



Public consultation paper: Seeking views on the Draft Audit Thresholds Instrument 2025

The Clean Energy Regulator (CER) is seeking your views on the Draft Carbon Credits (Carbon Farming Initiative) (Audit Thresholds) Instrument 2025 (Draft Instrument). The Draft Audit Thresholds Instrument is proposed to replace the [Carbon Credits \(Carbon Farming Initiative\) \(Audit Thresholds\) Instrument 2015](#) (Audit Thresholds Instrument 2015) which will sunset and be repealed on 1 April 2025.

The Audit Thresholds Instrument prescribes thresholds for different types of audits, including scheduled audits and triggered audits, for Australian Carbon Credit Unit (ACCU) Scheme projects. It also sets requirements for alternative assurance projects that may be eligible for a reduced number of audits.

To develop the Draft Instrument, we undertook an initial round of public consultation at the end of 2024. A [consultation paper: Seeking views from ACCU Scheme Stakeholders on the Audit Thresholds Instrument](#), was open for submissions from 18 November 2024 until 15 December 2024. We would like to thank all the individuals and organisations who provided submissions.

Please refer to the [initial consultation paper](#) for an overview of how the Audit Thresholds Instrument works. This second consultation paper outlines the proposed changes incorporated into the attached Draft Instrument for you to consider and provide feedback. It also provides our responses to specific suggestions and feedback received in submissions to the initial round of public consultation.

Proposed changes

The CER has considered all 20 submissions received to the initial round of public consultation and has used this feedback to develop the Draft Instrument attached for public consultation.

Submissions overwhelmingly supported the inclusion of alternative assurance arrangements for Low risk projects under the [Carbon Credits \(Carbon Farming Initiative\) \(Reforestation by Environmental or Mallee Plantings–FullCAM\) Methodology Determination 2024](#). This class of projects is referred to as Low risk environmental plantings 2024 projects.

- The eligibility criteria proposed in the Draft Instrument for this class of projects is the same as the eligibility criteria used for the [Environmental plantings pilot](#). The only change is that the reference to generic calibration has been removed, as it is not applicable under this version of the method. Projects that meet the criteria listed at item 3 in the table of the [Draft Instrument](#) will be eligible to 'opt in' to alternative assurance arrangements and have zero scheduled audits.

No other changes to audit requirements have been incorporated into the Draft Instrument. Audit thresholds, number of subsequent audits required for projects and the existing classes of alternative assurance projects remain the same as they are in the Audit Thresholds Instrument 2015. Submissions to our initial public consultation indicated that the current audit requirements support a risk based approach to compliance.

This means that under the Draft Instrument, existing and future projects will be subject to the same audit requirements as those in the Audit Thresholds Instrument 2015 (other than the new alternative assurance





category for Low risk environmental plantings 2024 projects). Existing classes of alternative assurance projects, including Low risk plantation forestry projects, and existing Low risk environmental plantings projects (referred to as Low risk environmental plantings 2014 projects in the Draft Instrument) would also continue under the Draft Instrument.

Consultation questions:

1. Do you think the Draft Instrument strikes the right balance between supporting participation and abatement, ensuring integrity of abatement, and facilitating a risk based approach to compliance?
2. Are there any integrity risks that have not been considered in the Draft Instrument?
3. Is there any other evidence that we have not considered that would support changes to the audit requirements proposed under the Draft Instrument?
4. Do you have any further feedback to provide on the Draft Instrument or alternative assurance arrangements for Low risk environmental plantings 2024 projects?

Response to submissions

Our response to specific feedback in the submissions received to our initial round of public consultation is summarised below. Submissions that were not marked as confidential are published on the CER website.

Feedback/suggestions received	Our response
<p><u>Reduced audits for smaller projects, and low risk projects/methods:</u></p> <ul style="list-style-type: none"> • Additional audit threshold tier for projects less than 10,000t CO₂-e. These projects would only require one initial audit, and one further scheduled audit at the period of peak abatement. • Flexibility arrangements based on the risk profile of a project, where a project assessed as low risk may have reduced audits. • A mechanism for medium/large projects to reduce the number of subsequent audits required for low-risk methods where they can be verified by alternative means or good compliance. • Introduce tiered trigger audit thresholds for low-risk methods to reduce unnecessary audit burdens. 	<p>The CER is of the view that smaller projects, and low risk projects or methods, can be best supported through alternative assurance arrangements where appropriate.</p> <p>The CFI Rule does not permit the Audit Thresholds Instrument to set out extra criteria for specific low risk methods or projects (except through alternative assurance arrangements).</p> <p>The CFI Rule does not permit less than 3 scheduled audits for a project (except through alternative assurance arrangements).</p> <p>The CFI Rule does not permit tiered trigger audit thresholds for low-risk projects.</p>
<p><u>Flexibility to defer or postpone audits:</u></p>	<p>The CER’s current administrative processes contain flexibility to defer reporting and reschedule subsequent audits when the net abatement for a reporting period is 0 tCO₂e.</p>



<ul style="list-style-type: none"> Provisions to defer audits where the final net abatement amount for a reporting period is 0 tCO₂e. Clarify auditing requirements should a triggered audit fall within a 12-month period of a scheduled audit. 	<p>Flexibility is provided in S77(5) of the CFI Rule. Where a threshold (trigger) audit is required and a subsequent audit is due within a short time, the subsequent audit can be postponed, or a single audit can be used to meet both the requirements of the trigger and subsequent audits.</p> <p>CER will review its guidance to better clarify this flexibility.</p>
<ul style="list-style-type: none"> Better clarify that it is a trigger threshold for a reporting period, not an annual amount. 	<p>CER will review its guidance to better clarify that this is a trigger threshold for a reporting period.</p>
<ul style="list-style-type: none"> Setting the trigger audit threshold based on average annual abatement, to address the risk of projects timing offsets reports to avoid triggered audits. 	<p>The CER is of the view that this proposal is not feasible or necessary. Section 77(1) of the CFI Rule only requires a threshold audit where the net abatement number for a <i>single</i> reporting period exceeds the specified threshold. There are other mechanisms for the CER to undertake audits if a project proponent appears to be over-claiming ACCUs or avoiding auditing requirements, such as an audit under section 215 of the CFI Act.</p>
<p><u>Reduce duplication in audits:</u></p> <ul style="list-style-type: none"> Tighten the scope of on-site audits to minimise unnecessary duplication of assessment by the CER and the on-site auditors. Use geographical and/or satellite resources and thus reduce information requirements and analysis by an auditor. 	<p>The CER’s current risk-based approach to compliance ensures that audits are targeted to where they can have greatest value in supporting scheme integrity. We seek to reduce duplication in the CER’s assessment processes where an audit report provides the necessary assurance over the offsets report.</p> <p>The CER uses geographical and/or satellite resources where appropriate and continues to integrate these tools into our compliance strategy as this technology develops.</p>
<p><u>Alternative assurance:</u></p> <ul style="list-style-type: none"> Make the risk analysis undertaken to determine classes of projects suitable for alternative assurance public to increase transparency. Extending alternative assurance to low risk projects in other methods (such as low risk savanna projects). 	<p>The CER’s framework for assessing proposals for alternative assurance will be made public to increase transparency around how alternative assurance proposals are assessed.</p> <p>Once in place, the Audit Thresholds Instrument 2025 can be amended by the CER Board at any time if further proposals for alternative assurance are made and assessed as suitable.</p> <p>We will seek to add an assessment of the suitability of lower-productivity savanna fire management projects for alternative assurance, to the Board’s forward work program.</p>
<p><u>Suggested changes to criteria for Low risk environmental plantings projects:</u></p> <ul style="list-style-type: none"> Allowing proponents to participate that are not the owner, leaseholder or native title holder of the land. Opening 	<p>The CER is of the view that this would reduce focus on the intent of encouraging small landholders to participate.</p> <p>A 200 ha size limit has been shown by the Environmental plantings pilot to increase participation, keep integrity risks low and maintain focus on smaller landholders.</p>



participation to carbon service providers and others who are not on the land title.

- Maximum size cap could be increased to support participation. One suggested up to 300 ha, another suggested using expected abatement of less than 5,000t CO₂-e per annum.

The CER is of the view that use of forward abatement estimates instead of area may increase risk of gaming as this estimate is uncertain at time of project registration.

Additional feedback:

- Aligning audit requirements for ACCU and future Nature Repair Market projects. This will ensure the interoperability of the ACCU Scheme and future NRM.
- A guidance document or guardrails to define standard financial services costs of auditing be considered to limit uncertainty surrounding audit costs.
- Additional guidance to explain and standardise the process for making Forward Abatement Estimates.
- Consider ways to reduce audits and smooth the pathway for projects transitioning to the new savanna sequestration method.
- Consider ways organisations such as NRM Regions can assist with scheme engagement and participation.

The CER intends to seek alignment of audit requirements for ACCU and future Nature Repair Market projects as much as possible.

The CER will consider the other suggestions made in submissions and may use this feedback to (for example):

- Prioritise updates to our [ACCU Scheme regulatory and educational guidance](#).
- Consider opportunities to improve and streamline scheme administration.

Confidentiality and privacy

The CER 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 CER'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 the [Freedom of Information Act 1982](#).

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



Submissions are due by 5 pm AEDT Wednesday 5 February 2025. Any submissions received after this date will be considered at the discretion of the CER. You can make a submission **online** or by emailing StrategyCoordination@cer.gov.au and attaching a completed copy of the [consultation coversheet](#).