{CMPCT,m}$ calculate scope 1 emissions using the equations for the relevant fuel source provided for in Parts 2.2, 2.3 and 2.4 in the NGER (Measurement) Determination.

Subsections 21(3) and (5) set out **equations 10 and 11A** which provide for calculating $EPCT_{Scope2,n}$ and $ECMPCT_{Scope2,m}$. These equations provide 3 options for calculating the emissions factor, ***EF***. Under paragraphs 21(3) and (5), if the project is using electricity from an electricity grid for which there is an emissions factor in the NGA Factors document, the NGA Factor EF to be used is the one in place for that grid at the end of the reporting period. If the electricity used is not from a grid covered by the NGA Factors document or is from a source other than a grid, the project proponent can use an emissions factor provided by the supplier of the relevant electricity that reflects the emissions intensity of the electricity and is worked out in accordance with subsections 21(6) and (7), or use the off-grid electricity emissions factor provided in the NGA Factors document.

Subsection 21(6) provides the approach for calculating an emissions factor for scope 2 emissions from consumed electricity used in relation to capture where it is not from a grid covered by the NGA Factors document or is from a source other than a grid and the factor is provided by the supplier of the electricity. Subsection 21(5) requires ***EF*** to be worked out on a sent-out basis and a measurement or estimation approach consistent with the NGER (Measurement) Determination.

If the NGER (Measurement) Determination does not contain any relevant measurement or estimation approach, subsection 21(7) allows a project proponent to use an approach that is consistent with the *National Measurement Act 1960*.

22 Calculating fugitive emissions from transportation and injection

Section 22 sets out how to calculate fugitive emissions from transportation and injection equipment, including emissions from deliberate or unplanned venting. A figure for fugitive emissions from transportation and injection activities is required for calculating ***CCSE*** in **equation 1** in section 16.

Equation 12 calculates the figure ***TIF***, which represents the project's fugitive emissions from transportation and injection of the greenhouse gases from the capture point to the injection site. The calculation in **equation 12** consists of transportation fugitive emissions ($TF_{j,s}$) and injection fugitive emissions ($IF_{j,s}$) and these two emissions types require the project proponent to use Division 3.4.2 and Division 3.4.3 of the NGER (Measurement) Determination, respectively.

Equation 12 includes an apportionment mechanism where there are multiple projects sharing the same pipeline and storage site. The apportionment mechanism is based on a project's total share of the greenhouse gases captured for permanent storage.

23 Calculating storage site monitoring emissions

Emissions associated with undertaking monitoring and verification activities for storage sites used by the project form part of the project's emissions and therefore are required for calculating ***CCSE*** for **equation 1**. Monitoring and verification activities are required as part of the project to determine whether the injected greenhouse gases remain underground during the crediting period and the extended accounting period until the ***relevant authority*** is surrendered to the regulating State or Territory.

Relevant authority is defined in section 5. Further, the Determination requires that a carbon capture and storage project is regulated by a ***recognised law of a State or Territory*** that meets the criteria outlined in section 5. The section 5 criteria include a requirement that a recognised law of a State or Territory requires monitoring and regular reporting of greenhouse gases that are intended to be, and have been, stored in the ***recognised reservoir***, at a minimum for the duration of the relevant authority. Section 5 includes a definition of ***recognised reservoir***.

Section 23 sets out requirements for calculating emissions from storage site monitoring and verification activities. These activities could include transportation to check injection and monitoring wells and equipment, and periodic seismic surveys of the storage site. **Equation 13** involves calculating emissions from the fuel used in undertaking the monitoring and verification activities and where energy consuming equipment used to monitor storage sites are also used for other activities such as monitoring non project activities, the project proponent is only required to include the emissions associated with the energy consuming equipment used to monitor storage sites. **Equation 13** also includes an apportionment mechanism where multiple parties are using the same injection infrastructure and storage site.

Equation 14 in subsection 23(2) outlines how to calculate the quantity of fuel emissions to be used in **equation 13**.

24 Calculating storage site fugitive emissions

Storage site fugitive emissions are emissions that result from any reversal of the injected greenhouse gases to the atmosphere from the storage site that occur during a reporting period. Storage site fugitive emissions form part of a project's emissions and are required for calculating ***CCSE*** for **equation 1**.

Section 24 sets out requirements for calculating fugitive emissions from the storage site in **equation 15**. These requirements are based on data collected so as to comply with monitoring and verification obligations under the ***relevant authority*** – this is consistent with the analogous requirements in subsection 3.100(3) of the NGER (Measurement) Determination.

Equation 15 in section 24 includes a mechanism to apportion fugitive emissions where more than one project shares the same storage site. Apportionment is based on the total quantity of greenhouse gases injected into each storage site by the project from the start of the crediting period relative to the total amount of greenhouse gases injected into the storage site.

This apportionment approach is applied as the measured fugitive emissions will relate to *all* greenhouse gases injected into the storage site and not just those greenhouse gases injected by the project during the reporting period. Where there is only one project using a storage site, all storage site fugitive emissions are apportioned to the project.

25 Calculating amount of captured greenhouse gases transferred to an off-taker

Section 25 sets out requirements for calculating greenhouse gases transferred to an ***off-taker*** in **equation 16**. An off-taker is defined in section 5 as a person to whom greenhouse gases captured at a capture point are transferred for a purpose other than permanent storage. The figure of $\boldsymbol{Q_{OT}}$ is required for calculating ***CCSE*** in **equation 1**.

Subsection 25(1) contains **equation 16** which provides a formula for calculating the amount of captured greenhouse gases transferred to an off-taker during a reporting period ($\boldsymbol{Q_{OT}}$). There are two options for calculating the volume of greenhouse gases captured and

transferred to an off-taker. These two options are the two options that are available under the NGER (Measurement) Determination using either criterion AAA in section 1.19G or criterion BBB in section 1.19GA.

For the purposes of **equation 16**, ***n*** means a capture point used by the project.

Subsection 25(1) includes calculations for converting methane, carbon dioxide, and nitrous oxide from cubic metres at standard conditions of pressure and temperature to tonnes of carbon dioxide equivalent.

Subsection 25(2) requires a project proponent to convert a quantity of greenhouse gases to a quantity under standard conditions of pressure and temperature for that purpose in a way that is consistent with the requirements of subsection 2.32(7) of the NGER (Measurement) Determination.

26 Calculating extended accounting period net abatement

Subsection 26(1) provides that the carbon dioxide equivalent net abatement amount for a reporting period in which a return event does not occur is zero.

Subsection 26(2) sets out how to calculate the net abatement of the withheld abatement to be credited to the project following a return event using **equation 17**.

Under section 7A of the Act, the legislative rules can provide an extended accounting period for an emissions avoidance offsets project. An extended accounting period commences immediately after the end of a project's crediting period. The *Carbon Credits (Carbon Farming Initiative) Rule 2015* provides an extended accounting period for projects under the Determination from the end of the crediting period until either the day after a return event occurs or 25 years after the end of the crediting period, whichever occurs first. If the extended accounting period ends due to the 25-year period ending rather than the return event occurring, the project proponent will be unable to apply for the withheld abatement.

During the extended accounting period, the project proponent must lodge an offsets report for each reporting period in the extended accounting period.

Equation 17 calculates ***EAA***, which is the net abatement in tonnes of carbon dioxide equivalent that will be the balance of the withheld abatement to be credited back to the project proponent following a return event, subject to deductions described below. Subsection 26(2) defines ***return event***.

The first figure in **equation 17** sums the net abatement amounts from each of the reporting periods during the crediting period created by **equation 1** (A_n) and multiplies this total by the factor 3/97 to calculate the amount of abatement withheld during the crediting period. This figure is then reduced by summed emissions since the end of the crediting period from monitoring and verification activities worked out using **equation 13** ($E_{F,r}$) and storage site fugitives worked out using **equation 15** (FGG_r).

Subsection 26(3) defines a return event. A ***return event*** is when a project proponent can apply to be credited for the abatement that was withheld to manage the risk of reversal, that is the risk of injected greenhouse gas emissions being released to the atmosphere.

A return event occurs when each storage site in which greenhouse gases were injected by the project has had one of two types of events occur in relation to it. Under paragraph 26(3)(a),

the relevant event for a project involving the injection of greenhouse gases into an identified greenhouse gas storage formation within the meaning of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* is the declaration of a closure assurance period under section 399 of that Act. Under paragraph 26(3)(b), where the carbon capture and storage project involves injection of greenhouse gases into a recognised reservoir in accordance with a recognised law of a State or Territory, the relevant event is surrender of a recognised licence under that law, or the issue of an analogous certification, to the satisfaction of the authority responsible for administering that law. It is expected that the return of the recognised licence, or the issue of certification analogous to it, would indicate that the storage site is secure and the greenhouse gases injected in it can be considered permanently stored.

Part 5 Reporting, notification and monitoring requirements

Subsection 106(3) of the Act outlines that a methodology determination may subject the project proponent of an eligible offsets project to specified reporting, notification, record-keeping and monitoring requirements.

Under Parts 6, 17 and 21 of the Act, a failure to comply with these requirements may constitute a breach of a civil penalty provision, and a financial penalty may be payable.

Any reporting, notification, record-keeping and monitoring requirements specified in Part 5 of the Determination are in addition to any requirements specified in the Act, the regulations or the legislative rules.

Division 1 Reporting requirements

27 Operation of this Division

The effect of paragraph 106(3)(a) of the Act is that a methodology determination may set out requirements to be included in each offsets report. Section 27 notes that Division 1 of Part 5 sets out offsets report requirements for the purposes of that paragraph.

28 Information that must be included in an offsets report during the crediting period

Section 28 sets out additional information that must be included in an offsets report for a reporting period for a carbon capture and storage project during the crediting period. (Section 70 of the *Carbon Credits (Carbon Farming Initiative) Rule 2015* sets out the information that must be included for all Emissions Reduction Fund projects in a reporting period.)

Paragraph 28(a) expands on subparagraph 70(2)(d)(i) of the *Carbon Credits (Carbon Farming Initiative) Rule 2015*, which already requires an offsets report to set out each component of the final equation used to determine the net abatement amount. Paragraph 28(a) requires the offsets report to provide more detailed information, including a summary describing how each of those components has been calculated. The paragraph specifically refers to the component calculated under section 20 (emissions that occur from the capture process) as there may be significant complexities associated with this calculation for some facilities.

Paragraphs 28(b) to (e) require all offsets reports to include information about any project changes that have occurred during the reporting period, including changes to storage sites, injection sites or capture points, as well as any instances where the operation of the project deviates from what was described in the CCS project plan.

29 Information that must be included in an offsets report during the extended accounting period

Section 29 sets out additional information that must be included in an offsets report for a carbon capture and storage project during the extended accounting period. Section 29 differs from section 28 as the project is no longer in its active crediting phase during the extended accounting period and less information is required to be provided in the offsets report. The information required will be used to verify the information required for calculating **equation 17**, when the project applies for a certificate of entitlement for the final reporting period of the extended accounting period, which would amount to a return of the 3% abatement that was withheld for risk of reversal. The required information includes storage

site fugitive emissions and storage site monitoring emissions for a reporting period during the extended accounting period.

Paragraph 29(c) also requires an offsets report during the extended accounting period to include a description of any material changes to the behaviour of the greenhouse gases in the storage site that increase the risk of a material amount of greenhouse gases leaking. This requirement is distinct from the obligation set out in paragraph 34(1)(b) to notify the Regulator if the greenhouse gases are behaving in a manner that has created a risk of material fugitive emissions.

30 Information that must be included in each offsets report

Section 30 sets out the information that must be provided in all offsets reports, that is, whether they are reporting periods in the crediting period or the extended accounting period.

This includes the total of all greenhouse gases that are injected by all persons into any storage site used by the project up to and including the current reporting period. This information will assist the Clean Energy Regulator to validate parts of the abatement calculation that use this information, including calculating storage site monitoring emissions (section 23), storage site fugitive emissions (section 24) and extended accounting period net abatement (section 26).

31 Determination of certain factors and parameters

Section 31 sets out what must be included in an offsets report.

Subsection 31(1) sets out that the offsets reporting requirements in the subsection apply where it is not possible to meet the requirements of subsection 6(1), as outlined in paragraph 6(2)(b). Further explanation of these circumstances is provided in section 6. The purpose of subsection 31(1) is to provide the Regulator with information on which version of the NGER (Measurement) Determination or other relevant external source has been used by a project proponent to meet the monitoring requirements set out in section 36. The project proponent is required to detail in their offsets report the version of the NGER (Measurement) Determination or external source that was used, the dates that the version was used and why it was not possible for the project proponent to use the version that was in force at the end of the reporting period.

Subsection 31(2) sets out that the requirements in the subsection apply if a parameter is worked out using section 37, which is applied if a project proponent fails to meet requirements to monitor certain parameters. The information required to be reported is listed in paragraphs 34(2)(a) to (d). That information will provide the Regulator with evidence that will allow it to determine the nature and frequency of the failure to meet the monitoring requirements of the Determination and determine what compliance action may be appropriate.

Division 2 Notification requirements

32 Operation of this Division

The effect of paragraph 106(3)(b) of the Act is that a methodology determination may set out requirements to notify the Regulator of certain matters relating to a carbon capture and storage project. Section 32 notes that Division 2 of Part 5 sets out the notification requirements for the purposes of that paragraph.

33 Obligation to notify the Regulator about changes in project proponent's regulatory approvals

Having the appropriate regulatory approvals and licences is an important aspect of operating an eligible carbon capture and storage project and subsection 33(1) requires project proponents to notify the Regulator if there are any changes to the project proponent's relevant authority or to other regulatory approvals during either the crediting period or the extended accounting period that has had or may have an impact on a project proponent's ability to continue to operate the project.

Subsection 33(2) requires that notification to be provided as soon as practicable.

34 Obligation to notify the Regulator about certain storage site fugitive emissions

Section 34 sets out requirements in relation to notifying the Regulator about storage site fugitive emissions during both the crediting period and the extended accounting period. This includes paragraph 34(1)(a), which requires a project proponent to notify the Regulator where a material volume of fugitive emissions has been released from the storage site and paragraph 34(1)(b), which requires a project proponent to notify the Regulator where the injected greenhouse gases are behaving in a manner that has created a material risk of a material volume of gases being released from the storage site.

Division 3 Monitoring requirements

35 Operation of this Division

The effect of paragraph 106(3)(d) of the Act is that a methodology determination may provide specified requirements to monitor the project. Section 35 notes that Division 3 of Part 5 specifies requirements for the purposes of that paragraph.

36 Requirement to monitor certain parameters

Subsection 36(1) sets out requirements that need to be met in monitoring parameters under the Determination. In particular, parameters that are used to calculate the net abatement amount must be determined in a manner that is consistent with the NGER (Measurement) Determination and, if the Determination does not include any relevant requirements, in a manner that is consistent with the *National Measurement Act 1960*.

Subsection 36(2) requires any equipment or device used to monitor a parameter to be calibrated in a manner that is consistent with the NGER (Measurement) Determination or by an accredited third-party technician at intervals, and using methods, that are in accordance with the manufacturer's specifications.

37 Value of certain parameters may be estimated if project proponent fails to monitor them

Compliance with requirements for monitoring of parameters is important to ensure that abatement credited by the project is calculated correctly. Monitoring requirements imposed by section 36 include the process for monitoring and the standard to which monitoring must occur.

In some cases, a project may be unable or fail to monitor a parameter to the requirements specified. When this occurs, section 37 allows the project proponent to make a conservative estimate of the value of the parameter from other data and information that the project proponent considers relevant, including historical data. Subsection 37(3) requires the project proponent to clearly distinguish the indirectly estimated data for record-keeping and audit purposes. Subsections 37(4) and (5) clarify that project proponents must seek to minimise the non-monitored period and that section 37 does not prevent the Regulator from taking action in relation to a project proponent's failure to appropriately monitor a parameter.

Attachment B

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—Carbon Capture and Storage) Methodology Determination 2021

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—Carbon Capture and Storage) Methodology Determination 2021* (the Determination) sets out the detailed rules for implementing and monitoring offsets projects that capture greenhouse gases, transport those gases and inject them into geological formations for permanent storage, preventing the captured emissions from being released into the atmosphere.

Project proponents wishing to implement the Determination must apply to the Clean Energy Regulator (the Regulator) and meet the eligibility requirements set out under the *Carbon Credits (Carbon Farming Imitative) Act 2011*. The Determination sets out the rules for calculating, crediting and reporting the greenhouse gas abatement from carbon capture and storage projects. Offsets projects undertaken in accordance with the Determination, and approved by the Regulator, can generate Australian Carbon Credit Units, representing emissions reductions from the project.

Project proponents can receive funding from the Emissions Reduction Fund by submitting their projects into a competitive auction run by the Regulator. The Government will enter into contracts with successful proponents, which will guarantee the price and payment for the future delivery of emissions reductions.

Human Rights Implications

This Legislative Instrument does not engage any of the applicable rights or freedoms.

Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.

The Hon Angus Taylor MP

Minister for Energy and Emissions Reduction