



# Public consultation paper: Seeking views from ACCU Scheme stakeholders on the Audit Thresholds Instrument

The Clean Energy Regulator (CER) is seeking your views on the [Carbon Credits \(Carbon Farming Initiative\) \(Audit Thresholds\) Instrument 2015<sup>1</sup>](#) (Audit Thresholds Instrument). The Audit Thresholds Instrument is used to set the audit schedule for Australian Carbon Credit Unit (ACCU) Scheme projects. It prescribes thresholds for different types of audits, including scheduled audits and triggered audits. It also sets requirements for alternative assurance projects that may be eligible for a reduced number of audits.

The Audit Thresholds Instrument will sunset and be repealed on 1 April 2025. This means the CER will need to make a new Audit Thresholds Instrument, which provides an opportunity to make changes if necessary. We are not proposing to increase the audit burden for projects that are already registered, but we are seeking feedback to understand whether there are ways to increase the efficiency and effectiveness of the Audit Thresholds Instrument for new projects. The CER will publish more information for existing ACCU Scheme participants ahead of the sunset date.

## How does the Audit Thresholds Instrument work?

The CER's risk-based approach to compliance ensures that audits are targeted to situations where they can provide the greatest value in supporting scheme integrity. The Audit Thresholds Instrument requires most ACCU projects to have at least 3 independent audits, generally on-site, at the proponent's expense, where project performance is checked against scheme requirements.

There are 3 types of audits used under the ACCU Scheme:

- **Scheduled audits** - generally, proponents must submit an initial audit report with their first project report. Initial audits are to give us confidence that the project is being run in accordance with legislative requirements. The initial audit covers a minimum reporting period of 6 months. Proponents must submit subsequent audit reports as set out in their project's audit schedule. The audit schedule ensures that the project is audited across periods of peak abatement. The CER uses subsequent audits to establish reasonable assurance that the abatement achieved and reported by a project is accurate. Subsequent audits cover a minimum reporting period of 12 months.
- **Triggered audits** - There are a few different kinds of triggered audits. These are described in the [Carbon Credits \(Carbon Farming Initiative\) Rule 2015<sup>2</sup>](#) (CFI Rule) and include threshold audits, variance audits, qualified or other conclusion audits, and forest cover audits of regeneration projects. A threshold audit is required if a project report for a period claims more abatement than the trigger audit threshold. A

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<sup>1</sup> <https://www.legislation.gov.au/F2015L00284/latest/text>

<sup>2</sup> <https://www.legislation.gov.au/F2015L00156/latest/text>



variance audit can be required where the abatement amount for a reporting period is significantly different to any expected variance audit threshold specified in the Audit Thresholds Instrument. The CER can specify the additional scope of threshold audits, variance audits and qualified or other conclusion audits.

- **Compliance-related audits** – the CER can require a project proponent to undergo an audit of their compliance with one or more aspects of the *Carbon Credits (Carbon Farming Initiative) Act 2011*<sup>3</sup> (CFI Act).

The Audit Thresholds Instrument relates to scheduled audits, variance audits and threshold audits.

## Subsequent audits

Sections 4 and 5 of the Audit Thresholds Instrument set out audit thresholds and the number of subsequent audits required for a project based on its estimated average annual abatement.

Annual average abatement amount	Audit threshold	Number of subsequent audits for new projects
50 000 tCO <sub>2</sub> -e or less	Threshold A (small)	2
50 001 to 150 000 tCO <sub>2</sub> -e	Threshold B (medium)	3
More than 150 000 tCO <sub>2</sub> -e	Threshold C (large)	5

### Consultation question:

1. Is there any evidence that the audit thresholds or number of subsequent audits required for projects that meet each threshold should be changed to better support a risk-based approach to compliance?

## Trigger audits

Under the CFI Act projects must report for a maximum reporting period of 2 years for emissions avoidance projects and 5 years for sequestration projects. Section 6 of the Audit Thresholds Instrument sets the trigger audit threshold for eligible offsets projects at 100 000 tCO<sub>2</sub>-e. This means that where an offsets report for a period claims abatement of more than 100 000 tCO<sub>2</sub>-e an audit is required. The threshold audit may coincide with a subsequent audit.

### Consultation question:

2. Is there any evidence that the trigger audit threshold should be changed to better support a risk-based approach to compliance?

<sup>3</sup> <https://www.legislation.gov.au/C2011A00101/latest/text>



## Alternative assurance

In 2021, the CER Board amended the Audit Thresholds Instrument to introduce the first alternative assurance option for 'low-risk' projects. Alternative assurance projects have a reduced number of audits and are subject to geospatial monitoring and other compliance checks by the CER.

The first class of projects to become eligible for alternative assurance was [low-risk environmental plantings projects](#)<sup>4</sup>. This was a key component of the [environmental plantings pilot](#)<sup>5</sup>, designed to open up scheme participation for small-scale projects by reducing audit costs. Criteria for this class of projects include using the reforestation by environmental or mallee plantings 2014 (the environmental plantings) method and having a carbon estimation area of up to 200 hectares.

The environmental plantings method has now sunset, and a new method was made in November 2024. It is timely to reflect on the learnings from the environmental plantings pilot and consider whether alternative assurance arrangements should be extended to the new reforestation by environmental or mallee plantings 2024 method and, if so, whether any changes are required.

Further classes of alternative assurance projects can be added to the Audit Thresholds Instrument by the CER Board, if appropriate assurance mechanisms can be demonstrated. In August 2024, following public consultation, [low-risk plantation forestry projects](#)<sup>6</sup> became eligible for alternative assurance.

### Consultation question:

3. Should alternative assurance arrangements be extended to the new reforestation by environmental or mallee plantings method and, if so, are any changes required?

*Please note: we are not seeking views on alternative assurance for low-risk plantation forestry projects, as these arrangements were made recently following [a public consultation process](#)<sup>7</sup>.*

## Background

The ACCU Scheme has a critical role in achieving Australia's legislated emissions reduction targets of 43 percent below 2005 levels by 2030, and net zero by 2050. The Australian Government is committed to ensuring the ACCU Scheme has integrity and delivers confidence to participants, the market, and the wider public.

The CER is responsible for administering the registration and crediting of projects under the ACCU Scheme. The CER applies an active upfront assurance framework to ensure that ACCUs that are created represent real abatement according to the legislation, rules, and relevant method and applied tools. This upfront assurance framework is in effect 'preventative' compliance for the ACCU Scheme with careful checking that is applied when projects are registered and when ACCUs are credited. This is important because ACCUs are a carbon accounting unit and are used to demonstrate compliance with regulatory or voluntary emissions obligations.

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<sup>4</sup> <https://cer.gov.au/news-and-media/news/2021/june/amendments-to-audit-threshold-instrument-now-effect>

<sup>5</sup> <https://cer.gov.au/schemes/australian-carbon-credit-unit-scheme/accu-scheme-methods/reforestation-environmental-or-mallee-plantings-fullcam-method-2014/environmental-plantings-pilot-method-closed>

<sup>6</sup> <https://cer.gov.au/news-and-media/news/2024/august/new-audit-requirements-low-risk-plantation-forestry-projects>

<sup>7</sup> <https://cer.gov.au/news-and-media/public-consultations/plantation-forestry-alternative-assurance-consultation>



Audits under the ACCU Scheme provide confidence that projects are undertaken in accordance with the legislative framework. Audits usually include fieldwork and site inspections to confirm the implementation of project activities to reduce emissions or store carbon and check record-keeping procedures.

The requirements for registered auditors for the ACCU Scheme are laid out in a legislative instrument under the [National Greenhouse and Energy Reporting Act 2007](#)<sup>8</sup> and the [National Greenhouse and Energy Reporting \(Audit\) Determination 2009](#)<sup>9</sup>. Auditors are independent, and the CER maintains a register of accredited auditors with relevant qualifications.

Scheme participants must arrange and pay for their audits. The CER can and has initiated additional compliance audits where the CER wishes to further assess compliance. In some circumstances the CER may reimburse project proponents for the cost of these audits.

For more information about the CER's approach to compliance and assurance under the ACCU Scheme, see the [ACCU Scheme Compliance and Assurance Framework](#)<sup>10</sup>.

## 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](#)<sup>11</sup>.

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, Sunday 15 December 2024.** Any submissions received after this date will be considered at the discretion of the CER. You can make a [submission online](#)<sup>12</sup> or by emailing [StrategyCoordination@cer.gov.au](mailto:StrategyCoordination@cer.gov.au) and attaching a completed copy of the [consultation coversheet](#)<sup>13</sup>.

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<sup>8</sup> <https://www.legislation.gov.au/C2007A00175/latest/versions>

<sup>9</sup> <https://www.legislation.gov.au/F2010L00053/latest/text>

<sup>10</sup> <https://cer.gov.au/node/3784>

<sup>11</sup> <https://www.legislation.gov.au/C2004A02562/latest/text>

<sup>12</sup> <https://www.surveymonkey.com/r/KBWJ3W3>

<sup>13</sup> <https://cer.gov.au/document/consultation-coversheet-audit-thresholds-instrument-submissions>