

## **EXPLANATORY STATEMENT**

Issued by the Authority of the Minister for Energy and Emissions Reduction

*Carbon Credits (Carbon Farming Initiative) Act 2011*

*Carbon Credits (Carbon Farming Initiative—Piggery and Dairy Effluent Methods—Revocation) Instrument 2019*

### **Purpose**

The *Carbon Credits (Carbon Farming Initiative—Piggery and Dairy Effluent Methods—Revocation) Instrument 2019* (the **Revocation Instrument**) revokes three animal manure management methodology determinations made under the *Carbon Credits (Carbon Farming Initiative) Act 2011* (the Act):

- (a) the *Carbon Credits (Carbon Farming Initiative) (Destruction of Methane Generated from Dairy Manure in Covered Anaerobic Ponds) Methodology Determination 2012*;
- (b) the *Carbon Credits (Carbon Farming Initiative) (Destruction of Methane Generated from Manure in Piggeries—1.1) Methodology Determination 2013*;
- (c) the *Carbon Credits (Carbon Farming Initiative) (Destruction of Methane from Piggeries using Engineered Biodigesters) Methodology Determination 2013*.

The determinations being revoked have been superseded by the *Carbon Credits (Carbon Farming Initiative—Animal Effluent Management) Methodology Determination 2019*. This new determination improves on the determinations being revoked by including additional eligible activities, more accurate abatement, and is simpler and less costly to implement.

### **Legislative provisions**

The determinations to be revoked were made under subsection 106(1) of the Act. They are being revoked under subsection 123(1) of the Act, as set out in section 3 of the revocation instrument.

### **Background**

The Act enables the crediting of greenhouse gas abatement from emissions reduction activities across the economy. Emissions reduction activities are activities that reduce or avoid emissions, or remove carbon from the atmosphere and store it in soil or trees.

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.

The purpose of a methodology determination is to establish procedures for estimating abatement (emissions reduction and sequestration) from eligible projects and rules for monitoring, record keeping and reporting. The methodologies ensure that emissions reductions are genuine—that they are both real and additional to business as usual.

In 2014, the Australian Parliament passed the Amendment Act, which establishes the Emissions Reduction Fund (ERF) and makes a number of other changes, including amending

the criteria for assessing which emissions reduction activities are eligible to receive credits under the Act.

In deciding to revoke a methodology determination the Minister has had regard to the advice of the Emissions Reduction Assurance Committee (ERAC), an independent expert panel established to advise the Minister on proposals for making, varying or revoking methodology determinations. The Minister has also had regard to the offsets integrity standards.

The *Carbon Credits (Carbon Farming Initiative –Animal Effluent Management) Methodology Determination 2019*, provides an incentive for proponents to reduce greenhouse gas emissions from the management of organic effluent at piggery and dairy facilities.

The determination credits greenhouse gas abatement that results from changing effluent treatment from storing effluent in anaerobic ponds to capturing and combusting methane (emissions destruction activities) and storing effluent in stockpiles to reduce the amount of methane produced (emissions avoidance activities):

- Emissions destruction activities remove methane by capturing and combusting biogas containing methane that is generated from the anaerobic digestion of effluent. This activity provides opportunities to generate electricity and heat that can be used on-farm.
- Emissions avoidance activities reduce methane emissions by separating solids from the effluent stream and treating them in a way that creates fewer emissions compared to if the effluent continued to be treated in an anaerobic pond.

The determination sets out instructions for undertaking projects and estimating the resulting abatement. The key improvements in the new determination are:

- the scope of eligible activities are broader to include emissions avoidance activities (only emissions destruction activities were previously eligible);
- the method to estimate net abatement has been simplified thereby also reducing regulatory burden and financial costs;
- the inclusion of a Supplement, which outlines input values and measurement approaches. The Supplement can be updated without a legislative amendment process (although consultation with the Emissions Reduction Assurance Committee and the public would still occur). This ensures calculations of estimated abatement can remain aligned with Australia's international greenhouse gas reporting and that the determination can adopt new research outcomes.

### **Impact on existing projects**

Existing projects are not affected by the Revocation Instrument. After a determination has been revoked, an eligible offsets project already registered and whose crediting period has begun before registration can continue to use the determination in the form it was at the time the project was registered under section 127 of the Act.

New offsets projects that apply to be registered after commencement, or projects whose crediting periods have not yet commenced, will not be able to register under the determinations to be revoked. These projects can continue to register under the *Carbon*

*Credits (Carbon Farming Initiative –Animal Effluent Management) Methodology Determination 2019.*

**Public consultation**

The proposal for new methodology determination that would replace the three animal manure management methodology determinations was developed by the Department of the Environment and Energy in collaboration with the Clean Energy Regulator and advice from technical experts in the field of animal effluent management.

The Department held two Technical Working Group (TWG) meetings between June 2017 and January 2019 to discuss scientific and technical aspects of the method, and review draft versions of the determination.

The exposure draft of the determination was published on the Department's website for public consultation from 15 March 2019 to 12 April 2019, and included consultation on the proposed revocation of the three existing animal manure management methods. Nine submissions were received. Details of the non-confidential submissions are provided on the Department's website. There were no objections to the revocation of the old methods.

**Determination details**

The Revocation Instrument is a legislative instrument within the meaning of the *Legislation Act 2003*.

The Revocation Instrument commences on the 5th day after it is registered.

The Revocation Instrument will sunset according to the ordinary rules in the *Legislation Act 2003*.

Details of the Revocation Instrument are at Attachment A. Numbered sections in this Explanatory Statement align with the relevant sections of the Revocation Instrument.

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

## **Details of Instrument**

### **1 Name**

Section 1 sets out the full name of this instrument, which is the *Carbon Credits (Carbon Farming Initiative—Piggery and Dairy Effluent Methods—Revocation) Instrument 2019*.

### **2 Commencement**

Section 2 provides that this instrument would commence on the 5th day after it is registered.

### **3 Authority**

Section 3 provides that the instrument is made under subsection 123(1) of the *Carbon Credits (Carbon Farming Initiative) Act 2011*.

### **4 Interpretation**

Section 4 defines the term ‘the Act’ as the *Carbon Credits (Carbon Farming Initiative) Act 2011*.

### **5 Revocation of methodology determination**

Section 5 revokes the following methodology determinations made under subsection 106(1) of the Act:

- (a) the *Carbon Credits (Carbon Farming Initiative) (Destruction of Methane Generated from Dairy Manure in Covered Anaerobic Ponds) Methodology Determination 2012*;
- (b) the *Carbon Credits (Carbon Farming Initiative) (Destruction of Methane Generated from Manure in Piggeries—1.1) Methodology Determination 2013*; and
- (c) the *Carbon Credits (Carbon Farming Initiative) (Destruction of Methane from Piggeries using Engineered Biodigesters) Methodology Determination 2013*.

## **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—Piggery and Dairy Effluent Methods—Revocation) Instrument 2019.*

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—Piggery and Dairy Effluent Methods—Revocation) Instrument 2019* revokes three methodology determinations made under subsection 106(1) of the Act are revoked:

- (a) the *Carbon Credits (Carbon Farming Initiative) (Destruction of Methane Generated from Dairy Manure in Covered Anaerobic Ponds) Methodology Determination 2012*;
- (b) the *Carbon Credits (Carbon Farming Initiative) (Destruction of Methane Generated from Manure in Piggeries—1.1) Methodology Determination 2013*; and
- (c) the *Carbon Credits (Carbon Farming Initiative) (Destruction of Methane from Piggeries using Engineered Biodigesters) Methodology Determination 2013*.

The determinations being revoked have been superseded by the *Carbon Credits (Carbon Farming Initiative—Animal Effluent Management) Methodology Determination 2019*. That determination credits the same activities as the determinations being revoked.

### **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.

**Angus Taylor, Minister for Energy and Emissions Reduction**