Notes from Andrew Macintosh on ACCUs

From what I can tell, TAI is concerned that ACCUs from the INFM method will materially reduce the carbon price faced by large emitters covered by the Safeguard Mechanism. If this is true, it would increase reliance on offsets by the large emitters, further delaying decarbonisation amongst the big polluters (i.e. oil, gas, coal mines, iron ore miners, aluminium smelters et al).

Conceptually, this is a fair concern. It is true that ACCUs from low integrity offsets projects are distorting the operation of the Safeguard Mechanism, delaying decarbonisation and prompting reliance on phoney credits that do not represent real and additional abatement.

However, I think there is a misunderstanding about (a) the integrity measures in the INFM method and (b) extent to which ACCUs from the INFM method could influence the carbon price faced by the big polluters covered by the Safeguard Mechanism.

On point (b), Figure 1 below shows ACCU supply by project type since 2013. Key messages = (1) annual issuances are now in excess of 23 million yr; (2) the ACCU scheme is dominated by human-induced regeneration of even-aged native forest (HIR), landfill gas (LFG) and savanna burning projects; (3) avoided deforestation used to be 20% of issuances but most avoided deforestation projects have now come off crediting, so it will shrink from here on in; and (4) the Moomba CCS project got 1.4 million ACCUs in the last FY.

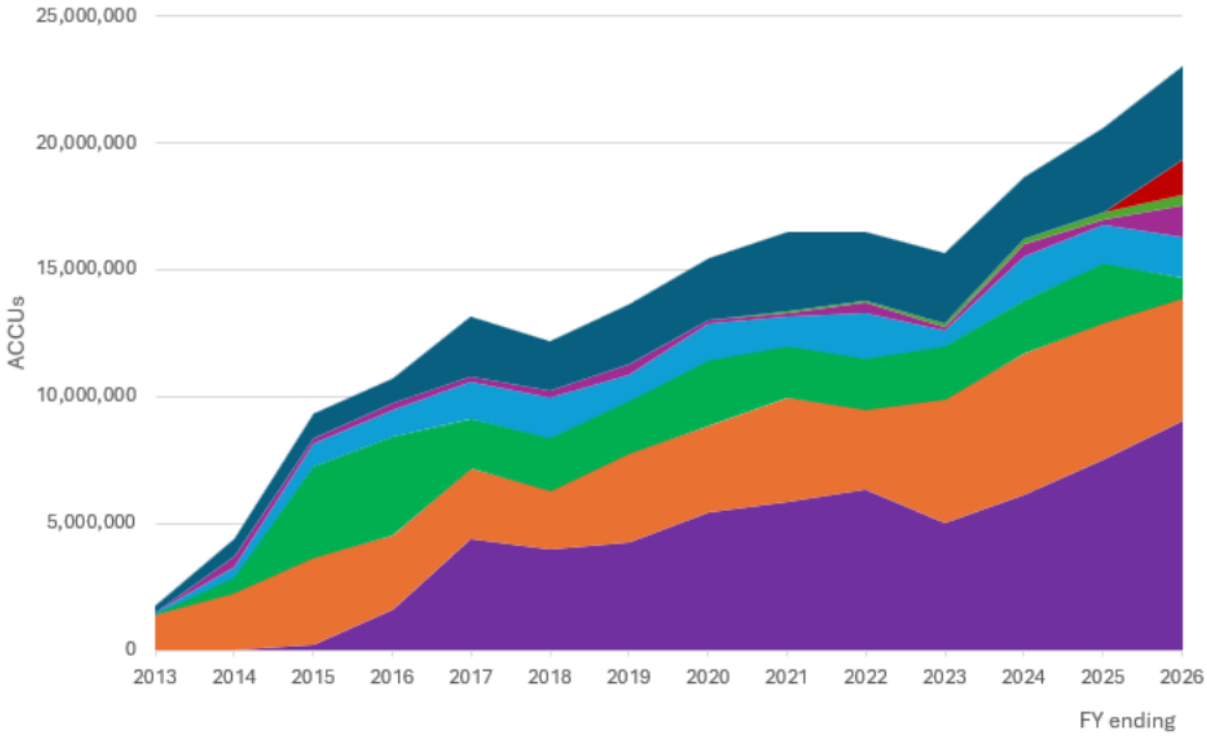


Figure 2 below shows projected ACCU issuances by method/project type over the period 2027-2030 assuming the INFM GKNP project goes ahead. Key messages: (1) ACCU scheme will remain completely dominated by HIR and LFG over the short- to medium-term, with HIR issuances alone projected to be around 10 million ACCUs yr; (2) INFM GKNP likely to account for <1% of ACCU issuances over this period; (3) approximately 98-99% of HIR credits over this period are very likely to be illegitimate – i.e. both unlawful and not reflecting real

abatement (i.e. the new forests are not there); (4) LFG ACCUs are arguably a little better - maybe 30% are additional (i.e. 70% low integrity - without even considering differences in warming associated with biogenic CH4 from landfills vs fossil CO2 and CH4 from coal and gas); and (5) if people are concerned about integrity and the impacts of ACCUs on the Safeguard Mechanism, the focus should be on HIR and LFG – the credits from these project types set the price (ACCUs from INFM projects will not have a significant impact on the price in the compliance market, the volumes are too small). Note also that there are 60 million ACCUs and about 12 million Safeguard Mechanism Credits (SMCs) in holding accounts, which further reduce the capacity of ACCUs from the INFM GKNP project to influence the carbon price.

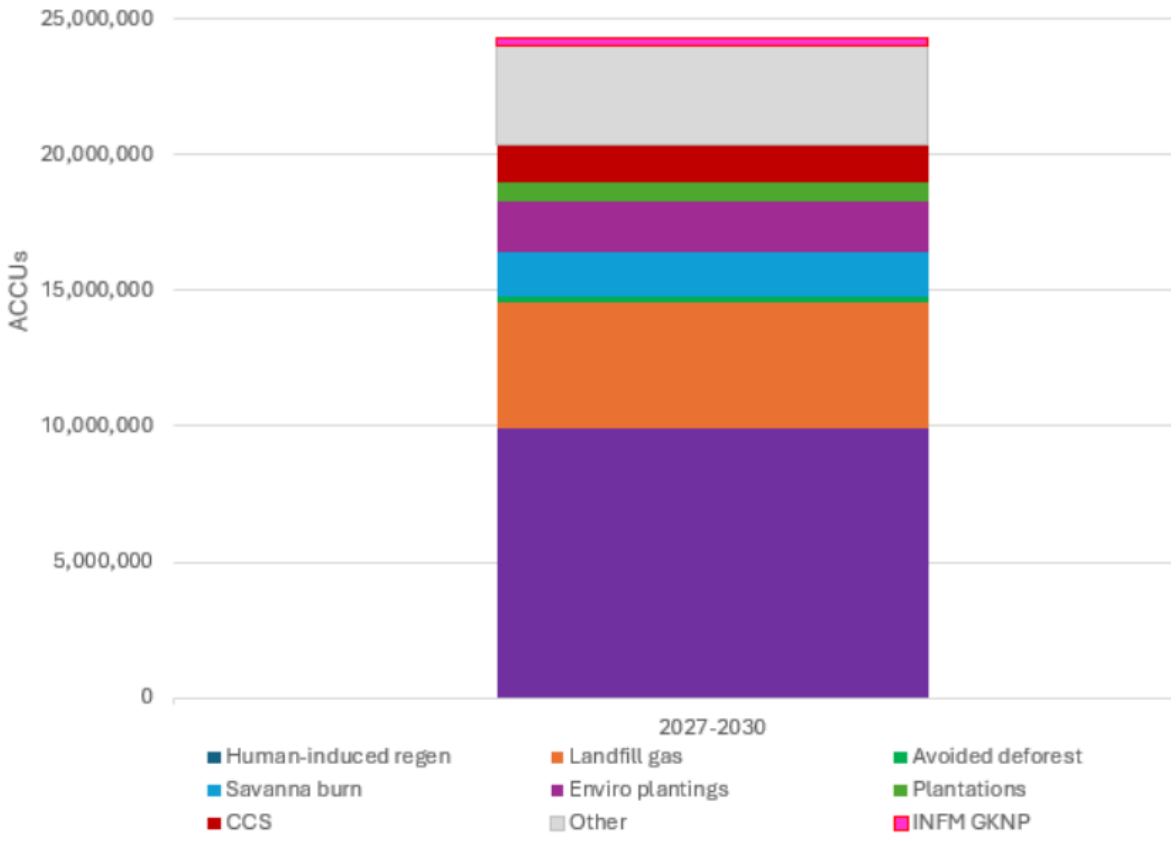
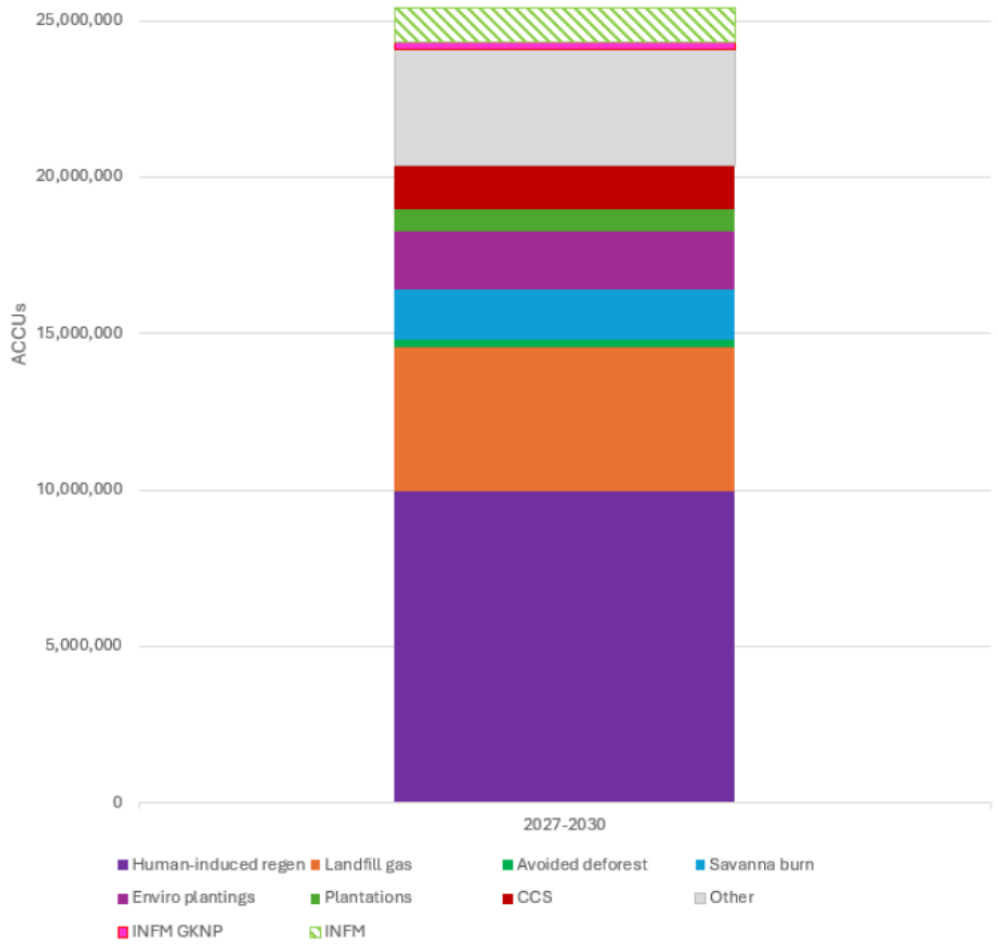


Figure 3 below is the same as Figure 2, only it also contains a "best case" scenario for the uptake of INFM projects and associated INFM ACCU issuances. Key message = even if INFM really takes off, ACCUs issued to INFM projects would still only account for 5% of annual issuances and have only a small impact on the carbon price faced by big emitters.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ACCUs
2027-2030
Human-induced regen
Landfill gas
Avoided deforest
Savanna burn
Enviro plantings
Plantations
CCS
Other
INFM GKNP
INFM