



Project:	Climate-related Financial Disclosures	Meeting:	AASB 26 June 2024 (M205)
Topic:	Carbon Credits (SMC 22)	Agenda Item:	4.6
		Date:	11 June 2024
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		Decision-Making:	High
		Project Status:	Consider ED Feedback

Objectives of this paper

- 1 In respect of the proposal to modify the definition of carbon credits in [draft] ASRS 2 *Climate-related Financial Disclosures* to specify that carbon credits issued under the Australian Carbon Credits Units Scheme (ACCU) meet the definition of carbon credits, the objectives of this paper are for the AASB to:
 - (a) consider feedback from stakeholders on SMC 22; and
 - (b) decide on any changes required to be made to the definition of carbon credits included in Appendix A *Defined terms* of [draft] ASRS 2 for the purposes of finalising the Standard.

Abbreviations

- 2 The abbreviations used in this paper are outlined in Appendix A of Agenda Paper 4.0.

Background

- 3 IFRS S2 paragraphs 33–36 require an entity to disclose its climate-related targets, including GHG emissions target (i.e. IFRS S2 paragraph 36). For each GHG emissions target, an entity is required to disclose whether it is a gross or net target. Net GHG emissions targets are the entity's targeted GHG emissions minus any planned offsetting efforts (for example, the entity's planned use of carbon credits to offset its greenhouse gas emissions).¹ In addition, IFRS S2 paragraph 36(e) requires that in relation to GHG emissions targets, an entity shall disclose the entity's planned use of *carbon credits* to offset GHG emissions to achieve any net GHG emissions target. *Carbon credits* is defined in IFRS S2 Appendix A *Defined terms* (see paragraph 5 below).
- 4 At the time of issuing [draft] ASRS 2, the AASB observed that there are two types of ACCU issued under the Australian Carbon Credit Unit Scheme: Kyoto ACCU and non-Kyoto ACCU.² The AASB was informed by the CSIRO that Kyoto ACCU would meet the IFRS S2 definition of a carbon credit but some non-Kyoto ACCU may not because they are not uniquely serialised. Accordingly, the Board proposed amendments to the baseline definition aiming to include non-Kyoto ACCU as carbon

1 IFRS S2 paragraph B68.

2 See the Appendix for a description of the different types of ACCU.

credits in the context of the [draft] ASRS 2 (ED SR1 paragraphs BC90–BC92) for the purposes of these disclosures.

- 5 ED SR1 proposes to modify the IFRS S2 baseline and define carbon credits to specify that ACCUs meet the definition. The underlined text below represents the proposed amendments:

Carbon credit	An emissions unit that is issued by a carbon crediting programme and represents an emission reduction or removal of greenhouse gases. Carbon credits are uniquely serialised, issued, tracked and cancelled by means of an electronic registry <u>or otherwise are recognised under the Australian Carbon Credit Unit Scheme.</u>
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- 6 The Board used SMC 22 of ED SR1 as an opportunity to seek input from Australian stakeholders on the proposed carbon credits definition — whether it is appropriate and/or sufficient to accommodate Australian-specific carbon offset programs and schemes, noting that [draft] IFRS S1 and S2 (and ED 321) distinguished the terms “carbon offset” and “certified carbon offset”, which was consolidated and amended to “carbon credits” in the final IFRS Sustainability Disclosure Standards.³
- 7 Staff observed that the proposed drafting of the carbon credits definition in [draft] ASRS 2 was not sufficiently clear about whether emission units included in the Australian Carbon Credit Unit Scheme already meet the baseline carbon credits definition or not. Staff also noted that the implications of any emission units being within or excluded from the IFRS S2 baseline definition and/or the [draft] ASRS 2 proposed definition of carbon credits were not explained in ED SR1. The majority of stakeholders' feedback focused on the Board's rationale for the proposed amendments outlined in paragraph 4 above.

Overview of staff recommendation

- 8 Staff recommend the Board to adopt the definition of carbon credits from Appendix A *Defined terms* of IFRS S2 baseline with no modification.

Structure

- 9 The rest of the paper is structured as follows:
- (a) [Section 1](#): Summary of stakeholder feedback
 - (b) [Section 2](#): Staff analysis and recommendations
 - (c) [Section 3](#): Other comments from stakeholders
 - (d) [Appendix](#): Australian carbon credit units

Section 1: Summary of stakeholder feedback

- 10 SMC 22 of ED SR1 asked stakeholders: “Do you agree with the AASB’s proposal to modify the definition of carbon credits in [draft] ASRS 2? Please provide reasons to support your view.” An identical question was included in the survey.

3 [Draft] IFRS S2 defined carbon offset as “An emissions unit issued by a carbon crediting programme that represents an emission reduction or removal of a greenhouse gas emission. Carbon offsets are uniquely serialised, issued, tracked and cancelled by means of an electronic registry”; and certified carbon offset is defined as: “Certified carbon offset credits are carbon offsets that take the form of transferable or tradable instruments, certified by governments or independent certification bodies, representing a removal of emissions of one metric tonne of CO₂, or an equivalent amount of other greenhouse gases. This links to the Kyoto Protocol, which included three market-based mechanisms (Articles 6, 12 and 17) – emissions trading, the clean development mechanism and joint implementation giving the parties a degree of flexibility in meeting their emission-reduction targets.”

11 A total of 117 comment letters and 289 survey responses were submitted during the comment period:

(a) 45 comment letters responded to SMC 22, with 3 of them not clearly stating a view; and

(b) 61 survey submissions responded to SMC 22.

12 The following table provides a high-level overview of the responses received in relation to the proposal to modify the definition of carbon credits:

	Agree	Partially agree	Disagree
Out of the 42 comment letters that commented on SMC 22 ⁴	79%	14%	7%
Out of the 61 survey responses that commented on SMC 22 ⁵	75%	18%	7%

13 Based on the staff judgement on the overall comments expressed in the comment letters and responses from survey respondents, the majority of the respondents support the proposal to modify the IFRS S2 baseline and define carbon credits to specify that ACCUs meet the carbon credits definition.

14 Comments from roundtables broadly align with the views expressed in comment letters and survey responses. An overview of roundtable discussions has been separately provided for the Board's reference.

Stakeholders' reasons for supporting the proposal

15 Many respondents who supported the proposed modification to the carbon credits definition in the IFRS S2 baseline did not provide a reason for their support.

16 Some respondents commented that the proposal is a pragmatic approach that aligns with Australian carbon credit practices. Australian carbon credit units (ACCUs) are widely used. Excluding a subclass of units that may not meet the baseline definition of carbon credits for climate-related financial disclosures could cause confusion and disruption to the local carbon market.⁶

17 A few respondents partially agreed with the proposal and suggested the Board consider providing further clarification on the scope (e.g. whether [Safeguard Mechanism credit units](#)⁷ are within the proposed carbon credits definition) and characteristics (e.g. voluntary vs eligible non-Kyoto ACCUs) of the proposed definition.⁸

Stakeholders' reasons for not supporting the proposal

18 Some stakeholders were of the view that the integrity of the carbon market is supported by serialisation. Serialisation enables transparency, accountability, and diligent assessment of the validity of credits and their acquittal. Hence:

(a) a few stakeholders were of the view that only serialised, trackable or validated carbon credits shall be permitted to be recognised and reported;⁹ and

4 Some respondents did not expressly state in their comment letters whether they agree, disagree or partially agree with a proposal. Staff applied judgement in categorising the overall comments expressed in the comment letters. An overview of stakeholder feedback expressed in the comment letters is presented as Agenda paper 5.9 (M204) for the Board's reference.

5 The survey responses have been provided separately for the Board's reference.

6 For example, comment letters: 3, 9, 12, 41, 42, 50, 68, 69, 94 and 95; survey responses: 21, 25, 100 and 136.

7 The safeguard mechanism reforms commenced on 1 July 2023 ([Safeguard Mechanism \(Credit\) Amendment Act 2023](#)) will allow the CER to issue a new type of carbon product, safeguard mechanism credit units, from January 2025.

8 For example, comment letters: 4, 15, 68, 73 and 75.

9 For example, comment letters: 37 and 43; survey responses: 14, 91 and 130.

- (b) a few stakeholders suggested the Board consider establishing accountability and quality measures for carbon credits to validate their integrity. For example, carbon credits are not being claimed over multiple periods or organisations, the activity being offset by an organisation is similar to the carbon credits being claimed, and the quality of the credit and the carbon emissions sequestered by the project have been validated.¹⁰
- 19 A few respondents disagreed with the proposed change to the carbon credits definition in [draft] ASRS 2 and expressed concern regarding the inconsistency with the IFRS S2 baseline introduced by the modification. They noted that this may introduce concerns that the Australian definition of carbon credits is not globally acceptable and undermine confidence in Australian climate reporting.¹¹ Instead of changing the definition of carbon credits in [draft] ASRS Standards, these respondents suggest the Board consider the following alternatives:
- (a) requiring an entity to disclose information about its non-Kyoto ACCUs separately;¹² or
- (b) adding an Aus paragraph in [draft] ASRS 2 to clarify that, for the purpose of ASRS Standard, carbon credits include credits that are recognised under the ACCUs.¹³
- 20 A few respondents expressed opposition to using and reporting carbon credits, and regarded them as inadequate in tackling climate crises.¹⁴

Section 2: Staff analysis and recommendations

- 21 Staff observed that:
- (a) in addition to IFRS S2 paragraph 36(e), paragraph B68 (cited below) also establishes the principle that an entity may include offsetting efforts beyond the carbon credits defined in the baseline when reporting net GHG emission targets;
- B68 If an entity has a greenhouse gas emissions target, the entity is required to specify whether the target is a gross greenhouse gas emissions target or a net greenhouse gas emissions target. Gross greenhouse gas emissions targets reflect the total changes in greenhouse gas emissions planned within the entity's value chain. Net greenhouse gas emissions targets are the entity's targeted gross greenhouse gas emissions minus **any planned offsetting efforts (for example, the entity's planned use of carbon credits to offset its greenhouse gas emissions)**. [emphasis added]
- (b) the proposed carbon credits definition in [draft] ASRS 2 was not sufficiently clear about whether emission units included in the ACCU Scheme meet the baseline carbon credits definition or not; and
- (c) the implications of carbon offset efforts being within or excluded from the baseline definition and/or the proposed definition of carbon credits in [draft] ASRS 2 were not explained in ED SR1.
- 22 Staff acknowledge stakeholder comments in paragraphs 17 and 19. As a result of paragraphs 21(b) and 21(c), the proposed changes to the baseline definition could potentially be interpreted as:
- (a) an emission unit recognised under the ACCU Scheme is excluded from the baseline definition of carbon credits and therefore the baseline needs to be amended to address Australian-specific

10 For example, survey responses: 9, 13, 26, 53, 196 and 279.

11 For example, comment letter: 21

12 For example, comment letters: 21, 55, 86 and 89.

13 For example, comment letters: 26 and 97.

14 For example, survey responses: 106 and 217.

matters that are not adequately addressed by the IFRS Sustainability Disclosure Standards (see relevant stakeholder comments in paragraph 19 above);¹⁵ and/or

- (b) Australian domestic emission units are treated differently in the context of ASRS Standards — a blanket statement was proposed for ACCUs to be part of carbon credits, whereas judgement is required to determine whether other domestic emission units (e.g. Safeguard Mechanism credit units) meet the proposed definition (see relevant stakeholder comments in 17 above).

23 As stated in [draft] ASRS 2 paragraph 27,¹⁶ the objective of climate-related financial disclosures on metrics and targets is to enable users of general purpose financial reports to understand an entity's performance in relation to its climate-related risks and opportunities, including progress towards any climate-related targets it has set, and any targets it is required to meet by law or regulation. Further, [draft] ASRS 2 paragraph 35¹⁷ explains that an entity shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the entity's performance; and [draft] ASRS 1 paragraph 17¹⁸ requires an entity to disclose material information about the climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects.

24 As such, an entity shall disclose information about its offsetting efforts, including carbon credits, if such information:

- (a) enables its users to understand the entity's progress towards any climate-related targets it has set and how the entity performs against those targets; and/or
- (b) is material to the entity's climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects.

25 Board members¹⁹ and stakeholders²⁰ have raised a concern that there is insufficient clarity with regard to GHG removals and the relevant requirements in IFRS S2. GHG removals and carbon credits are regarded as interrelated, but distinct concepts. For example, the [GRI Topic Standard Project for Climate Change – Climate Change Exposure Draft \(November 2023\)](#) provides the following descriptions:

- (a) Carbon credits – GHG emissions reduction or removal generated outside the organisation's value chain and purchased by the organisation;²¹ and/or
- (b) GHG removals – anthropogenic activities removing CO₂ or other GHGs from the atmosphere and durably storing it in geological or terrestrial reservoirs.²²

15 Per paragraph 20(a) of the [AASB Sustainability Reporting Standard-Setting Framework](#), amendments to the IFRS Sustainability Disclosure Standard could be justified if requirements in IFRS Sustainability Disclosure Standards do not adequately address Australian-specific matters and there is, or is likely to be, diversity in practice.

16 Verbatim of IFRS S2 paragraph 27.

17 Verbatim of IFRS S2 paragraph 35.

18 Verbatim of IFRS S1 paragraph 17. As per paragraph 18 of [draft] ASRS 1 (and IFRS S1), in the context of climate-related financial disclosures, information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports, which include financial statements and climate-related financial disclosures and which provide information about a specific reporting entity.

19 At its 6–7 June 2024 (M204) meeting.

20 For example, comment letter: 87.

21 Page 44 of the [GRI Topic Standard Project for Climate Change – Climate Change Exposure Draft \(November 2023\)](#) (GRI ED).

22 Page 38 of the GRI ED. Staff also noted that [ESRS Climate Change E1-7 – GHG removals and GHG mitigation projects financed through carbon credits](#) require entities to separately disclose:

- (a) GHG removals and storage in metric tonnes of CO₂eq resulting from projects it may have developed in its own operations, or contributed to in its upstream and downstream value chain; and
- (b) The amount of GHG emission reductions or removals from climate change mitigation projects outside its value chain it has financed or intends to finance through any purchase of carbon credits.

- 26 As noted in paragraph 21, IFRS S2 B68 establishes the principle that an entity may include offsetting efforts beyond the carbon credits defined in the baseline when reporting net GHG emission targets. IFRS S2 does not include specific disclosure requirements for GHG removals. However, staff consider that to meet the disclosure objective related to metrics and targets, where information about offsetting efforts (including GHG removals) is material, an entity would be required to disclose sufficient information about these offsetting efforts to enable users of GPFR to understand progress towards any climate-related targets.
- 27 Staff consider it important to develop a principles-based Standard that can accommodate the future development of any new emission offset programs/schemes that could be introduced as part of the Net Zero plan or other emissions reduction efforts (domestically or internationally). Staff highlight emission offset programmes being an area experiencing a high degree of change. For example, staff anticipate that the proportion of non-Kyoto ACCUs will continue to decrease in the coming years and be gradually phased out from the Australian market due to the fact that the Kyoto Protocol ended in 2020 and has since been replaced by the Paris Agreement.²³ This decreasing trend of non-Kyoto ACCUs is reflected in the data:²⁴
- (a) Eligible non-Kyoto ACCUs account for 0.79% of the total ACCUs issued since 2012, and all of these eligible non-Kyoto ACCUs were issued in FY 2012.
 - (b) The number of voluntary non-Kyoto ACCUs issued has decreased significantly in the past decade, with no voluntary non-Kyoto ACCUs issued after the 2020–21 financial year.
- 28 The Australian Government is developing a [Net Zero 2050 plan](#). The Net Zero plan will build on the government’s current emissions reduction policies (e.g. the Safeguard Mechanism²⁵) and will also be supported by the upcoming sectoral emissions reduction plans. The sectoral plans are expected to provide a granular analysis of Australia’s emissions reduction pathways, outline the role of each sector in supporting Australia’s transition to net zero, and examine how those sectors can manage trade-offs and opportunities.
- 29 Staff consider that amendments to the baseline definition are not necessary for the following reasons:
- (a) [draft] ASRS 2 paragraph B68 states that net GHG emissions targets include any planned offsetting efforts, which are not limited to those carbon credits as defined by the baseline.
 - (b) The implication of whether offsetting efforts meet the definition of carbon credits will trigger additional disclosure requirements specific to carbon credits.
 - (c) Staff consider that, to meet the disclosure objective related to metrics and targets, where information about offsetting efforts is material, an entity would be required to disclose sufficient information about these offsetting efforts to enable users of GPFR to understand progress towards any climate-related targets.
 - (d) Amending the IFRS S2 definition of carbon credits could have the unintended consequences of:

23 See more detail at [Climate Change—the international approach – Parliament of Australia \(aph.gov.au\)](#)

24 See Table A1 and Table A2 in [Appendix](#) for the Total number of ACCUs issued by type and Financial Year, respectively.

25 As also noted by a few stakeholders in paragraph 17, the safeguard mechanism reforms commenced on 1 July 2023 ([Safeguard Mechanism \(Credit\) Amendment Act 2023](#)) and will allow the CER to issue a new type of carbon product, safeguard mechanism credit units (SMCs), from January 2025. SMCs are tradeable credits that incentivise safeguard facilities to reduce their emissions beyond their baselines. SMCs are a type of eligible international emissions unit (EIEU) and are regulated as financial products under the *Corporations Act 2001*. ASIC is proposing to update [Regulatory Guide 236 Do I need and AFS licence to participate in carbon markets? \(RG 236\)](#) to address the safeguard mechanism reforms, with a comment period closing on 3 June 2024. EIEU is defined in [Australian National Registry of Emissions Units Act 2011](#) and it means: (a) a certified emission reduction (other than a temporary certified emission reduction or a long-term certified emission reduction); or (b) an emission reduction unit; or (c) a removal unit; or (d) a prescribed unit issued in accordance with the Kyoto rules; or (e) a safeguard mechanism credit unit if legislative rules made for the purpose of this paragraph specify that kind of unit. It is immaterial whether a unit covered by paragraph (d) was issued in or outside Australia.

- (i) implying that the AASB considers that all emission units recognised under the ACCU Scheme are not “carbon credits” under IFRS S2, and that other Australian domestic emission units (e.g. Safeguard Mechanism credit units) should be treated differently to ACCUs in the context of reporting net GHG emission targets;
- (ii) reducing an entity’s application of judgement regarding which offsetting measures meet the carbon credit definition; and
- (iii) reducing the ability of the Standard to accommodate the future development of new emission offset programs/schemes because amending the IFRS S2 definition of carbon credits to name ACCUs specifically would not be consistent with principles-based standard-setting.

30 Taking the above into account, and with reference to the [AASB Sustainability Reporting Standard-setting Framework](#), staff consider that an amendment to the baseline is not necessary to meet the needs of Australian stakeholders. Therefore, staff recommend the Board to adopt the definition of carbon credits from Appendix A *Defined terms* of IFRS S2 baseline with no modification.

Question 1 to the Board:

Do Board members agree with the staff recommendation in paragraph 30 to adopt the definition of carbon credits from Appendix A *Defined terms* of IFRS S2 baseline with no modification?

If not, what alternative approach would Board members suggest?

Section 3: Other comments from stakeholders

31 In addition to the comments discussed in this paper, some stakeholders suggest the Board consider:

- (a) establishing accountability and quality measures for carbon credits to validate their integrity.²⁶ For example, to ensure carbon credits are not being claimed over multiple periods or organisations, the activity being offset by an organisation is similar to the carbon credits being claimed, and the quality of the credit and the carbon emissions sequestered by the project have been validated.²⁷

Staff analysis

ASRS Standards outline the climate-related financial disclosure requirements but do not regulate the issuance, use, trading or relinquishment of any offsets. Emissions units, such as ACCUs and EIEUs, are regulated by CER and ASIC, and the relevant rules are established via legislation, including the Corporations Act, *Safeguard Mechanism (Crediting) Amendment Act 2023*, and *Australian National Registry of Emissions Units Act 2011*.²⁸

Staff recommendation: Staff recommend no action.

- (b) requiring entities to disclose the actual use of and purchases of carbon credits, in addition to carbon credits planned to be used required by paragraph 36(e) of [draft] ASRS 2. This respondent is of the view that providing additional information on actual use and purchased carbon credits would provide a full view of an entity’s climate plans and risk management strategies.²⁹

26 For example, survey responses: 9, 13, 26, 53, 196 and 279.

27 For example, survey response 9.

28 See the appendix for more detail.

29 For example, comment letter 15.

Staff analysis

[Draft] ASRS 2 paragraph B71 (verbatim of IFRS S2 paragraph B71) states that “In accordance with paragraph 36(e), an entity is required to disclose only its planned use of carbon credits. However, as part of this disclosure, the **entity might also include information about carbon credits it has already purchased** that the entity is planning to use to meet its net greenhouse gas emissions target, if the information enables users of general purpose financial reports to understand the entity’s greenhouse gas emissions target.” **[Emphasis added]**

In addition, the objective of [draft] ASRS 2 is to require an entity to disclose information about its *climate-related risks and opportunities* that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity ([draft] ASRS 2 paragraph 1).

Under [draft] ASRS 2 paragraphs 1 and B71, an entity may choose to disclose information about its actual use of and purchased carbon credits during the reporting period if the entity considers such information is material and would be useful to its users.

Staff recommendation: Staff recommend no action.

- (c) requiring entities to disclose the use or sale of certified carbon credits from project-level activities for better transparency.³⁰

Staff analysis

As noted above, the objective of [draft] ASRS 2 is to require an entity to disclose information about its *climate-related risks and opportunities* that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

Although neither the baseline nor [draft] ASRS 2 requires an entity to disclose the use or sale of certified carbon credits from project-level activities, an entity may choose to disclose such information should it consider that doing so would help to meet its users’ information needs.

Staff recommendation: Staff recommend no action.

Question 2 to the Board:

Do Board members agree with staff recommendations in relation to other stakeholder suggestions in paragraphs 31(a)–31(c) above?

If not, what alternative approaches would Board members suggest?

30 For example, comment letter: 87.

Appendix: Australian carbon credit units

A1. This Appendix provides an overview of ACCUs, including the following:

- (a) The objective of ACCUs (paragraphs A2–A4)
- (b) Issuance of ACCUs (paragraphs A5–A8)
- (c) ACCUs Registry (paragraphs A9–A10)
- (d) Trading of ACCUs (paragraph A11)

The objective of ACCUs

- A2. To encourage carbon abatement activities through projects ranging from reforestation to energy efficiency, the Australian Government provides incentives called Australian Carbon Credit Units (ACCUs). Eligible ACCU Scheme projects can earn ACCUs when they reduce or avoid emissions.³¹ An eligible offsets project is a project carried out in accordance with the [Carbon Credits \(Carbon Farming Initiative\) Act 2011](#) (CFI Act).
- A3. One ACCU represents one tonne of carbon dioxide equivalent (tCO₂-e) that would have otherwise been released into the atmosphere.
- A4. The Clean Energy Regulator is responsible for administering the ACCU Scheme, which registers eligible offset projects and issues ACCUs for carbon abatement achieved by these projects.³²

Issuance of ACCUs

A5. For the period between 2011–22, three types of ACCUs were issued, namely Kyoto-ACCUs, eligible non-Kyoto ACCUs and voluntary non-Kyoto ACCUs. With reference to CFI Act (March 2024):

Kyoto Australian carbon credit unit means:

- (a) an Australian carbon credit unit that:
 - (i) was issued in accordance with subsection 11(2) after the commencement of this definition; and
 - (ii) is, or is to be, identified as a Kyoto Australian carbon credit unit within the Registry; or
- (b) an Australian carbon credit unit that:
 - (i) was issued before the commencement of this definition; and
 - (ii) was a Kyoto Australian carbon credit unit (within the meaning of this Act as it stood before the commencement of this definition).

Non-Kyoto Australian carbon credit unit means an Australian carbon credit unit other than a Kyoto Australian carbon credit unit.

eligible carbon credit unit means:

- (a) a Kyoto Australian carbon credit unit; or
- (b) a prescribed eligible carbon unit.

prescribed eligible carbon unit means a prescribed unit that is issued under a scheme relating to either or both of the following:

- (a) the removal of one or more greenhouse gases from the atmosphere;
- (b) the avoidance of emissions of one or more greenhouse gases.

31 Australian Government Clean Energy Regulator: [Australian Carbon Credit Units](#), accessed 1 June 2024.

32 See paragraphs RG236.3–RG 236.8 of the [Draft regulatory guide: RG 236. Do I need an AFS licence to participate in carbon markets?](#) (May 2024).

It is immaterial whether a unit was issued in or outside Australia.

A unit must not be prescribed for the purposes of this definition unless the unit represents carbon abatement that is able to be used to meet Australia’s climate change targets under:

- (c) the Kyoto Protocol; or
- (d) the Paris Agreement; or
- (e) any other international agreement.

A6. With reference to CFI Act (March 2024) *Section 11 Issue of Australian carbon credit units in respect of offset projects*, in respect of an eligible offsets project for a reporting period:

Division 2—Issue of Australian carbon credit units in respect of offsets projects

11 Issue of Australian carbon credit units in respect of offsets projects

...

Issue of units

- (2) If the project has resulted in eligible carbon abatement, the Regulator must, as soon as practicable after the day on which the certificate was issued, issue to the holder of the certificate a number of Kyoto Australian carbon credit units equal to the number specified in the certificate as the unit entitlement for that certificate.
- (3) If the project has not resulted in eligible carbon abatement, the Regulator must, as soon as practicable after the day on which the certificate was issued, issue to the holder of the certificate a number of non-Kyoto Australian carbon credit units equal to the number specified in the certificate as the unit entitlement for that certificate.
- (5) The Regulator must not issue an Australian carbon credit unit to a person in accordance with subsection (2) or (3) unless the person has a Registry account.

Note 1: See also section 49 (issue of Australian carbon credit units to registered native title bodies corporate).

Note 2: See also section 141 (issue of Australian carbon credit units in relation to projects with multiple project proponents).

- (6) The Regulator must issue an Australian carbon credit unit to a person in accordance with subsection (2) or (3) by making an entry for the unit in the person’s Registry account the account number of which is specified in the certificate.

Note 1: See also section 49 (issue of Australian carbon credit units to registered native title bodies corporate).

Note 2: See also section 141 (issue of Australian carbon credit units in relation to projects with multiple project proponents).

A7. Further, with reference to CFI Act *Section 148 How Australian carbon credits are to be issued*:

148 How Australian carbon credit units are to be issued

- (1) The Regulator is to issue an Australian carbon credit unit to a person by making an entry for the unit in a Registry account kept by the person.
- (2) The Regulator must not issue an Australian carbon credit unit to a person unless the person has a Registry account.

A8. Tables A1 and A2 below show the total number of ACCUs issued since January 2011 by types of ACCUs and by financial year, respectively.³³

Table A1 Total number of ACCUs issued since January 2011 by type

	Kyoto-ACCUs	Non-Kyoto ACCUs (eligible)	Non-Kyoto ACCUs (voluntary)	Total ACCUs issued
Count	112,259,603	898,499	523,571	113,681,673
Percentage	98.75%	0.79%	0.46%	100%

Table A2 Total number of ACCUs issued between 2011–22 by financial year

Financial Year	Kyoto-ACCUs	Non-Kyoto ACCUs (eligible)	Non-Kyoto ACCUs (voluntary)	Total ACCUs Issued
2021–22	16,508,527	0	0	16,508,527
2020–21	16,456,794	0	9,481	16,466,275
2019–20	15,471,477	0	4,981	15,476,458
2018–19	13,659,926	0	3,483	13,663,409
2017–18	12,191,462	0	16,441	12,207,903
2016–17	12,893,770	0	258,221	13,151,991
2015–16	10,578,114	0	141,621	10,719,735
2014–15	9,228,763	0	89,343	9,318,106
2013–14	4,380,473	0	0	4,380,473
2012–13	851,680	898,499	0	1,750,179
2011–12	0	0	0	0

ACCUs Registry

- A9. The Australian National Registry Emissions Unit (ANREU), legislated by the [Australian National Registry of Emissions Units Act 2011](#), is an electronic system that ensures accurate accounting for the issuance, holding, transfer, acquisition, cancellation, retirement and carry-over of emissions units, including ACCUs and SMCs.
- A10. [Australian National Registry of Emissions Units Act 2011](#) (latest version at 12 April 2023) indicates each Kyoto ACCU has a serial number, and entry will be made in the Registry accounts. However, entries for non-Kyoto ACCUs may or may not be made in Registry accounts. The relevant sections are cited below:

3 Simplified outline

The following is a simplified outline of this Act:

- The Australian National Registry of Emissions Units is continued in existence.
- The Regulator may, in accordance with the regulations, open a Registry account in the name of a person.
- Entries **may** be made in Registry accounts [**emphasis added**] for:
 - (a) Australian carbon credit units; and
 - (b) Kyoto units; and
 - (c) safeguard mechanism credit units.
- This Act sets out rules about dealings with:
 - (a) Kyoto units; and

(b) safeguard mechanism credit units.

30 Entries for Kyoto units

An entry for a Kyoto unit in a Registry account is to consist of the serial number of the unit.

Trading of ACCUs

A11. ACCUs are tradable financial products under the *Corporations Act 2001*. ACCUs can be traded or sold on the carbon market. Private buyers, including safeguard facilities, purchase ACCUs to voluntarily offset their carbon footprint or meet emissions reduction obligations. To participate in carbon markets, one may require an Australian financial services (AFS) license to carry on a financial services business. ASIC is responsible for assessing and approving licence applications and ensuring that licensees operate efficiently, honestly and fairly.