

CCA Issues Paper:  
Enhancing the ACCU  
Scheme to support  
Australia's 2035 emissions  
reduction target

BCA Submission

December 2025

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# Overview

The BCA welcomes the opportunity to provide comment on the Climate Change Authority's (CCA) Issues Paper: *Enhancing the ACCU Scheme to support Australia's 2035 emissions reduction target* (Issue Paper). We also welcome this early initiation of the consultation process for the CCA's upcoming review of the Carbon Credits (Carbon Farming Initiative) Act 2011 (CFI Act), which enables the Australian Carbon Credit Unit (ACCU) Scheme.

The BCA represents more than 120 of Australia's leading businesses, employing around 1.1 million people. We are a member led organisation and our submissions reflect engagement with those members and the expertise and practical experience they bring.

Among the most important challenges and opportunities facing our nation is facilitating an orderly domestic transition to net zero — one that best serves our economy and our community. How we transition will have a strong bearing not only on our emissions levels, but on our productivity growth, our competitiveness as a nation and our living standards over the longer term.

A recently released BCA report, *Australia 2035 – Maximising Our Potential*, analysed three emission reduction scenarios from 2025 to 2035 that ratchet in ambition based on rates of technology deployment and adoption, and changes in economic activity across the economy. The analysis was undertaken across seven sectors: electricity and energy, resources, industry, transport, agriculture, buildings and land sector.<sup>1</sup>

The BCA's work highlights the critical role of the electricity and land sector in driving Australia's emission reductions over the last two decades. Today our land sector is a net carbon sink that sequesters about 20 per cent of Australia's total emissions at -88 Mt per year, which is an historical peak rate. The Government's baseline 2035 emission reduction scenario for land sector emissions is -61 Mt, reflecting a return to average climate conditions from an above average net sink size in the 3 years to 2024.<sup>2</sup>

A key finding of our work is that Australia can't continue to rely on the land sector to do the heavy lifting and that simply maintaining the size of Australia's existing carbon sink requires significant additional abatement effort — in the order of a 27 Mt increase per year by 2035. Increasing direct (own site) emission reductions from the other sectors of the economy is crucial to meeting Australia's emission reduction goals, and robust credit creation from Australia's carbon sink is critical to supporting hard to abate subsectors as they invest in own site emission reductions overtime.

The efficiency and effectiveness the ACCU scheme is clearly foundational to maximising the potential of Australia's land sector (and other forms of removals and avoided emissions) to contribute to the achievement of Australia's emission reduction goals.

## Key takeaways

The BCA strongly supports the conclusion expressed in the CCA's Issues Paper.

*To meet the 2035 emissions reduction target, the ACCU scheme must continue to evolve to deliver high quality, high integrity and durable units at scale to meet the demands of the market. By enhancing methodologies and supporting a dynamic pricing environment, the scheme can remain a critical part of Australia's climate policy.<sup>3</sup>*

This submission offers proposed improvements to the ACCU scheme in several key areas.

- Expand and accelerate Australia's method development pipeline by making more government resources available to the task and by increasing the efficiency of method development processes generally.

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<sup>1</sup> The term 'land' refers to the land use, land use change and forestry sector.

<sup>2</sup> Department of Climate Change, Energy, the Environment and Water, Australia's emissions projections 2024 November 2024.

<sup>3</sup> <https://consult.climatechangeauthority.gov.au/2026-accu-scheme-review>

- Support greater confidence and trust in the ACCU scheme via greater transparency and timely disclosure of project level information.
- Minimise the overall level of risk and uncertainty associated with participating in the ACCU scheme by adopting a more competitively neutral and timely approach to the release of scheme information.
- Maximise the potential scale of the ACCU scheme by taking a long term policy design perspective, including the development of a comprehensive and evolving long term carbon market strategy.
- Expedite implementation of the second stage of previous ACCU review reform recommendations (recommended in 2022 and 2023) including re-establishing the ERAC as the Carbon Abatement Integrity Committee.
- Government must continue to provide and support clear messaging about the valid and positive contribution the ACCU scheme is making towards meeting Australia’s emission reduction targets — and potentially the emission reductions targets of other countries under Article 6 of the Paris Agreement.
- Any and all future forms of government intervention in the ACCU market must be based on robust evidence of market failure and supported by a cost benefit (regulatory impact) analysis to demonstrate that the intervention is efficiency enhancing.

## Main points

### Method development

Methods are the regulatory device that enable credit creation under the ACCU scheme and therefore determine the actual and potential supply curve of the market. A wider and faster method development pipeline for creating and replenishing the stock of available methods overtime is the back bone of a successful ACCU scheme. The quantity and quality of methods available under the ACCU scheme directly (and indirectly via reputational effects) impacts it’s capacity to contribute to the achievement of Australia’s emission reduction goals.

#### Method development outcomes can be improved in several ways

- Make additional resources available to the Department and the Emissions Reduction Assurance Committee (ERAC) for the purposes of accelerating method development in recognition of the risks to credit supply in the future.
- Allow fully developed and drafted proponent method proposals to be submitted directly to ERAC for review and potential prioritisation (as part of its Ministerial advisory function) with minimal gatekeeping from the Department.
- Provide government funding support to private proponents of new methods during the method drafting stage, particularly for groups that are not well resourced in their own right.
- Focus government resources purely on method review and validation (once developed and drafted by proponents) and impose transparent approval timelines on method review and validation processes.
- Fast track method designs that are based on evidence led credit issuance rather than modelled (deemed) credit issuance, because of the innately reduced risk of ‘over’ or ‘invalid’ crediting associated with evidence led credit issuance.
- Encourage the development of method stacking to make it easier for projects to combine multiple sources of abatement from a single project site or property, noting that the current Integrated Farm and Land Management method is overly complicated in this regard and should be improved.

- Ensure that Australia’s greenhouse gas accounting and inventory regulation evolves to keep pace with emerging method development potential in areas such as engineered carbon removals.
- Investigate approaches adopted in carbon credit markets overseas to test what existing methods may be transferable to the Australian context with little or no modification.
- Once assessed and prioritised by ERAC and the Minister, multiple new method consultations should be conducted in parallel so that unexpected delays in a single method’s development can’t block the pipeline for new method development altogether.

## Market efficiency

Good information is the cornerstone of an efficient market, where prices reflect the real costs and benefits of credits created under the ACCU scheme and project resources are allocated accordingly. The confidence to invest in this market is maximised when market participants have access to timely and robust information, enabling them to minimise their own commercial risk and uncertainty. The overall level of risk and uncertainty associated with the ACCU scheme impacts its capacity to contribute to the achievement of Australia’s emission reduction goals.

### Greater transparency and timely disclosure of project information

- Greater transparency of project level information will assist credit purchasing organisations, their customers and other stakeholders seek assurances regarding the nature of abatement and any co-benefits that may apply.
- Investigate approaches adopted in carbon credit markets overseas to test what approaches to project level information disclosures are most effective.
- The demand side of the market ordinarily expends considerable resources conducting its own project level due diligence before deciding to invest in credits from particular abatement projects — and this can be minimised with more transparent project level information.
- Making project proponent audit and offsets reports — currently prepared and submitted to the Regulator — publicly available as soon as possible will greatly facilitate and minimise the cost of project level due diligence.
- This will also enable the demand side of the market to make better choices between competing project options based on the best available information across all projects.

### Competitively neutral and timely release of information to the market

- The release of information concerning the ACCU scheme by the Regulator and the Department needs to be both timely and plenary with respect to market participants.
- We note and acknowledge that the release of ‘safeguard preliminary insights’ data by the Regulator is a helpful initiative in this regard.
- Even seemingly innocuous changes — such as the carbon abatement contract (fixed delivery) exit arrangements announced in 2022, and changes impacting the creation of safeguard mechanism credits (under the safeguard mechanism) — can significantly impact ACCU credit demand, supply and price dynamics.
- This is particularly relevant to changes to the scheme’s architecture, rules and parameters because market participants are continuously making decisions and taking commercial positions based on the scheme’s known architecture, rules and parameters at any given point in time.

- Nonlegislative changes to the architecture, rules or parameters, where the Department or Regulator has discretionary decision making power are the changes with greatest potential to have a negative impact in this context — because they don't need to adhere to notification requirements associated with legislative amendments.
- A timely approach to information release would provide as much advanced warning and the opportunity for adequate consultation, before a change takes effect, to avoid a situation where market participants are 'surprised' because they are only being informed close to (or after) the time of a change occurring.
- A plenary approach to information release would involve all market participants being communicated with at the same time, to avoid a situation where some participants are advantaged over others due to 'information asymmetries' caused by the release of information to a subset of participants.

## A stable long term carbon market strategy is needed

- In the context of earlier CCA consultations and reviews the BCA has previously supported the CCA's recommendation that government develop a national carbon market strategy.
- The ACCU scheme would be at the centre of this strategy but the strategy should evolve to encompass other environmental units relevant to Australia's decarbonisation efforts, such as safeguard mechanism credits (at the outset), renewable electricity guarantee of origin certificates, product guarantee of origin certificates and nature repair market/biodiversity offsets.
- Ideally, such a strategy would function like one of the Government's six sector emissions reduction plans supporting the Net Zero Plan and the achievement of Australia's 2035 emission reduction target (and subsequent targets).
- A robust roadmap would clarify the optimal pathway(s) for credit creation potential under the ACCU scheme (between now and 2050) by providing as much policy certainty as possible, while also being updatable as the policy environment evolves.
- The strategy would provide direct market participants and investors more generally, with guidance and preliminary indications to the following policy options and parameters (as examples).
  - An assessment of Australia's total potential land sink and all other forms of removals (such as engineered carbon) and what scaling assumptions are being explicitly or implicitly built into the Net Zero Plan.
  - Linkages with relevant domestic policies such the safeguard mechanism (and its key parameters such as safeguard mechanism credits and the cost containment measure) and the potential for a carbon border adjustment mechanism in Australia.
  - Linkages with overseas credit markets in other countries (such as Japan, Korea, Singapore, and China) and the potential for importing and exporting carbon units via article 6 of the Paris Agreement, including indicative linkage limits at key milestone years in the future.
  - Anticipated modifications to key ACCU scheme rules relating to method governance arrangements, banking and borrowing, vintage restrictions, crediting and permanence periods, and any future forms of government participation in the market being contemplated (for example).
- While a degree policy evolution and improvement over decadal time periods is inevitable, policy stability is vital to maximising the potential scale, effectiveness and efficiency of the ACCU scheme and therefore its contribution to achieving Australia's emission reduction goals.
- The establishment of an annual statement of opportunities for carbon credits, analogous to AEMO's modelling of the electricity and gas sectors, should accompany the national carbon market strategy.

## Other improvements

- Expedite implementation of the second stage of previous ACCU review reform recommendations (recommended in 2022 and 2023) including re-establishing the ERAC as the Carbon Abatement Integrity Committee.
- Government must continue to provide and support clear messaging about the valid and positive contribution the ACCU scheme is making towards meeting Australia's emission reduction targets — and potentially the emission reductions targets of other countries under Article 6 of the Paris Agreement.
- Although initially a major buyer of credits via emission reduction fund auctions, the Government's role as a market participant in the ACCU scheme has appropriately diminished — and should remain limited to special circumstances only, such as giving effect to the cost containment measure under the safeguard mechanism if required.
- Any and all forms of government intervention in the market in the future must be based on robust evidence of market failure and supported by a cost benefit (regulatory impact) to demonstrate that the intervention is efficiency enhancing.
- The ACCU scheme should maintain its simplicity and efficiency as a market that explicitly prices one tonne of carbon abatement (only) — notwithstanding the market's ability to differentiate via price spreads on the basis of different abatement sources, project characteristics and co-benefits.
- Government needs to provide educational and financial support to potential users of methods, where there are barriers to the application of methods in some supply chains (for example, in the case of smaller farms) — in some cases, well designed methods are not being deployed due to barriers such as complexity and a lack of resources and information on the benefits.

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