

EXPLANATORY STATEMENT

Issued by Authority of the Assistant Minister for Climate Change and Energy, the Hon. Josh Wilson MP

Carbon Credits (Carbon Farming Initiative) Act 2011

Carbon Credits (Carbon Farming Initiative—Domestic, Commercial and Industrial Wastewater) Methodology Determination Variation 2024

Legislative Authority

Subsection 114(1) of the *Carbon Credits (Carbon Farming Initiative) Act 2011* (the CFI Act) provides that the Minister may, by legislative instrument, vary a methodology determination.

Subsection 114(2) of the CFI Act requires the Minister, in making a decision to vary a methodology determination, to have regard to whether the variation complies with the offsets integrity standards, any advice given by Emissions Reduction Assurance Committee (the Committee) under subsection 123A(2), whether any adverse environmental, economic or social impacts are likely to arise from the carrying out of the kind of project to which the variation applies and other relevant considerations. Subsection 114(2AA) of the CFI Act requires that the Minister must not vary a methodology determination unless the Minister is satisfied that the variation complies with the offsets integrity standards.

Subsection 114(7A) of the CFI Act provides that the Minister must not make a variation that extends the crediting period for projects unless the Committee has advised that the variation should be made and hasn't previously advised otherwise and the methodology determination in question has not previously been varied so as to extend the crediting periods. Subsection 114(7B) of the CFI Act provides that the Minister must not make a variation if the Committee has advised that the variation doesn't comply with the offsets integrity standards.

Purpose

The purpose of the *Carbon Credits (Carbon Farming Initiative—Domestic, Commercial and Industrial Wastewater) Methodology Determination Variation 2024* (Variation) is to extend the period over which non-biomethane projects under the *Carbon Credits (Carbon Farming Initiative—Domestic, Commercial and Industrial Wastewater) Methodology Determination 2015* (Wastewater Method) can earn Australian carbon credit units (the crediting period) from 7 to 12 years.

Background

The Committee undertook a crediting period extension (CPE) review of the Wastewater Method, as required under section 255A of the CFI Act. Their report was released in June 2024 and is available on the Department's website at:

<https://www.dcccew.gov.au/sites/default/files/documents/wastewater-method-cpe-review-report.pdf>

The Committee assessed whether under an extended crediting period, the method would continue to meet the offsets integrity standards' requirement that projects are additional, meaning that the project activities and the abatement they generate are unlikely to occur in the ordinary course of events. The Committee agreed that there was sufficient evidence to demonstrate that extending the crediting period by 5 years for non-biomethane projects would continue to result in abatement unlikely to occur in the ordinary course of events and recommended that the crediting period for non-biomethane projects under the Wastewater Method be extended by 5 years (totalling 12 years).

Impact and Effect

The effect of the Variation is to extend the period of time proponents carrying out non-biomethane projects under the Wastewater Method will have to earn ACCUs for their projects from 7 years to 12 years. The Variation is intended to generally incentivise greater participation in these projects by ensuring there is sufficient time for proponents to earn enough ACCUs to generate the financial return required to adequately invest in new equipment, maintain that equipment, and cover the costs of other related operational activities such as responding to compliance audits.

Consultation

As part of the CPE review of the Wastewater Method, the Committee Secretariat and Department of Climate Change, Energy, the Environment and Water (the Department) sought stakeholder views through a formal letter sent to stakeholders by the Committee Chair. Five submissions were received – all supporting a crediting period extension due to high capital and/or operating and maintenance costs of undertaking these types of ACCU projects.

Three submissions referred to the high ongoing costs of projects, particularly in relation to maintaining electricity generators and high metering, monitoring and maintenance costs. Three respondents commented on the high and increasing capital costs of wastewater treatment equipment, indicating that the 7-year crediting period was insufficient to support project initiation.

In November 2024, the Committee undertook further targeted consultation on the proposed 5-year extension of the crediting period (to a total of 12 years) for non-biomethane projects. Seven submissions were received, all of which supported the extension. Proponents indicated that the extension should encourage further Wastewater Method projects to register due to the more acceptable financial return and certainty provided. Proponents also indicated that the extension would provide funding for essential maintenance that would enable continuation of emissions abatement from existing projects.

The items raised in the submissions were considered by the Department and the Committee. No changes were made to the variation as a result of the consultation. Details of the non-confidential submissions received are provided on the Department's website: <https://consult.dcceew.gov.au/wastewater-method-2024-variation>.

Details and Operation

The Variation is a legislative instrument for the purposes of the *Legislation Act 2003*. Details of the Variation is set out at Attachment A, and a statement of compatibility with human rights is provided at Attachment B.

For the purpose of subsections 114(2), (2AA), (7A) and (7B) of the CFI Act, in varying the Wastewater Method the Minister has had regard to, and agrees with, the advice of the Committee that the Variation complies with the offsets integrity standards and that the Variation 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 Variation applies and other relevant considerations. The Wastewater Method has not previously been amended to extend the crediting period for non-biomethane projects under that method.

Section 1 – Name

This section provides that the name of the instrument is the *Carbon Credits (Carbon Farming Initiative—Domestic, Commercial and Industrial Wastewater) Methodology Determination Variation 2024*.

Section 2 – Commencement

This section provides for the instrument to commence on the day after registration of the instrument.

Section 3 – Authority

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

Section 4 – Schedules

This section provides that the Wastewater Method is amended as set out in a Schedule to the instrument.

Schedule 1 – Amendments

Item 1

This item omits “7 years” from section 11C of the Wastewater Method and inserts “12 years”.

Statement of Compatibility with Human Rights

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

Carbon Credits (Carbon Farming Initiative—Domestic, Commercial and Industrial Wastewater) Methodology Determination Variation 2024

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 purpose of the *Carbon Credits (Carbon Farming Initiative—Domestic, Commercial and Industrial Wastewater) Methodology Determination Variation 2024* is to extend the crediting period of non-biomethane projects from a period of 7 years to a period of 12 years. A crediting period is the period of time that a project is able to generate Australian carbon credit units (ACCUs).

The effect of the Variation is to extend the period of time proponents carrying out non-biomethane projects under the Wastewater Method will have to earn ACCUs for their projects from 7 years to 12 years. The Variation is intended to generally incentivise greater participation in these projects by ensuring there is sufficient time for proponents to earn enough ACCUs to generate the financial return required to adequately invest in new equipment, maintain that equipment, and cover the costs of other related operational activities such as responding to compliance audits.

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. Josh Wilson MP
Assistant Minister for Climate Change and Energy**