



Australian Government
Clean Energy Regulator

EMISSIONS
REDUCTION
FUND

Participating in the Emissions Reduction Fund

Getting started



Published by the Clean Energy Regulator

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This guideline should be read in conjunction with the *Carbon Credits (Carbon Farming Initiative) Act 2011* and supporting Regulations (current versions of which can be found on the Comlaw website). Changes to the legislation may affect the information in this document. This document is not intended to provide legal advice. Entities are responsible for determining their obligations under the law and for applying the law to their individual circumstances. Entities should seek independent professional advice if they have any concerns.

The Emissions Reduction Fund

The Emissions Reduction Fund aims to reduce Australia's greenhouse gas emissions by providing incentives for a range of organisations and individuals to adopt new practices and technologies to reduce their emissions.

A number of activities are eligible under the scheme and individuals and organisations taking part may be able to earn Australian carbon credit units (ACCUs). One ACCU is earned for each tonne of carbon dioxide equivalent (tCO₂-e) stored or avoided by a project. ACCUs may be kept or sold to generate income, either to the Government through a carbon abatement contract, or on the secondary market.

Emissions Reduction Fund projects must be conducted according to an approved method. Approved methods include all Emissions Reduction Fund methods and all original Carbon Farming Initiative methodology determinations.

Why participate?

As well as contributing to Australia's efforts to reduce the amount of greenhouse gas entering the atmosphere and the opportunity to earn income in the form of ACCUs, running an Emissions Reduction Fund project may offer a range of other benefits for scheme participants. Examples include shelter for livestock, increases in biodiversity, better air quality, reduced energy consumption, electricity generation for your own use or exported into the grid.

Using this guide

This guide (*Getting Started*) provides an overview of the Emissions Reduction Fund – how it works and what you need to know to get started.

It is part of a set of guides called *Participating in the Emissions Reduction Fund*. Another guide, *Claiming and selling ACCUs*, provides more detail about reporting and auditing requirements as well as auctions, contracts with the Australian Government and options for selling your ACCUs. Other guides in the set explain individual methods and what is involved in setting up and running a project according to the rules of the method selected.

Together, the guides will help you understand what is involved in conducting an Emissions Reduction Fund project from start to end. The guides are complementary to the *Carbon Credits (Carbon Farming Initiative) Act 2011*, associated legislative rules and methods approved for eligible Emissions Reduction Fund projects, but do not replace them.

The Clean Energy Regulator is an independent Australian statutory authority responsible for administering legislation to reduce carbon emissions and increase the use of clean energy. This includes the Emissions Reduction Fund, the National Greenhouse and Energy Reporting scheme, Australian National Registry of Emissions Units and Renewable Energy Target.

The basics

Participating in the Emissions Reduction Fund is made up of a number of key parts:

- › Apply to participate.
- › Optionally, [secure a contract](#) with the Australian Government by participating in an auction.
- › Run your project according to the [method](#) you have chosen to use.
- › [Report](#) on your project and ensure audits are completed on schedule.
- › [Claim and sell](#) your ACCUs.

While the points above identify the basics of participating in the Emissions Reduction Fund, there are some further details to be aware of:

- › Securing a carbon abatement contract with the Australian Government is not compulsory. You can run a project and be issued with ACCUs without one.
- › You can secure a carbon abatement contract by participating in an auction even if you have not yet been issued with ACCUs for abatement achieved by your project. The contract will set out a delivery schedule into the future.
- › You can start your project as soon as it is registered by the Clean Energy Regulator and secure a carbon abatement contract by bidding into an auction later.

Whichever option you select, the Clean Energy Regulator recommends seeking legal and financial advice. As ACCUs are a financial product under the *Corporations Act 2001* and the *Australian Securities and Investments Commission Act 2001*, make sure anyone providing financial advice and services has an Australian Financial Services Licence.

Is the Emissions Reduction Fund for me?

Deciding whether to participate in the Emissions Reduction Fund is an important business decision. You can find some basic information about [feasibility and project planning](#) on our website. It is essential to consider whether the potential return from an Emissions Reduction Fund project outweighs the cost of implementing the project. The potential return can vary depending on a range of factors including:

- › the type, scale and location of a project
- › whether a method uses modelling tools or direct measurements that incur sampling and analysis costs, and
- › audit and reporting costs and the potential of the project to generate additional benefits for example, reduced energy costs, increased biodiversity or improved productivity.

Before making a decision to enter the Emissions Reduction Fund you need to consider:

- Is there an approved [method](#) for your project?
- Do you have a business model in place?
- Are you prepared to meet all the costs of setting up and running a project?
- Do you meet all the Emissions Reduction Fund [eligibility](#) requirements?
- Are you prepared to meet all the requirements of the Act, Regulations and the [method](#) you have chosen to use, including project maintenance requirements?

If you answered 'no' to any of the questions above, participating in the Emissions Reduction Fund may not be suitable for your situation. As the Emissions Reduction Fund is a new scheme with new methods in development, there may be opportunity to participate in the future.

Methods

Methods set out the rules for conducting activities under the Emissions Reduction Fund. They explain what an eligible project looks like, where it can be conducted and how to measure greenhouse gas abatement. Methods also explain how to collect data from a project, how to monitor and report on a project as well as what records must be kept for a project.

You must choose and use a method for your activity to be eligible under the Emissions Reduction Fund. There are a number of methods available for activities that either store – or sequester – carbon in vegetation or soil, or help avoid emissions entering the atmosphere. Each method has an accompanying explanatory statement which will help you to work through the method you have chosen. The booklets explaining how to run a project in the *Participating in the Emissions Reduction Fund* series will also help you. You can also contact the Clean Energy Regulator on **1300 553 542** if you are unsure whether your project is eligible.

Sequestration projects store – or sequester – carbon in vegetation or soil. In doing so, they help to reduce the amount of greenhouse gas entering the atmosphere because carbon remains stored on the land.

Emissions avoidance projects help to prevent greenhouse gas emissions from entering the atmosphere in a variety of ways. Examples include capturing and combusting methane or using it to generate electricity, reducing energy consumption and increasing the efficiency of fuel and energy use in industrial operations.

Decide on a business model

Participating in the Emissions Reduction Fund is a business decision. Examples of possible business models include:

Independently run – project owners are responsible for the project, conduct the project and receive all the ACCUs.

Independently run with a service provider/agent – project owners authorise another to act on their behalf, as an agent. The project owner may remain responsible for the project and receive the ACCUs while the service provider's role may include preparing and submitting applications through to full management of projects on behalf of the project owner.

Aggregated – A third party or aggregator could be the project owner of projects on several properties, receive and sell the ACCUs and distribute dividends to participating individuals or entities according to a private agreement.

Assess the feasibility of your planned project

When assessing feasibility you need to:

- › think about what equipment you will need to install or purchase
- › what species to plant if relevant to your chosen method
- › what other state and territory regulatory approvals are required
- › whether you have the legal right to run your project
- › the costs and risks associated with running a project, and
- › how much abatement your project is expected to generate over its lifetime.

The Clean Energy Regulator recommends you seek independent technical, legal, audit and/or financial advice regarding your circumstances and requirements.

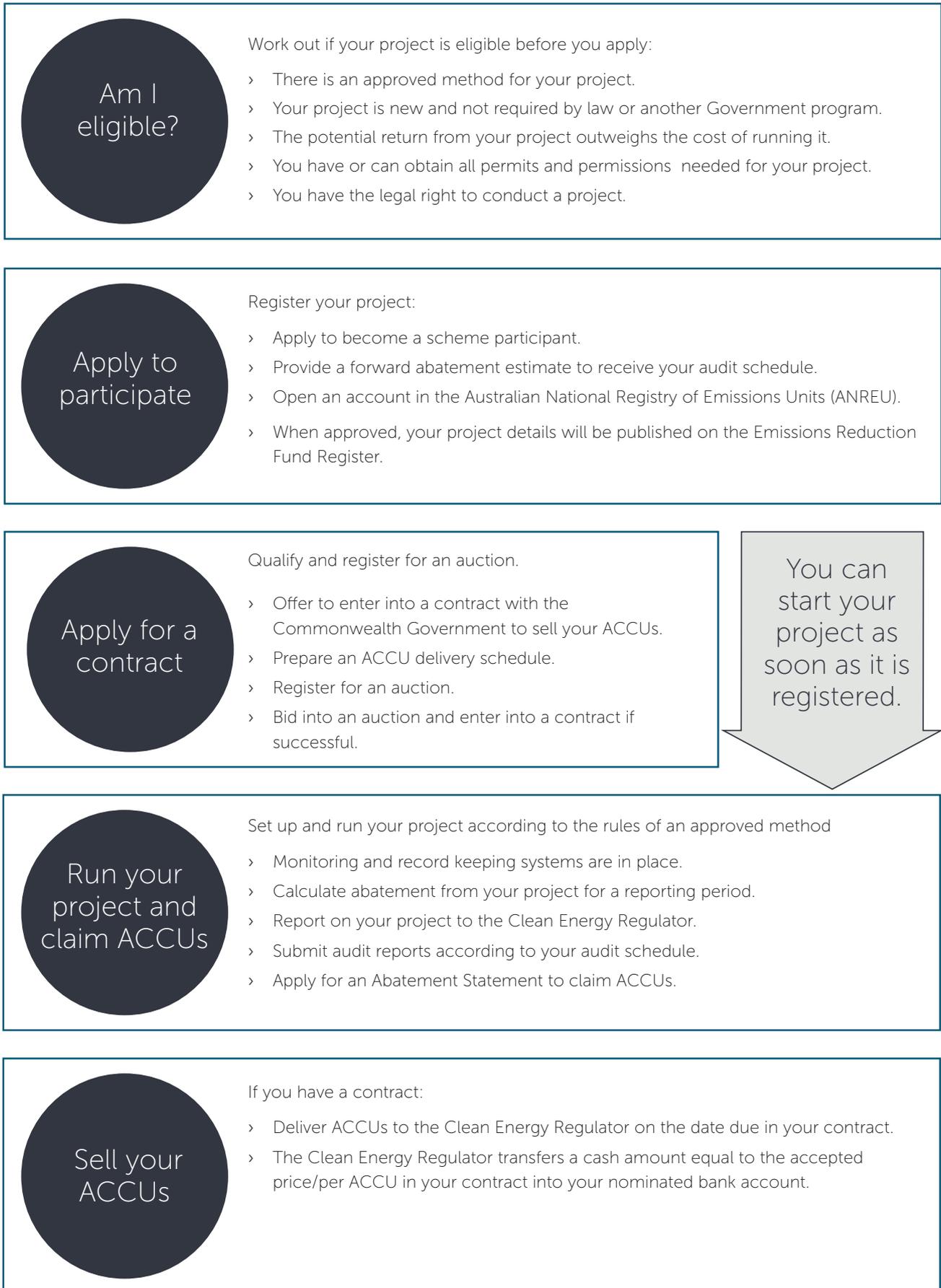
Crediting and reporting periods

A *crediting* period is the period of time a project is able to apply to claim ACCUs. Crediting periods vary depending on the type of project and range between 7-25 years.

A *reporting* period is a period of time for which a project report is prepared for submission to the Clean Energy Regulator. Reporting periods are nominated by the person responsible for a project, and may be as frequently as every six months. The maximum reporting period for emissions avoidance periods is two years. For sequestration projects the maximum reporting period is five years.

The project report indicates the number of ACCUs that may be issued for abatement achieved by a project so far during a crediting period. An application to be issued with ACCUs may be submitted to the Clean Energy Regulator at the same time a project report is submitted.

Figure 1: Participating in the Emissions Reduction Fund



How to participate

Participating in the Emissions Reduction Fund is open to individuals, sole traders, companies, local, state and territory government bodies and trusts.

Enter the scheme

To enter the Emissions Reduction Fund you must first [apply](#) to become a scheme participant and to register your project. At the same time, open an account in the [Australian National Registry of Emissions Units](#) (ANREU). ANREU is a secure electronic system similar to an electronic bank account, into which ACCUs are issued. This part of the application process includes a Fit and Proper Person test. If you are involved with other schemes or activities administered by the Clean Energy Regulator, you may be deemed to have met the Fit and Proper Person test.

Meeting eligibility requirements

As well as complying with the rules of an approved method and passing the Fit and Proper Person test, there are a number of provisions that must be met for a project to be registered.

A project must be new

A project must not have started before it is registered. This is called the newness requirement. 'Newness' is important because it encourages participants to make changes to the way they conduct their business to achieve measurable reductions in greenhouse gas emissions.

There are some exceptions to the [newness requirement](#). These are:

- › Carbon Farming Initiative projects moving into the Emissions Reduction Fund
- › projects applying to participate in the Emissions Reduction Fund before 1 July 2015 using Carbon Farming Initiative methodology determinations, and
- › eligible projects that submitted a Notice of Intent before the Emissions Reduction Fund commenced.

A project must not be compulsory

A project must not be a required by Australian, state or territory law.

A project must be commercially ready

Any technology or processes to be used in the conduct of your project must be commercially available at the time you apply to enter the Emissions Reduction Fund. Technology or processes that are in development or undemonstrated will not be eligible.

A project must have all permits and permissions

The types of permits and permissions needed for a project can vary from project to project. Examples include eligible interest holder consent and planning permissions and permits required under State and Australian laws. All participants must have the legal right to conduct a project.

You must have or be able obtain all the necessary permits and permissions when applying to register your project. You need to have all the necessary permits and permissions to claim ACCUs for your project.

Your application

It is essential your application shows how the rules of the scheme and of the method you are using are met. This is because the Clean Energy Regulator will consider only those applications that provide the evidence required by a method, the *Carbon Credits (Carbon Farming Initiative) Act 2011*, and associated legislative rules.

You will also need to provide an estimate of abatement as part of the registration process. A forward abatement estimate is the total amount of greenhouse gas abatement expected to be generated during the crediting period of a project. The Clean Energy Regulator needs your project's forward abatement estimate to work out its [audit schedule](#). The guide *Claiming and selling ACCUs* has more information about these parts of the process.

There are different application forms, depending on whether you are applying to register an emissions avoidance or a sequestration project.

There is no application fee for applying to register a project.

Processing your application

Once received, applications will be assessed for completeness. Incomplete applications will be returned. The Clean Energy Regulator may make a Request for Further Information (RFI) to complete an assessment. A deadline for responding to a RFI will be set and if missed, the Clean Energy Regulator will take no further action. In this situation, you will need to resubmit your application if you wish to proceed.

Application tip

Make sure to include all the information and evidence asked for when completing an application. Only complete applications will be processed.

When a decision has been made by the Clean Energy Regulator to register your project, you will be notified in writing and your project's details will be published on the [Emissions Reduction Fund Register](#).

The Emissions Reduction Fund Register

The Carbon Credits (Carbon Farming Initiative) Act 2011 requires the Clean Energy Regulator to publish and maintain the Emissions Reduction Fund Register.

The Register lists information about each project registered under the Emissions Reduction Fund including the number of Australian carbon credit units (ACCUs) issued.

It also provides an official reference for people wanting to buy land that has a sequestration project on it, listing the type of project, location, number of ACCUs issued, length of the permanence period and whether any units have been relinquished.

Backdating a project

If you choose to run a project using an existing Carbon Farming Initiative method and submit your application before 1 July 2015, you may request an earlier start date. This is known as backdating a project. After 1 July 2015, backdating will not be allowed and all Carbon Farming Initiative methods will be assessed under the rules of the Emissions Reduction Fund.

For backdating to be approved, the Clean Energy Regulator must be satisfied that your project has met all eligibility requirements set out in the Carbon Farming Initiative method you are using throughout the requested backdating period.

Emissions Reduction Fund methods do not allow backdating.

Secure a contract

You can apply to enter into a [contract](#) with the Australian Government to sell the ACCUs earned from your project. To secure a contract, you will need to be qualified for auction, which includes making an offer to enter into a carbon abatement contract, and bid successfully at an auction run by the Clean Energy Regulator.

The guide *Claiming and selling ACCUs* and the Clean Energy Regulator website has more information about auction qualification and registration.

Run your project

The method you have chosen explains what you need to do to set up and run your project to achieve genuine abatement of greenhouse gas emissions. It also explains how to calculate that abatement in tonnes of carbon dioxide equivalent (tCO₂-e). The Clean Energy Regulator has developed a number of [guides](#) about how to run a project using different methods.

Reporting, auditing and claiming ACCUs

When you have worked out the tCO₂-e of abatement achieved in a [reporting period](#), you can submit a project report and make a [claim for ACCUs](#). You do not need to submit an [audit report](#) every time you report. Audit reports must be submitted according to the audit schedule for your project. Sometimes the Clean Energy Regulator may identify that extra audits are needed. If such a situation arises, the Clean Energy Regulator will notify you. The guide Claiming and selling ACCUs has more information about reporting and auditing.

Sell your ACCUs

If you have a contract with the Australian Government, you must deliver the agreed amount of emissions reduction in the form of ACCUs to the Clean Energy Regulator on the date specified in your contract.

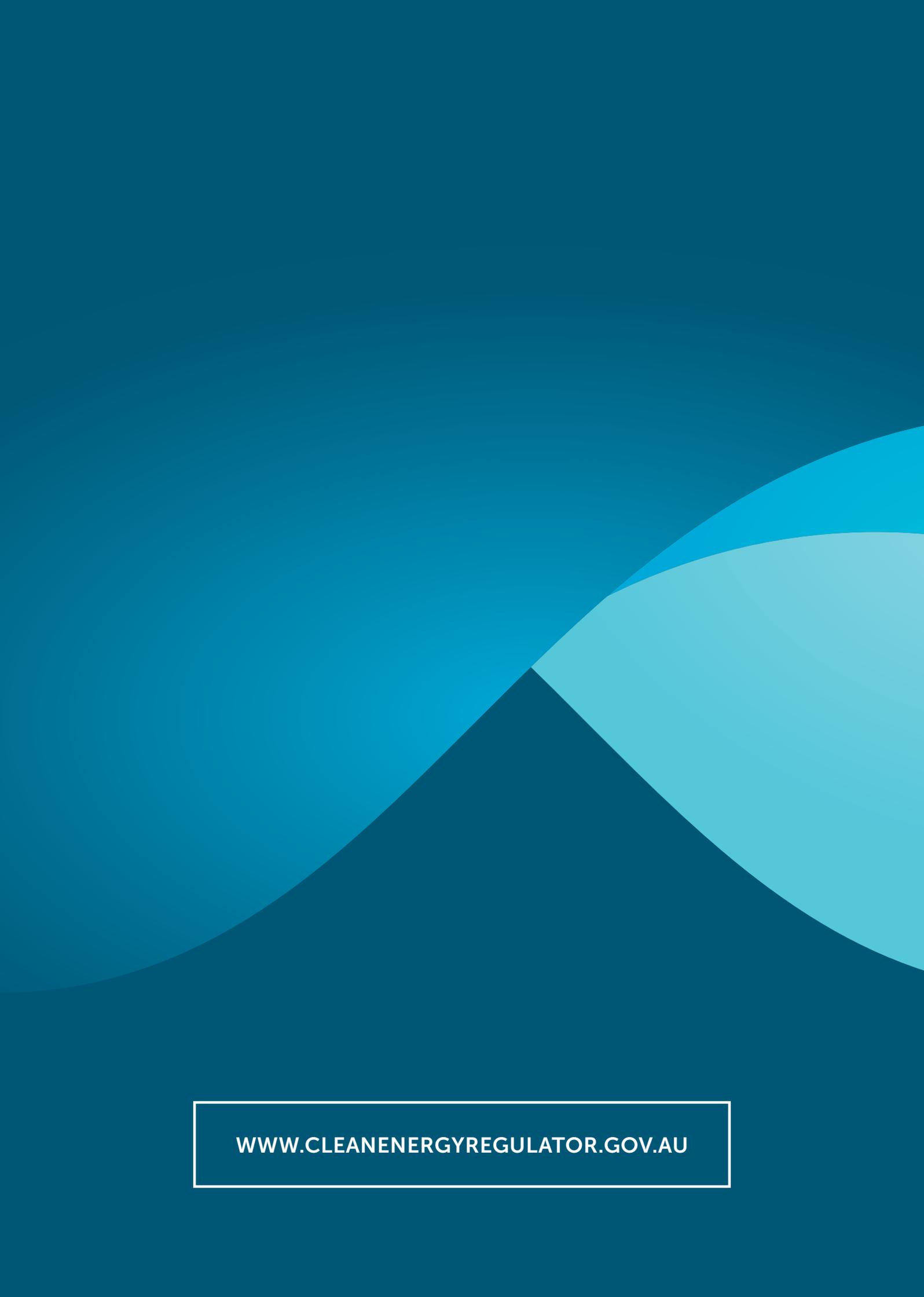
On that date, transfer the ACCUs from your ANREU account into the Clean Energy Regulator's ANREU account and notify the Clean Energy Regulator. The Clean Energy Regulator will then transfer a cash amount in line with the accepted price per ACCU in your contract into your nominated bank account. The Clean Energy Regulator will notify you when it has transferred the funds.

If you do not have a contract with the Australian Government, or you have additional ACCUs that are not under contract, you have the option of selling your ACCUs in the secondary market.

Resources

- › [Carbon Credits \(Carbon Farming Initiative\) Act 2011](#)
- › [Emissions Reduction Fund forms and resources](#)
- › [Clean Energy Regulator website](#)
- › For all enquiries 1300 553 542
enquiries@cleanenergyregulator.gov.au



The background is a solid teal color. On the right side, there are two overlapping, semi-transparent light blue shapes that resemble stylized hills or waves. The top shape is a darker shade of light blue, and the bottom shape is a lighter shade. They overlap in the center-right area.

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