



THE EMISSIONS REDUCTION FUND: THE RESULTS OF CONSULTATION ON DRAFT LEGISLATION

The Emissions Reduction Fund has been developed over a number of years and is a result of deep consultation with business and the community.

The Government received 49 submissions and representations from a range of businesses and other potential participants in response to the exposure draft legislation.

The following is a summary of the key issues raised during the consultation process and the Government's responses.

Pre-registration of projects

Consultation has identified potential projects across a wide range of sectors.

Understandably, many proponents want to begin preparation for projects as soon as possible. To give certainty to these projects, the Bill has been amended to allow proponents to notify the Clean Energy Regulator that they intend to commence a new project from 1 July 2014. This will ensure that companies wishing to take steps to implement projects will be taken to have met the legislative requirement that a project must not have started before the Emissions Reduction Fund has commenced.

Pre-registered projects will still be subject to meeting the eligibility criteria, just as projects that do not pre-register are subject to the eligibility criteria.

The notification must include the name and location of the project, and a project description referencing the relevant method. The Regulator will treat the project as 'new' provided that the project begins after the date of notification. Proponents will have until 1 July 2015 to formally register projects for which notice has been given under this provision.

Crediting periods

The Government has extended the standard crediting period for carbon sequestration projects to 25 years.

Carbon sequestration projects such as tree plantings take a long time to grow and become established. Further, these projects must be maintained for a 25 or 100-year permanence period. Extending the standard crediting period to 25 years for carbon sequestration projects will align the crediting period with the permanence period and allow proponents to receive credits for the time that most projects are sequestering carbon.

Projects transitioning from the Carbon Farming Initiative (CFI)

In general, projects transitioning from the CFI will automatically receive a new crediting period beginning on commencement of the Emissions Reduction Fund. The second crediting period will be the standard seven years for emissions reduction projects or 25 years for sequestration projects unless different crediting periods are specified in the methodology.

These provisions provide greater certainty to existing CFI projects about future crediting arrangements and will support ongoing abatement from these projects.

Crediting period start date

The Bill provides flexibility for proponents to align their crediting period with the time that the project starts. This responds to feedback from project proponents for flexibility in determining the start of their crediting period so that crediting can best align with contract periods.

More frequent reporting

The Government will provide business with the option of reporting more frequently than every six months in certain circumstances. In doing so, the Government will take account of the administrative costs of more frequent reporting and may restrict this option to medium and large projects with highly predictable abatement.

This flexibility may improve project cash flows and increase the value of incentives offered under the Emissions Reduction Fund.

Support from other Government programs

The Government will provide clarity on the eligibility of projects that receive limited or in-kind support from other government programmes. Proponents will be able to obtain multiple sources of funding where this is necessary for the project to go ahead. However, in cases where other Government programmes typically provide sufficient funding for emissions reduction activities, such as the New South Wales Energy Savings Initiative, proponents will need to choose whether to seek support for their project through the Emissions Reduction Fund or the other programme.

Over-delivery of emissions reductions

The Government will allow any additional credits earned by a project to be purchased after the total contract volume has been fulfilled. This will provide incentives for projects to over-deliver emissions reductions, further supporting the reduction of emissions through the Emissions Reduction Fund.

Savanna fire management projects

Savanna burning projects transitioning from the CFI will automatically receive a second crediting period of seven years. New projects will also receive a crediting period of seven years. The Government will monitor the progress of savanna burning projects under the Emission Reduction Fund and will review arrangements for these projects as a priority as part of the operational review of the Emissions Reduction Fund at the end of 2015.