Australian Government
Clean Energy Regulator

Safeguard Mechanism

SMC issuance and carbon unit surrender guideline

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The Safeguard Mechanism

Contents

Disclaimer 3
Definitions and abbreviations 4
Who is this guideline for? 7
Part 1 Introduction 8
1.1 Surrender of prescribed carbon units 8
1.2 Safeguard Mechanism credit unit (SMC) issuance 9
Part 2 General application requirements 10
2.1 Preparing and submitting the application 10
2.2 Submitting the application 10
Part 3 Surrendering Prescribed Carbon Units (PCUs) 11
3.1 Who can complete a surrender? 11
3.2 When can I surrender PCUs? 11
3.3 Application deadlines 11
3.4 Overview of the surrender process 12
3.5 Preparing the surrender request form 12
3.6 What happens once the surrender request form is submitted? 15
3.7 Publication 16
3.8 Excess or insufficient PCUs surrendered 16
Part 4 Issuance of Safeguard Mechanism credit units 17
4.1 Who can be issued SMCs 17
4.2 Eligibility criteria 17
4.3 SMC issuance entitlement calculation 18
4.4 Preparing the application 18
4.5 Application deadline 19
4.6 When will SMCs be issued? 19
4.7 Publication 19
4.8 Relinquishment requirement 19
Appendix A – eligible facility 21
Criteria 1 – subsection 58B(1) of the Safeguard Rule 21
Criteria 2 – subsection 58B(2) of the Safeguard Rule 21
Criteria 3 – subsection 58B(4) of the Safeguard Rule 21

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 particular 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 (tCO_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 pre-1 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 tCO_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' (refer Appendix A) can be issued with SMCs, after 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] National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015 - Federal Register of Legislation

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 and that either: • form a single undertaking or enterprise and meet the requirements of the NGER Regulations[7] • are declared to be 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 a MYMP. • A 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 a 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 a 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 tCO_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, and/or environmental policies, or if 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, the person having operational control over the facility will be the one with the greatest authority to introduce and implement operating and environmental policies in relation to the facility. 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 nor have those persons nominated one of themselves, each of those persons will be taken to have operational control over the facility.

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

Term	Meaning
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 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.
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.
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 definition of covered emissions above).

[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

Who is this guideline for?

This guideline provides information about surrendering Prescribed Carbon Units (PCUs) to reduce a facility's net emissions number, and 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.

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

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 commencing on or after 1 July 2023 must manage the excess emissions situation[10] before 1 April following the end of the financial year in which or at the end of which the monitoring period ended.

A surrender of prescribed carbon units (PCUs) is an excess emissions management option available to the responsible emitter of a Safeguard facility.

When a surrender is completed, the net emissions number of the relevant facility is reduced by the number of PCUs surrendered for the period. If the net emissions number for a monitoring period is reduced to be equal to or less than the baseline emissions number for the period, the excess emissions situation for that period has been resolved.

The voluntary cancellation[11] of Australian carbon credit units (ACCUs) **does not** meet the requirements of a surrender for the purpose of reducing the net emissions number of a Safeguard facility.

A surrender of PCUs is initiated by submitting the Carbon units surrender request form available in Online Services[12] (see Part 3 Surrendering Prescribed Carbon Units for more information).

> **Compliance obligations**
>
> The responsible emitter for a facility for a monitoring period is required to ensure the facility is not in an excess emissions situation on 1 April following the financial year in which or at the end of which the monitoring period ended. For example, a facility must not be in an excess emissions situation on 1 April 2025 for a monitoring period ending during or at the end of the 2023–24 financial year.

If the responsible emitter for a facility intends to surrender PCUs to resolve an excess emissions situation, the surrender transactions need to be completed before 1 April following the end of the relevant financial year. For example, for the 2023–24 compliance period the surrender transaction(s) needs to be completed before end of day on 31 March 2025. See below for information regarding what steps need to be undertaken to complete the surrender of PCUs.

A facility's responsible emitter is responsible for making sure an excess emissions situation for the responsible emitter's 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.

If a facility remains in an excess emissions situation for a monitoring period on 1 April following the relevant financial year, the facility's responsible emitter for that monitoring period can face a civil penalty. This is calculated using penalty units, the value of which is prescribed by the *Crimes Act 1914* (Cth). The number of penalty units is equal to the difference between a facility's net emissions number and baseline emissions number for the monitoring period.

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

For example, a responsible emitter for a facility that has a net emissions number of 200,000 and a baseline emissions number of 150,000 for the monitoring period, may incur a penalty unit amount of 200,000 - 150,000 = 50,000.

As at 1 April 2025, a penalty unit is equal to $330. Therefore, the maximum civil penalty amount is 50,000 x $330 = $16,500,000.

A civil penalty of 100 penalty units per day would also apply for each day the excess emissions situation continues for a period of 2 years after the relevant 1 April. As at 1 April 2025, this is $33,000 per day.

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 (CO_2-e) by which the facility's covered emissions are below its baseline (see section 4.3 SMC issuance entitlement calculation below for detailed calculation). These credits can be surrendered to meet Safeguard compliance obligations, sold, or retained for future use.

SMCs are not offsets, because they are generated within a regulated emissions limit.

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

The responsible emitter for a facility must request an SMC issuance by submitting an SMC issuance application form available in Online Services[13] (see Part 4 Issuance of Safeguard Mechanism Credits for more information).

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

Part 2 General application requirements

2.1 Preparing and submitting the application

An application for an SMC issuance or PCU surrender must be submitted by the responsible emitter for a facility using the respective application form in Online Services[14].

An Online Services user linked to the responsible emitter with the 'manage facilities' permission can prepare and edit a draft application form before it is submitted. The 'manage facilities' permission 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 SMC issuance application form must be signed by an executive officer of the responsible emitter before it is submitted.

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 application form can be saved at any point and returned to later. A copy of the 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:

- An Online Services user with both the executive officer relationship to the responsible emitter, and also the 'manage facilities' user permission, can log in to Online Services, open the draft version of the application, review the declaration and submit the application directly online.
- 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. The person with an executive officer relationship to the responsible emitter can then sign the form (electronic signature is acceptable). 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 Prescribed Carbon Units (PCUs)

3.1 Who can complete a surrender?

To start the Safeguard surrender process, the facility's responsible emitter must submit the Safeguard carbon units surrender request[16] form located in Online Services[17].

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

The facility's responsible emitter can submit more than one surrender request form for each monitoring period and can nominate one or more ANREU accounts.

Multiple ANREU accounts may be nominated and these do not need to be related to the responsible emitter.

Once the surrender has been initiated in the nominated ANREU account(s), the authorised representatives for that account will be able to log into the Unit and Certificate Registry to complete the surrender (see Part 3.6.1 Surrender PCUs for more information).

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.

3.2 When can I 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 2023–24 monitoring period a surrender can be made from 1 July 2023.

You can surrender before the CER has issued the facility's position statement in the responsible emitter's Online Services account. However, you should ensure that you are only surrendering sufficient PCUs to resolve an excess emissions situation as the CER will not be able to return excess surrendered PCUs. See section 3.8.1 excess PCUs surrendered for more information.

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. It is recommended that the form is submitted no later than 10 business days before the relevant 1 April to allow time for these processes to occur.

For example, for a surrender for the 1 April 2025 compliance deadline, forms should be submitted by 17 March 2025.

[16] https://onlineservices.cer.gov.au/forms/SAFE-009
[17] https://www.cleanenergyregulator.gov.au/OSR/online-services

3.4 Overview of the surrender process

Completing the surrender request form does not finalise the surrender of PCUs and will not resolve an excess emissions situation. The CER and the holder of the PCUs must both take further steps after the surrender request form is submitted before the surrender is completed.

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

1. The responsible emitter submits the surrender request form.
   - » If the total amount of ACCUs being surrendered (in this surrender request in addition to any previously surrendered ACCUs) is equal to or greater than 30% of the facility's baseline emissions number for the monitoring period, the responsible emitter must provide the CER with a written explanation of why more carbon abatement was not undertaken at the facility (see Part 3.5.4 Explanation requirement for more information).
   - » In the form, the responsible emitter must choose which ANREU account(s) to use and specify the number of PCUs to be surrendered from the selected account(s).
2. The CER reviews the surrender request form, and once approved, creates the requested surrender transaction(s) in the nominated ANREU accounts within 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).

For the surrendered PCUs to reduce the net emissions number for a monitoring period and to ensure an excess emissions situation does not exist, all of the above steps must be completed by midnight 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

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

- financial year
- ANREU account(s) and surrender details
- explanation requirements (if applicable).

3.5.1 Financial year

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

Generally, a monitoring period is a whole financial year. However:

- If the relevant monitoring period is a declared multi-year 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 is a 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 has occurred.

3.5.2 ANREU accounts and surrender details

Select the ANREU account(s) from which the PCUs will be surrendered.

Multiple ANREU accounts may be nominated. The nominated ANREU account(s) do not need to be related to the responsible emitter. Any ANREU account holder can agree to surrender to reduce the net emissions number of a safeguard facility for a stated monitoring period.

For each ANREU account, you need to specify the total number of PCUs (inclusive of ACCUs or SMCs) to be surrendered. If you're surrendering a combination of ACCUs and SMCs from the same ANREU account, select the total number of PCUs to be surrendered. When completing the surrender in the Unit and Certificate Registry, an account user can choose any combination of PCUs from their account holdings to complete the transaction.

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

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.

Maximum recommended surrender amount

This value is the excess emissions amount from position statement minus any pending surrender amount.

This value 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 Part 3.8 Excess and insufficient 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[18] 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, again you should perform your own calculations to confirm the number of PCUs surrendered will resolve any excess emissions situation, noting that excess surrendered PCUs cannot be refunded, recovered or transferred, or carried over to a future period except in limited circumstances.

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

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

Pending surrender amount

This is the amount of PCUs for which the responsible emitter has already submitted a request to surrender, but the surrender is not yet complete.

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.

If a written explanation is required, it must be provided to the CER before the 1 April compliance deadline for the surrender of PCUs to reduce the facility's net emissions number for the stated monitoring period before 1 April.

The CER recommends the written explanation is provided with the surrender request form. However, you may provide the written explanation later. It must be provided before the 1 April compliance deadline for the surrender of PCUs to meet the responsible emitter's obligation to avoid an excess emissions situation before the 1 April compliance deadline.

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

- 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 any information included in the explanation that is commercially sensitive.

The written explanation should:

- be signed by an executive officer of the responsible emitter for the facility
- specify the facility and responsible emitter's name
- specify the monitoring period
- be uploaded in the surrender request form in word or pdf format.

The CER must publish the written explanation on its website as soon as practicable after receiving it, 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 What happens once the surrender request form is submitted?

3.6.1 Surrendering PCUs

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 surrender transactions have been created they cannot be edited. You must surrender the exact number of PCUs indicated in the surrender transaction to proceed with the transaction.

Once the transaction(s) is created, the primary authorised representative for the ANREU account(s) will be notified the surrender transactions are ready to be approved in the ANREU account(s). The contact person for the responsible emitter will also be notified when the transaction(s) has been created.

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

Applicable system for surrenders

Both ACCUs and SMCs will be surrendered through the Unit and Certificate Registry, which can be found from Online Services.

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

3.6.2 When a surrender is complete

Once the authorised representative with approver permission approves the transaction, and if required the written explanation noted in section 3.5.3 Explanation requirement is provided to the CER, the surrender is complete and the net emissions number of the facility for the relevant monitoring period is reduced by the number of PCUs surrendered.

3.6.3 Once your surrender is complete

Once a surrender transaction is complete:

- 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 facilities 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 relevant to any ACCUs surrendered.

3.8 Excess or insufficient PCUs surrendered

3.8.1 Excess PCUs surrendered

If more prescribed carbon units are surrendered than required to resolve an excess emissions situation, the over-surrendered PCUs cannot be refunded, recovered or transferred in any way, or carried over to a future period. The only exception that would enable the over-surrendered PCUs to be carried over to a future period is if either:

- some or all of the prescribed carbon units were surrendered because of an error on the part of the CER
- all of the following apply:
  - some or all of the PCUs were surrendered because of an error on the part of 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 for the over-surrendered units to be taken to have been surrendered to reduce the facility's net emissions number for the following financial year.

3.8.2 Insufficient PCUs surrendered

If insufficient PCUs are surrendered to resolve an excess emissions situation, a further surrender will be required, unless another excess management option is used. 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.

Part 4 Issuance of Safeguard Mechanism credit units

4.1 Who can be issued SMCs

SMCs can only be issued to a responsible emitter for a facility for financial years and completed declared multi-year monitoring periods (MYMPs) that begin after 30 June 2023.

To be issued SMCs, the facility must meet certain eligibility criteria and the responsibility emitter for the facility must submit the SMC issuance application form.

SMCs can only be issued to the responsible emitter's ANREU account. If you don't have one you will need to apply for an ANREU account[19] before submitting the application.

4.2 Eligibility criteria

The CER will assess your application against information in our records and decide whether the following eligibility requirements are met. If satisfied, the CER will then decide how many SMCs should be issued.

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

- Be a designated large facility, or an eligible facility[20] 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, and
  - the 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.

The responsible emitter for a facility with an MYMP can apply for SMCs for the MYMP after the last financial year of the MYMP. A facility with an MYMP for which SMCs are sought must meet the following requirements for the MYMP:

- Be a designated large facility, or an eligible facility, during each financial year in the MYMP[21].
- 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 both:
  - the facility's covered emissions for each financial year included in the MYMP
  - the 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.

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

- The MYMP commenced in the 2023–24 financial year or a later financial year.
- Not be a landfill facility.

Further to the eligibility requirements above 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 the MYMP, if applicable)
- covered emissions of greenhouse gases from the operation of the facility in the financial year (or in any financial year in the MYMP, if applicable).

4.3 SMC issuance entitlement calculation

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

SMC number$_{fy}$ = baseline emissions number* – covered emissions – ACCUs issued[22] in the monitoring period.

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

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

SMC number$_{pfy}$ = SMC number$_{fy}$ × (number of days in financial year for which entity was responsible emitter / 365)

If you have submitted your facility's covered emissions and production variable quantity data to CER, we will prepare and issue a position statement with an estimate of whether the responsible emitter may be eligible for SMCs in relation to the facility, and the number of SMCs.

Once issued, the facility's position statement will be available in the responsible emitter's Online Services account (select Manage, then Safeguard facilities, then select the facility and Position Statements).

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 or 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 a position statement, please contact us on 1300 553 542 or email cer-safeguardbaselines@cer.gov.au.

4.4 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.

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

  - » If the facility has a multi-year monitoring period (MYMP) an application can only be made once the MYMP is complete, and the last financial year of the MYMP must be selected**.**

- 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.
- SMC entitlement value (see Part 4.3 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 Part 4.8 Relinquishment requirement).

4.5 Application deadline

There is no legislated deadline to submit the application form, but the CER recommends applications be made before 31 January.

4.6 When will SMCs be issued?

If the CER approves an SMCs issuance application and decides to issue SMCs, they will be 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.

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, the CER must issue the SMCs as close to 31 January as is reasonably practicable. For this to happen, it is recommended you submit your application no later than 31 December.

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

4.7 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.

4.8 Relinquishment requirement

The CER may require the responsible emitter to relinquish PCUs (in this context referred to as 'relinquishable units') 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 by the responsible emitter)
- the information was false or misleading in a material particular
- the issue of any or all of the SMCs was directly or indirectly attributable to the false or misleading information.

An example of giving false or misleading information would be including inaccurate covered emissions and/or production variable quantity data in a submission to the CER.

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.

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

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

In their application, the responsible emitter must include an acknowledgement 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.

If a person is required to relinquish relinquishable units, 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 tCO_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 eligibility criteria under section 58B of the Safeguard Rule to be an eligibility facility for a financial year for which SMCs are claimed in relation to the facility (**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.