Australian Government
Clean Energy Regulator





Safeguard Mechanism

SMC issuance and carbon unit surrender guideline

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The Safeguard Mechanism

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Disclaimer

This guideline has been developed by the Clean Energy Regulator (CER) to assist responsible emitters to apply for a surrender of prescribed carbon units (PCUs) or an issuance of Safeguard Mechanism credit units (SMCs) under the Safeguard Mechanism.

This guideline must be read in conjunction with the *National Greenhouse and Energy Reporting Act 2007*[1] (the NGER Act), the National Greenhouse and Energy Reporting Regulations 2008[2] (the NGER Regulations), the National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015[3] (the Safeguard Rule), and any other legislative instrument referenced in this document in their current form at the time of reading.

Changes to the legislation may affect the information in this document. It is intended that this document will be updated in line with any legislative changes or if further clarity on a particular issue is required.

The information contained in this document is provided as guidance only.

This document is general in nature and does not cover every situation that may arise in relation to the surrendering of PCUs for compliance under the Safeguard Mechanism or the issuance of SMCs, or the Safeguard Mechanism broadly.

Responsible emitters are responsible for determining their obligations under the Safeguard Rule, the NGER Regulations and the NGER Act and for applying the legislation to their individual circumstances. They should seek professional advice relevant to their circumstances if they have any concerns.

This document does not contain legal advice and is not a substitute for independent legal advice.

The CER and the Commonwealth of Australia will not be liable for any loss or damage from any cause (including negligence) whether arising directly, incidentally, or as consequential loss or damage, out of or in connection with, any use of this guideline or reliance on it, for any purpose.

[1] https://www.legislation.gov.au/Series/C2007A00175
[2] https://www.legislation.gov.au/Series/F2008L02230
[3] https://www.legislation.gov.au/Series/F2015L01637

Definitions and abbreviations

Term	Meaning
Australian carbon credit unit (ACCU)	Each ACCU represents one tonne of carbon dioxide equivalent (t CO_2-e) emissions stored or avoided by an eligible offsets project.
Controlling corporation	An entity that must register and report under the NGER Act, as defined in section 7 of the NGER Act[4]. A controlling corporation is a constitutional corporation that does not have a holding company in Australia. It is generally the corporation at the top of the corporate hierarchy in Australia. It can be a 'non-operational' holding company. It may also be a foreign incorporated entity that operates directly in Australia (that is, does not operate through an Australian incorporated subsidiary).
Covered emissions	Scope 1 emissions of one or more greenhouse gas, including: • direct emissions from fugitive emissions • emissions from fuel combustion • waste disposal and industrial process such as cement and steel making. Some scope 1 emissions are not covered by the Safeguard Mechanism, such as emissions from landfills associated with pre1 July 2016 waste and emissions related to the production of electricity at a grid-connected electricity generation facility.
Designated large facility	For the purposes of the Safeguard Mechanism, a facility is a designated large facility for a financial year if operations during that financial year produce more than 100,000 t CO_2-e of covered emissions.
Eligible facility	A facility that meets eligibility criteria in section 58B of the Safeguard Rule[5]. The responsible emitter for an 'eligible facility' (see Appendix A) may be issued with SMCs if a facility's emissions drop below the safeguard threshold, subject to meeting the requirements for issuance under sections 56 or 57 of the Safeguard Rule.
Excess emissions situation	Where the net emissions number for a facility for a monitoring period exceeds the facility's baseline emissions number for that monitoring period.
Executive officer (EO)	An executive officer is defined as a: • Director • Chief Executive Officer (however described) • Chief Financial Officer (however described) • Company Secretary.

[4] https://www.legislation.gov.au/C2007A00175/latest/versions
[5] https://www.legislation.gov.au/F2015L01637/latest/versions

Term	Meaning
Facility	Under section 9 of the NGER Act[6], a facility is an activity, or a series of activities (including ancillary activities), that involve greenhouse gas emissions, the production of energy or the consumption of energy. A facility will either: • form a single undertaking or enterprise and meet the requirements of the NGER Regulations[7] • be declared as a facility under section 54, 54A or 54B of the NGER Act.
Monitoring period	• A full financial year not included in a declared multi-year monitoring period (MYMP) and during which a responsible emitter had operational control over the facility. • Part of a financial year if a responsible emitter only had operational control over the facility for that part and the financial year is not included in an MYMP. • An MYMP for a facility, where the facility is a designated large facility for at least one of the financial years in the MYMP and a responsible emitter had operational control over the facility for the whole of that MYMP. • Part of an MYMP if a responsible emitter only had operational control over a facility for that part and the facility is a designated large facility for at least one of the financial years in the MYMP.
Multi-year monitoring period (MYMP)	MYMPs can provide responsible emitters with more time to implement emissions intensity reduction activities to avoid an excess emissions situation. The responsible emitter for a safeguard facility that is in an excess emissions situation for a financial year commencing on or after 1 July 2023 may apply for an MYMP declaration of up to 5 years in length, to commence from that financial year.
Net emissions number	The total amount of covered emissions in t CO_2-e for a facility during a period plus any ACCUs issued in relation to the facility during that period minus any ACCUs and/or SMCs surrendered for the facility for that monitoring period.
NGER report	A submission of energy and emissions information required under the NGER Act.
Operational control	A person is considered to have operational control over a facility if: • that person has authority to introduce and implement operating, health and safety, or environmental policies • the CER declares the person has operational control over the facility under section 55 or 55A of the NGER Act. If there is uncertainty about which person has operational control over a facility and the agency has not made a declaration under section 55 or 55A of the NGER Act, it will be the person with the greatest authority to introduce and implement operating and environmental policies in relation to the facility.

[6] https://www.legislation.gov.au/C2007A00175/latest/versions
[7] https://www.legislation.gov.au/F2008L02230/latest/text

Term	Meaning
	In this case, if among 2 or more persons neither has the greatest authority to introduce and implement operating and environmental policies in relation to a facility, and the CER has not made a declaration under section 55 of 55A of the NGER Act: • if a nomination by those persons is in force, then the nominated person will be taken to have operational control • if there is no nomination in force, each of those persons will be taken to have operational control over the facility.
Prescribed carbon unit (PCUs)	For the purposes of the NGER Act[8], a prescribed carbon unit is either: • an Australian carbon credit unit (ACCU) • a Safeguard Mechanism credit unit (SMC).
Responsible emitter	The person with operational control of a safeguard facility. The responsible emitter is responsible for meeting the Safeguard Mechanism requirements if the facility exceeds the safeguard threshold for a financial year and its net emissions number for a monitoring period exceed its baseline for that period. The responsible emitter may be an individual, a body corporate, a trust, a corporation sole, a body politic or a local governing body.
Safeguard Mechanism credit unit (SMCs)	A type of credit unit that may be issued to a responsible emitter for each tonne of emissions (CO_2-e) that a facility's covered emissions are below its baseline. These credits can be surrendered to meet safeguard compliance obligations, sold, or retained for future use. SMCs incentivise facilities to reduce their emissions below their baselines, including ongoing emissions reduction once a facility has dropped below the safeguard threshold. SMCs are not offsets.
Safeguard threshold	The number beyond which covered emissions produced by a facility in a financial year would cause it to be a designated large facility and therefore covered by the Safeguard Mechanism. The threshold is currently 100,000 tonnes of CO_2-e in a financial year.
Scope 1 emissions	Emissions of greenhouse gases released into the atmosphere as a direct result of the activity or activities at a facility level such as fuel combustion for electricity generation or cement production[9]. Some scope 1 emissions are not covered by the Safeguard Mechanism (see covered emissions).

[8] https://www.legislation.gov.au/C2007A00175/latest/versions
[9] https://cer.gov.au/schemes/national-greenhouse-and-energy-reporting-scheme/about-emissions-and-energy-data/emissions#types-of-emissions

Revision history

Date	Description
26 October 2026	• General updates throughout guideline to improve clarity and usability for responsible emitters. • Updated guidance in relation to changes to the value of penalty units as prescribed by the *Crimes Act 1914* (Cth).

Who this guideline is for

This guideline provides information about:

- how to surrender prescribed carbon units (PCUs) to reduce a facility's net emissions number
- the issuance of Safeguard Mechanism credit units (SMCs).

The CER recommends that parties involved in either surrendering PCUs for a facility or applying for the issuance of SMCs for a facility consider this guideline.

A step-by-step visual guide to PCU surrenders is also available in the CER's Safeguard Mechanism surrender walkthrough[10].

All references to legislative provisions in this guideline relate to the Safeguard Rule unless otherwise indicated.

[10] https://cer.gov.au/document_page/safeguard-mechanism-surrender-walkthrough

Part 1 Introduction

1.1 Surrender of prescribed carbon units

Responsible emitters of safeguard facilities whose net emissions number exceeds their baseline for a monitoring period must manage the excess emissions situation[11] before 1 April following the end of the monitoring period.

Surrendering prescribed carbon units (PCUs) is one option to manage excess emissions. A surrender of PCUs results in the net emissions number of the relevant facility being reduced by the number of PCUs surrendered. Surrendering enough units to reduce the facility's net emissions number to be equal to or less than the baseline emissions number for the monitoring period will resolve the excess emissions situation for that period.

A voluntary cancellation[12] of Australian carbon credit units (ACCUs) is a different process and **does not** meet the requirements of a surrender for the purpose of reducing the net emissions number of a safeguard facility.

Compliance obligations

If the responsible emitter for a facility intends to surrender PCUs to resolve an excess emissions situation for a monitoring period, the surrender transactions need to be completed before 1 April following the end of the monitoring period.

For example, for the 2025–26 monitoring period, the surrender transaction(s) must be completed before end of day on 31 March 2027.

A surrender of PCUs involves several steps, as outlined in the Overview of the surrender process.

A facility's responsible emitter is responsible for making sure that an excess emissions situation for their monitoring period does not exist on or after the 1 April deadline, even if they are relying on a third party(s) to surrender PCUs. This is set out at section 22XF of the NGER Act.

If a facility remains in an excess emissions situation for a monitoring period on or after the relevant 1 April deadline, they will be in breach of the NGER Act and can face a civil penalty.

The civil penalty for failure to comply with safeguard obligations is one penalty unit for each tonne of emissions that the facility is in excess on the relevant 1 April. The value of penalty units is prescribed by the *Crimes Act 1914* (Cth). As at 1 April 2027, the value of a penalty unit is $364.

An additional continuing contravention penalty of 100 penalty units per day applies for each day the excess emissions situation continues, for a period of 2 years after the relevant 1 April. This is set out at section 30(2C) of the NGER Act. As at 1 April 2027, the maximum civil penalty for each day of continuing contravention is $36,400 per day.

[11] https://cer.gov.au/schemes/safeguard-mechanism/managing-excess-emissions
[12] https://cer.gov.au/markets/voluntary-offsetting-and-surrender

Example of civil penalty

A facility has a net emissions number of 200,000 and a baseline emissions number of 150,000 for the 2025–26 monitoring period. If the responsible emitter does not manage the facility's excess by 1 April 2027, it may incur a civil penalty in relation to the 50,000 t CO_2-e of excess.

Therefore, the maximum civil penalty amount based on the value of a penalty unit is:
50,000 x $364 = $18,200,000.

1.2 Safeguard Mechanism credit unit (SMC) issuance

SMCs are a type of credit unit that may be issued to the responsible emitter for a facility for each tonne of emissions (t CO_2-e) by which the facility's covered emissions are below its baseline (see SMC issuance entitlement calculation for detailed calculation). These credits can be surrendered to meet safeguard compliance obligations, or sold, or retained for future use.

SMCs are not offsets because they are generated within a regulated emissions limit, which restricts the overall emissions of all facilities covered by the Safeguard Mechanism.

To be issued SMCs, the responsible emitter for a facility must meet eligibility criteria.

The responsible emitter for a facility must request an SMC issuance by submitting an SMC issuance application form in Online Services[13] (see Issuance of Safeguard Mechanism Credits for more information).

[13] https://www.cleanenergyregulator.gov.au/OSR/online-services

Part 2 Online Services application forms

2.1 Preparing the application

An application to surrender units for Safeguard compliance, or an application to receive SMCs, must be submitted by the responsible emitter for a facility using the relevant application form in Online Services[14].

To surrender PCUs, use the Carbon units surrender request form. To apply for SMCs, use the SMC issuance application form.

To prepare an application form, an Online Services user must be linked to the responsible emitter with the 'manage facilities' permission. This is found in the 'NGER' permissions tab within the 'manage user' function in Online Services. For information on how to update user permissions please see the NGER Online Services User Guide[15].

The Carbon units surrender request form can be signed and submitted by any Online Services user with the 'manage facilities' user access permission linked to the responsible emitter's account.

The SMC issuance application form must be signed by an executive officer of the responsible emitter before it is submitted. Application forms can be saved at any point and returned to later. A copy of an application form can be saved as a PDF and printed at any stage.

2.2 Submitting the application

There are 2 options to sign and submit an application form.

2.2.1 Online submission

An Online Services user with both the 'executive officer' relationship to the responsible emitter, and also the 'manage facilities' user permission, can:

1. log in to Online Services
2. open the draft version of the application
3. review the declaration
4. submit the application directly online.

2.2.2 Print and sign

1. An Online Services user with the 'manage facilities' user permission for the responsible emitter can open the draft form and print a PDF copy of the application.
2. The person with an executive officer relationship to the responsible emitter can then sign the form (electronic signature is acceptable).
3. The signed PDF can then be uploaded to the online application form and submitted by the user with 'manage facilities' access permission.

If you are having difficulty accessing, completing or submitting the online form, please contact the CER via cer-safeguardbaselines@cer.gov.au.

[14] https://cer.gov.au/online-systems#online-services
[15] https://cer.gov.au/document_page/nger-online-services-user-guide

Part 3 Surrendering PCUs

This information is for users surrendering PCUs to reduce a facility's net emissions number for a monitoring period. Users looking for guidance on how to be issued SMCs should refer to Part 4.

A step-by-step visual guide to this process is also available in the Safeguard Mechanism surrender walkthrough[16].

3.1 Who can complete a surrender

Only the responsible emitter for a facility can submit the Carbon units surrender request form, even if a third party is nominated to complete the surrender transaction in the Unit and Certificate Registry with relevant ANREU account(s).

If an ANREU account holder that is not the responsible emitter for a facility wishes to initiate a surrender process, please contact the safeguard team to arrange this via cer-safeguardbaselines@cer.gov.au.

A surrender request can nominate one or multiple ANREU accounts from which units will be surrendered. The ANREU accounts do not need to be related to the responsible emitter.

When the CER approves the surrender request, we will create the surrender transaction in the nominated ANREU account(s) in the Unit and Certificate Registry. Once the surrender has been initiated, the authorised representatives for that account can log in to the Unit and Certificate Registry to complete the surrender. See Completing the surrender transaction in ANREU for more information.

3.2 When you can surrender PCUs

You can surrender PCUs for a facility for the current monitoring period or an earlier one. You cannot surrender for a future monitoring period.

You can surrender as early as the first day of the monitoring period. For example, for the 2025–26 monitoring period a surrender can be made from 1 July 2025.

You can surrender before the CER has issued the facility's position statement in the responsible emitter's Online Services account. However, make sure that you are only surrendering sufficient PCUs to resolve an excess emissions situation. The CER cannot return excess surrendered PCUs. See Excess PCUs surrendered for more information.

You can submit more than one surrender request form for each facility and monitoring period.

3.3 Application deadlines

There is no legislated deadline for a surrender request form to be submitted. However, as safeguard facilities must not be in an excess emissions situation on or after 1 April, you must submit the request form with enough time for the CER to process the request, and for the authorised representatives of the nominated ANREU account(s) to approve the transaction before this date.

[16] https://cer.gov.au/document_page/safeguard-mechanism-surrender-walkthrough

Recommended surrender timing

We recommend submitting the surrender request form no later than 10 business days before the relevant 1 April to allow time for these processes to occur.

For example, to complete a surrender for the 1 April 2027 compliance deadline, forms should be submitted by 16 March 2027.

3.4 Overview of the surrender process

For a surrender to be completed, all the following steps must take place:

1. The responsible emitter submits the surrender request form in Online Services.
   - » If the total amount of ACCUs being surrendered for the facility for the monitoring period (including any ACCUs previously surrendered for this monitoring period) is equal to or greater than 30% of the facility's baseline, the responsible emitter must provide the CER a written explanation of why more carbon abatement was not undertaken at the facility. The explanation will be published on the CER's website. See Explanation requirement for more information.
   - » In the form, the responsible emitter must choose which ANREU account(s) the PCUs will be surrendered from and specify the number of PCUs to be surrendered from the selected account(s).
2. The CER reviews the surrender request form, and if approved, creates the requested surrender transaction(s) in the nominated ANREU account(s) in the Unit and Certificate Registry.
3. A user of the nominated ANREU account(s) must select the PCUs to be surrendered in their ANREU account(s). The total surrender amount nominated in the online form must be fulfilled exactly, with any combination of ACCU and SMC units.
4. The authorised representatives for the ANREU account(s) must approve the surrender transaction(s), this will remove the selected PCUs from the ANREU account(s).

Completing the surrender request form does not finalise the surrender of PCUs and will not resolve an excess emissions situation. All the steps must be completed for the surrender to occur.

To ensure an excess emissions situation does not exist on the 1 April deadline, this process must be completed by **11.59 pm AEDT on the 31 March** after the end of the monitoring period.

The following sections of this guideline provide more details on each step of this process.

3.5 Preparing the surrender request form

To start the safeguard surrender process, the facility's responsible emitter must submit the Safeguard carbon units surrender request[17] form located in Online Services[18].

Once the responsible emitter and facility have been selected in the surrender form, the following information is required.

3.5.1 Financial year

The net emissions number of the facility for the financial year you select will be reduced by the total amount of surrendered PCUs.

A monitoring period is usually a whole financial year, but there are some exceptions. Learn more about monitoring periods[19].

If a facility has a declared multi-year monitoring period including the financial year, the amount of surrendered PCUs will be subtracted from the facility's net emissions number for that multi-year period. In the form, select the final financial year included in the MYMP to surrender PCUs against.

If the relevant monitoring period covers only part of a financial year, the amount of surrendered PCUs will be subtracted from the facility's net emissions number for that monitoring period. In the form, select the financial year within which the monitoring period occurred.

3.5.2 ANREU accounts and surrender details

When completing the surrender in the Unit and Certificate Registry, an account user will be able to choose any combination of ACCUs and SMCs from their account holdings to surrender.

Select the ANREU account(s) from which the PCUs will be surrendered – multiple accounts may be nominated. The ANREU account(s) do not need to be related to the responsible emitter as any ANREU account holder can make a surrender.

For each ANREU account, specify the total number of PCUs to be surrendered. If you are surrendering both ACCUs and SMCs from the same ANREU account, select the total combined number of PCUs.

The form provides the following information to help surrender the correct amount of PCUs.

3.5.2.1 Total carbon unit surrender request amount

This is the sum of all PCUs that have been entered into the form.

The CER recommends that the total surrender amount does not exceed the amount required to resolve an excess emissions situation for the facility and monitoring period you have selected.

[17] https://onlineservices.cer.gov.au/forms/SAFE-009
[18] https://www.cleanenergyregulator.gov.au/OSR/online-services
[19] https://cer.gov.au/schemes/safeguard-mechanism/safeguard-net-emissions#monitoring-periods

3.5.2.2 Maximum recommended surrender amount

This value is the excess emissions amount from position statement minus any pending surrender amount. It represents the amount of PCUs that the CER estimates need to be surrendered to resolve an excess emissions situation.

You should perform your own calculations to confirm the number of PCUs surrendered will resolve any excess emissions situation. It is the responsible emitter's responsibility to make sure the correct number of PCUs are surrendered to resolve an excess emissions situation before 1 April.

If more PCUs are surrendered than required, the excess surrendered PCUs cannot be refunded, recovered or transferred in any way, or carried over to a future period except in limited circumstances – see Excess PCUs surrendered.

If you surrender less than the maximum recommended surrender amount, a further surrender may be required to avoid or rectify an excess emissions situation, unless an alternate excess management option[20] is used.

If this field is blank, then a position statement has not been issued for the facility for the relevant financial year. You can still surrender PCUs before CER has issued the facility's position statement. However, you should carefully perform your own calculations to confirm the correct number of PCUs surrendered will resolve any excess emissions situation.

3.5.2.3 Excess emissions amount from position statement

This is the amount shown in the current position statement for the facility for the financial year (if available).

Facility position statements can be viewed in the responsible emitter's Online Services account: select Manage, then Safeguard facilities, then select the facility and Position Statements.

If you disagree with the excess emissions amount shown in this form and the position statement, please contact the CER on 1300 553 542 or email cer-safeguardbaselines@cer.gov.au.

If this field is blank, then a position statement has not been issued for the facility for the relevant financial year.

3.5.2.4 Pending surrender amount

This is the amount of PCUs that the responsible emitter has already submitted a request to surrender, but the surrender process has not yet been completed.

3.5.3 Explanation requirement

This section of the form should be completed if the total amount of ACCUs surrendered for a facility for a monitoring period is equal to or greater than 30% of the facility's baseline emissions number for the monitoring period.

In these circumstances, the responsible emitter must provide the CER a written explanation of why more carbon abatement was not undertaken at the facility during the monitoring period. The surrender is not valid unless the responsible emitter provides this explanation.

[20] https://cer.gov.au/schemes/safeguard-mechanism/managing-excess-emissions

If a written explanation is required, it must be provided to the CER before the 1 April compliance deadline to meet the responsible emitter's obligation to avoid an excess emissions situation on the deadline. The CER recommends providing your explanation with the surrender request form. You may submit the written explanation at a later date if needed, so long as it is before 1 April.

The written explanation must relate to the relevant monitoring period and cover the following:

- If limitations in available technologies affected the level of carbon abatement undertaken at the facility during the period.
- If there are barriers, including regulatory barriers, to undertaking carbon abatement at the facility.
- Information about future opportunities for undertaking carbon abatement at the facility.
- Identifying information included in the explanation that is commercially sensitive.

The written explanation should:

1. specify the facility, the responsible emitter's name and the monitoring period
2. be signed by an executive officer of the responsible emitter for the facility
3. be uploaded in the surrender request form in Word or PDF format.

The CER must publish the written explanation on its website, along with other information relating to the monitoring period such as the facility's covered emissions, net emissions number, baseline emissions number and number of PCUs surrendered.

3.6 Completing the surrender transaction in ANREU

Following CER review and approval of the surrender request, the authorised representative(s) of the relevant ANREU account(s) must complete the surrender transaction in the Unit and Certificate Registry.

Within 5 business days of receiving the form, the CER will create the requested carbon unit surrender transaction(s) in the nominated ANREU account(s). Once the CER creates a surrender transaction, it cannot be edited. For example, the number of PCUs in the surrender cannot be changed.

The primary authorised representative for the ANREU account will then be notified that the surrender transaction is ready to be approved. The contact person for the responsible emitter will also be notified when the transaction has been created.

Users with access to the nominated ANREU account in the Unit and Certificate Registry must select PCUs from the account holdings to meet the surrender request. An authorised representative with approver permission must then approve the transaction to complete the surrender.

For assistance with completing a surrender transaction in the Unit and Certificate Registry, please contact the Registry team at CER-RegistryContact@cer.gov.au.

3.6.1 Confirmation of surrender

The surrender process is completed once the authorised representative with approver permission approves the transaction, and (if required) the written explanation is provided to the CER.

From this time, the net emissions number of the facility for the relevant monitoring period will be reduced by the number of PCUs surrendered.

After a surrender transaction has been completed:

- A record of the completed transaction will be available in the ANREU account.
- The responsible emitter for the facility will be able to view draft and completed surrender transactions on the safeguard facility's carbon units page in Online Services.
- A new position statement will be available in the responsible emitter's Online Services account within 5 business days.
- An email will be sent to the contact person for the responsible emitter when the new position statement is available.

3.7 Publication

For each monitoring period, the CER must publish details of any PCUs surrendered to reduce the net emissions number of the facility. These details will include the methodology determination of any ACCUs surrendered.

3.8 Sufficient PCUs surrendered

If the facility's net emissions number is reduced to be equal to or less than the baseline emissions number for the monitoring period, the excess emissions situation for that period is resolved.

The position statement status for the monitoring period in Online Services will then display 'No excess', and the net position number will be equal to or less than zero.

3.9 Excess PCUs surrendered

If more PCUs are surrendered than required to resolve an excess emissions situation, the over-surrendered PCUs cannot be refunded, recovered or carried over to a future period.

In strictly limited circumstances, over-surrendered PCUs can be carried forward to the next monitoring period. This can occur if either:

- some or all of the prescribed carbon units were over-surrendered because of an error by the CER
- all of the following apply:
  - PCUs were surrendered because of an error by the responsible emitter or another person (e.g. the organisation that submits the facility's annual NGER Scheme report)
  - the error concerned the amount of covered emissions or the quantity of a production variable for the facility, during the relevant period
  - the CER required an NGER Scheme report to be resubmitted because of the error
  - the CER is satisfied that the error was made in good faith.

If an over-surrender meets the requirements outlined above, the responsible emitter can request that the over-surrendered units be treated as having been surrendered for the purpose of reducing the facility's net emissions number for the following financial year.

3.10 Insufficient PCUs surrendered

If insufficient PCUs are surrendered to resolve an excess emissions situation for a facility for a monitoring period, the responsible emitter must make another surrender or use another option to manage excess emissions[21] before the 1 April deadline.

Additional surrenders can be initiated by submitting a new surrender request form.

If there is an error in the responsible emitter's calculation of the covered emissions or the quantity of a production variable for the facility, and the error results in an increased excess, a further surrender will be required to resolve the excess emissions situation.

[21] https://cer.gov.au/schemes/safeguard-mechanism/managing-excess-emissions

Part 4 Issuance of SMCs

This information provides guidance on how to be issued SMCs. Users looking for guidance on how to surrender PCUs to reduce a facility's net emissions number for a monitoring period should refer to Part 3.

4.1 Who can be issued SMCs

SMCs are issued to the responsible emitter for a facility that meets the below eligibility criteria.

To be issued SMCs, a responsible emitter must submit the SMC issuance application form in Online Services.

SMCs can only be issued to the responsible emitter's own ANREU account. If the responsible emitter does not have an account, they must apply for an ANREU account[22] in Online Services before submitting the application.

4.2 Eligibility criteria

The CER will assess the application to determine whether the eligibility requirements are met. If satisfied, the CER will decide how many SMCs can be issued (see SMC issuance entitlement calculation).

4.2.1 Accuracy of reporting

The CER must be satisfied there is no evidence to suggest the following have been inaccurately reported:

- Production variable quantity for the financial year (or for any financial year in a MYMP, if applicable).
- Covered emissions of greenhouse gases from the operation of the facility in the financial year (or in any financial year in a MYMP, if applicable).

4.2.2 Facility without an MYMP

A facility without an MYMP must meet the following requirements for the financial year that SMCs are sought:

- Be a designated large facility, or an eligible facility[23] for the financial year.
- Have no borrowing adjustment determination specifying a borrowing adjustment number for the financial year.
- Have a baseline emissions number for the financial year greater than the sum of the:
  - facility's covered emissions for the financial year
  - number of ACCUs (if any) by which the net emissions number for the financial year is increased under subsection 22XK(4) of the *National Greenhouse and Energy Reporting Act 2007*.
- Not be a landfill facility.

[22] https://onlineservices.cer.gov.au/forms/CORP-005
[23] See Definitions and Abbreviations and Appendix A for further information on the definition of an eligible facility.

4.2.3 Facility with an MYMP

The responsible emitter for a facility with an MYMP can apply for SMCs after the last financial year of the MYMP. In this case, the facility must meet the following requirements:

- Be a designated large facility, or an eligible facility, during each financial year in the MYMP.
- Have no borrowing adjustment determination specifying a borrowing adjustment number for a financial year in the MYMP.
- Have a baseline emissions number for each financial year included in the MYMP greater than the sum of the:
  - facility's covered emissions for each financial year included in the MYMP
  - number of ACCUs (if any) by which the net emissions number for each financial year included in the MYMP is increased under subsection 22XK(4) of the NGER Act.
- Not be a landfill facility.

4.3 SMC issuance entitlement calculation

4.3.1 Responsible emitter for full monitoring period

The formula to calculate the number of SMCs that a responsible emitter is eligible for, if they were the responsible emitter for the entire financial year or MYMP, is:

SMC number$_{fy}$ = baseline emissions number* – covered emissions – ACCUs issued[24] in the monitoring period – SMCs issued already for the monitoring period.

**the baseline emissions number for this purpose is the number calculated before any adjustment to the default of 100,000.*

4.3.2 Responsible emitter for part monitoring period

The formula to calculate the number of SMCs for which a responsible emitter is eligible, if they were the responsible emitter for part of the financial year or MYMP, is:

SMC number$_{pfy}$ = SMC number$_{fy}$ × (number of days in financial year that the entity was the responsible emitter ÷ 365)

4.4 Position statement

If you have submitted your facility's covered emissions and production variable quantity data to CER, we will prepare and issue a position statement in Online Services:

1. select 'Manage', 'Safeguard facilities'
2. select the facility and relevant financial year from the drop-down menu
3. select 'Position Statements'.

[24] https://cer.gov.au/schemes/safeguard-mechanism/safeguard-net-emissions

Your position statement will include an estimate of whether the responsible emitter may be eligible for SMCs in relation to the facility and the number of those SMCs.

The SMC issuance application form will show the estimated number of SMCs the responsible emitter may be eligible for, based on the value in the position statement.

Responsible emitters are entitled to submit the application form before their position statement has been issued, or to apply for a different number of SMCs from the estimate. You can also apply for SMCs if the estimate in the position statement is that the responsible emitter is not eligible for SMCs.

If you don't agree with the SMC issuance amount shown in your position statement, please contact us on 1300 553 542 or email cer-safeguardbaselines@cer.gov.au.

4.5 Preparing the application

Once the responsible emitter and facility have been selected in the SMC issuance form, the following information is required:

- The financial year for which the responsible emitter is applying for SMCs.
  - » If the facility has an MYMP, an application can only be made once the MYMP is complete. Select the last financial year of the MYMP.
- The responsible emitter's ANREU account – this is prefilled based on information held by the CER. If the responsible emitter holds more than one ANREU account, you can select which ANREU account the SMCs will be issued to.
- The SMC entitlement value (see SMC issuance entitlement calculation).
- An acknowledgement the CER may require any SMCs issued on false or misleading information or as a result of fraud to be relinquished (see Relinquishment requirement).

4.6 Application deadline

There is no legislated deadline to submit the application form., However, to ensure that eligible SMCs can be issued as close to 31 January as is reasonably practicable, the CER recommends applications are made by 31 December, and no later than 31 January following the relevant monitoring period.

4.7 When SMCs are issued

If an SMC issuance application is submitted before 31 January after the end of the financial year or MYMP and the CER decides to issue SMCs, these must be issued as close to 31 January as is reasonably practicable.

If an application is submitted after 31 January following the end of the financial year or MYMP and the CER decides to issue SMCs, these will generally be issued within 5 working days of the decision.

SMCs are issued into the responsible emitter's ANREU account in the Unit and Certificate Registry. The contact person for the responsible emitter will be notified once the SMCs are issued.

4.8 Publication

The CER must publish details of SMCs issued for each financial year. This includes the name of the facility, the responsible emitter and the number of SMCs issued.

4.9 Relinquishment requirement

In an SMC issuance application, the responsible emitter must acknowledge that the CER may require SMCs to be relinquished if they were issued on false or misleading information, or as a result of fraudulent conduct, and that an appropriate court may issue this order.

The CER may issue a written notice requiring a responsible emitter to relinquish PCUs, referred to as 'relinquishable units'. This happens if:

- SMCs have been issued to the responsible emitter for the facility
- the SMCs were issued to the responsible emitter based on information given to the CER (whether or not by the responsible emitter)
- the information was false or misleading in a material particular – for example, including inaccurate covered emissions or production variable quantity data in a submission to the CER
- the issuance of any or all of the SMCs was directly or indirectly attributable to the false or misleading information.

The number of relinquishable units will not exceed the number of SMCs issued, which was directly or indirectly attributable to the false or misleading information.

A court can also require a responsible emitter to relinquish a specified number of SMCs if they were issued because of the commission of a specified Commonwealth offence involving fraudulent conduct.

The responsible emitter has 90 days to comply with the relinquishment notice. An administrative penalty is payable for non-compliance with a relinquishment notice after the 90 days.

4.9.1 Published information

If a person is required to relinquish PCUs, the CER must publish the following information:

- name of the responsible emitter
- details of the relinquishment requirement
- if the responsible emitter complies with the relinquishment notice, the number of units relinquished
- if the responsible emitter does not comply with the relinquishment notice and fails to pay the administrative penalty for non-compliance within 30 days, details of the unpaid amount.

Appendix A – eligible facility

Being an eligible facility allows a facility whose covered emissions drop below the 100,000 t CO_2-e coverage threshold to be issued SMCs. This is subject to meeting the other requirements under section 56 or, if the facility has a multi-year monitoring period, section 57 of the Safeguard Rule.

A facility must meet one of 3 sets of eligibility criteria under section 58B of the Safeguard Rule to be an eligibility facility for the **current financial year**.

Criteria 1 – subsection 58B(1) of the Safeguard Rule

- The facility is not a designated large facility, as defined in the NGER Act, for the current financial year.
- The facility was a designated large facility for a financial year within the previous 10 years.
- The facility has not been a designated large facility for any financial year since the financial year for which it was last a designated large facility.
- The facility was a designated large facility in either:
  - at least 3 financial years from 2017–18 to 2021–22
  - 2 of the 4 financial years immediately before the last financial year for which it was a designated large facility.
- The facility has an emissions intensity determination (EID) for the current financial year or is a new facility.
- No ACCUs have been issued in relation to avoidance of covered emissions from the operations of the facility for the current, or the previous, financial year.

Criteria 2 – subsection 58B(2) of the Safeguard Rule

- The facility is not a designated large facility, as defined in the NGER Act, for the current financial year.
- The current financial year begins after 30 June 2028.
- The facility was a designated large facility for at least 3 of the 5 financial years immediately before the current financial year.
- The facility has an EID for the current financial year or is a new facility.
- No ACCUs have been issued in relation to avoidance of covered emissions from the operations of the facility for the current, or the previous, financial year.

Criteria 3 – subsection 58B(4) of the Safeguard Rule

- The facility is not a designated large facility, as defined in the NGER Act, for the current financial year.
- The facility was a designated large facility for a financial year within the previous 10 years.
- The facility has not been a designated large facility for any financial year since the financial year for which it was last a designated large facility.
- The current financial year is one of the 10 financial years after the earlier of:
  - the last year for which SMCs were not issued in relation to the facility
  - the financial year 3 years after the last financial year for which the facility was a designated large facility.

- The facility was a designated large facility in either:
  - 3 financial years from 2017–18 to 2021–22
  - 2 of the 4 financial years immediately before the last financial year for which it was a designated large facility.
- The facility has an EID for the current financial year or is a new facility.
- No ACCUs have been issued in relation to avoidance of covered emissions from the operations of the facility for the current, or the previous, financial year.
- No SMCs have been issued in relation to the facility for any financial year after the last financial year for which it was a designated large facility.