Australian Government
Clean Energy Regulator

# Audit Thresholds Instrument consultation

## Coversheet for submissions

| Contact details | |
|---|---|
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| Do you want this submission to be treated as confidential? | Yes ☐ No ☒ |

## Submission instructions

Submissions are due by **5 pm AEDT, Sunday 15 December 2024**. Any submissions received after this date will be considered at the discretion of the Clean Energy Regulator. You can email your submission to StrategyCoordination@cer.gov.au. Please include this coversheet with your submission.

## Confidentiality and privacy

The Clean Energy Regulator will treat all submissions as public documents, unless the author requests the submission be treated as confidential. Public submissions may be published in full on the Clean Energy Regulator's website. If published, the submission will include the individual's or organisation's name along with the relevant state or territory.

A request may be made under the *Freedom of Information Act 1982* (Cth) for a submission marked 'confidential' to be made available. Such requests will be determined in accordance with provisions under the *Freedom of Information Act 1982*.

The agency will deal with personal information contained in, or provided in relation to, submissions in accordance with the privacy policy.

**Audit Thresholds Instrument consultation**

***incorporating GreenCollar responses to consultation questions***

**<u>Consultation question 1 - Subsequent audits</u>**

Should the audit thresholds be changed to better support a risk-based approach to compliance? [YES, NO, UNSURE]

*No, but note additional context below.*

Please specify why you answered 'yes', 'no' or 'unsure' in your previous answer and include relevant evidence.

*GreenCollar supports a risk-based approach to audits and supports all measures to enhance the integrity of the ACCU Scheme. Noting that no specific additional risk-based approaches have been provided, we consider that current audit thresholds represent a sound approach and support a risk-based approach to compliance.*

*While we have answered "No" to adjusting thresholds (as audit thresholds based on volume of the annual average abatement amount is a logical approach), we do believe it is important for scheduling of subsequent audits within the crediting period to also consider the temporal context. On that basis, we suggest subsequent audit timing should be spread across the life of a project including within the last two years of a project with the remaining required subsequent audits spread evenly between the initial and last audits, please see examples below.*

***Example 1 (timing of the first subsequent audit)***

*The schedule below is taken from one of GreenCollar's Threshold C projects with project start date of 26 February 2021. Note that the schedule of the subsequent audits is evenly spread between the project start date and the end of the crediting period, such that the first subsequent audit is scheduled (August 2024) within 3 calendar years of the project start date (February 2021). This can result in a situation where, according to the audit schedule, the first reporting period is subject to BOTH an initial audit and a subsequent audit or where a subsequent audit could be required within less than 12 months of the initial audit taking place. While this can be addressed by the proponent seeking a revision to the audit schedule from the CER, in order to standardise this approach, we suggest that for Threshold C projects the scheduled timing of the first subsequent audit assumes the first reporting period is 5 years in length making the subsequent audit scheduling evenly spread between the project start date plus 5 years, rather than from the project start date.*

| Scheduled audit | Project reports that the scheduled audit must accompany |
|---|---|
| **Initial audit** | First project report submitted after 26 Febuary 2021 |
| **Subsequent audit 1** | First project report submitted after 26 August 2024 |
| **Subsequent audit 2** | First project report submitted after 26 August 2028 |
| **Subsequent audit 3** | First project report submitted after 26 August 2032 |
| **Subsequent audit 4** | First project report submitted after 26 August 2036 |
| **Subsequent audit 5** | First project report submitted after 26 August 2040 |
| **Threshold audit** | Any single project report claiming 100 000 t $CO_2$-e or more net abatement |

***Example 2 (timing of the final subsequent audit)***

*The schedule below is taken from one of GreenCollar's Threshold A projects with project start date of 18 July 2024 and crediting period end date of July 2049. Note that schedule of the subsequent audits is spread evenly between the project start date and the end of the crediting period, such that the final subsequent audit is scheduled (January 2040) over 9 calendar years prior to the crediting period end date (July 2049). In order to address this, we suggest that the final subsequent audit for a project falls within 2 years of the crediting period end date to ensure that the scope of the final subsequent audit can include factors impacting the tail end of a project and reasonably address the permanence plan of the project.*

| Scheduled audit | Project reports that the scheduled audit must accompany |
|---|---|
| **Initial audit** | First project report submitted after 18/07/2024 |
| **Subsequent audit 1** | First project report submitted after 18/01/2032 |
| **Subsequent audit 2** | First project report submitted after 18/01/2040 |
| **Threshold audit** | Any single project report claiming 100,000 t $CO_2$-e or more net abatement |

**Consultation question 2 - Trigger audits**

Should the trigger audit threshold be changed to better support a risk-based approach to compliance? [YES, NO, UNSURE]

*No, but see below*

Please specify why you answered 'yes', 'no' or 'unsure' and include relevant evidence.

*As noted above, while a volume-based threshold for trigger audits is logical, consideration should be given to the timing of Trigger audits so that they do not closely coincide with Scheduled audits and/or other recently conducted audits (subject to scope). Taking a risk-based approach, our view is that, if a 'full scope' audit is being carried out within 2 years of another 'full scope' audit the second audit is unlikely to add* *additional benefit (note this should not be read to refer to compliance audits, triggered by a specific event). Similarly, where there has been a triggered audit undertaken and no issues have been identified, there is unlikely to be benefit from a further scheduled audit being conducted within a 2 year period. Ensuring that the scheduling of audits is spread across the project life and are not unintentionally clustered within a short time improves the effectiveness and value of audits and ensures resources are allocated efficiently throughout the project's life.*

**<u>Consultation question 3 - Alternative assurance</u>**

Should alternative assurance arrangements be extended to the new reforestation by environmental or mallee plantings method? [YES, NO, UNSURE]

*Yes, but noting additional context below.*

Please specify why you answered 'yes', 'no' or 'unsure' in your previous answer and include relevant evidence. Are any changes required to the arrangements?

*GreenCollar agrees that low-risk environmental plantings projects should be eligible for alternative assurance. The approach should continue as per the current arrangement however we note that, if this eligibility requirement is based on a risk-based approach, there is no logic behind the limitation of eligibility of project proponent/nominee to freehold title holder, leaseholder, native title holder or registered naive title body corporate of all project areas. On that basis, we suggest the limitation on eligibility be removed to enable project proponents who are project developers which have entered formal agreements with the freehold title holder, leaseholder, native title holder or registered naive title body corporate of all project areas to act as project proponent to be eligible. This ensures equitable treatment and consistency with other carbon methods e.g. the alternative assurance requirements of plantation forestry permit do not pose this restriction. The removal of this unnecessary limitation will improve adoption by providing more options for landholders and managers looking to undertake projects.*

*Consideration should also be given towards applying alternative assurance arrangements for other ACCU Scheme methods including the Tidal restoration of blue carbon ecosystems method.*

**<u>Do you have any additional comments or feedback?</u>**

*In terms of industry capacity, there is a need for investment in availability of auditors as audit requirements and project uptake increases. This is a both a challenge and opportunity as uptake of the Scheme evolves. While outside the scope of this consultation, consideration by the CER should be given on how to increase audit* *capacity in the sector, to avoid unnecessary cost escalation and delay for participants of all scales.*

*For further information in relation to this consultation response please contact Hugh Wareham, Policy Advisor, GreenCollar on* [redacted]