[Chubb report to limit supply of controversial avoided deforestation carbon credit units (ACCUs) (afr.com)]

Controversial carbon credits supply to be limited

Colin Packham *Energy and resources reporter*
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The supply of controversial carbon credits earned by landowners for protecting forest that could otherwise be cleared will be curtailed, under changes to the carbon emission market.

Former chief scientist Ian Chubb recommended a spate of measures to improve public confidence that included a change to the method of how these "avoided deforestation" credits are earned.

Minister for Climate Change and Energy Chris Bowen at Taronga Zoo for the announcement with Professor Ian Chubb.

"There will be a lower number of credits from the avoided deforestation, though I would expect more credits to offset this from other areas," said AiGroup adviser Tennant Reed.

Professor Chubb also recommended changes to how biomethane companies earn credits. Currently, credits are allocated according to how much methane they take out of the atmosphere above their "baseline", which is usually 30 per cent. Professor Chubb said this target should be slowly increased.

While the review will tweak the carbon market, it is overall seen as an endorsement of the industry, boosting Australia's hopes of meeting its

ambitious carbon targets, because carbon credits are likely to be a major tool of companies that are under mounting pressure to decarbonise.
LGI, one of Australia's largest biomethane companies, said it was unsure what the impact of the changes would be as it awaits clarification on how the baseline would be changed. Managing director Adam Bloomer said LGI's seven landfill gas electricity projects have baselines of 30-66 per cent.

Distrust in carbon credits

Farmers – who earn credits for growing crops that reduce emissions, or for minimising land clearing – warned the report will do little to shake any perception that the market is shaky.

Farmers for Climate Action strategy director Cambell Klose said there was distrust in carbon credits despite the blanket endorsement in the Chubb review.

"This review skates over the idea that there are any issues with the current market. Australian farmers who have invested in growing carbon crops are the ones who pay the price when integrity issues with carbon credits are revealed, because it reduces confidence in the market and the price paid for carbon credits," said Mr Klose.

Generators of carbon credit had feared widespread changes if the Chubb review found systematic abuse. Instead, the review will now see the industry likely undergo significant expansion.

"We are pleased. It creates certainty and that encourages investment," said Mr Bloomer.

"Carbon credits encourage, and in many cases underpin, the development of more renewable energy projects at landfills, especially in regional areas. Professor Chubb's review will provide certainty for ongoing investment in renewable energy projects on landfills, and appropriately incentivise efficient management of gas recovery systems to benefit landfill operators, their communities and the environment."

LGI is one of a growing number of operators in Australia looking to monetise the abatement of carbon emissions. Operators are paid by the government and issued with Australian carbon credit units (ACCUs) that can be sold to companies wanting to offset their emissions.

Expansion plans had been under a cloud after claims that a large swath of the $5.4 billion carbon offsets were effectively fraudulent and criticisms that participants were being rewarded with billions of dollars in payments for activities that fail to absorb additional carbon or avoid emissions that would never have happened.

Labor boost

The review's findings are also a boost to Labor's hopes of meeting its target to cut national emissions by 43 per cent by 2030 and to reach net-zero by 2050.

The credits are set to grow in importance when Labor cements its plans for the revamped safeguard mechanism, which will set caps to limit the emissions from Australia's largest industrial emitters.

To meet stringent targets, corporates will move to lower emissions and purchase credits if they are unable to meet the requirements.

With heightened demand, many expect the price of credits to accelerate – a boon for credit generators.

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