

11 April 2022

Mr Grant King
Chair
Climate Change Authority
GPO Box 2013
Canberra ACT 2601

Via email to enquiries@climatechangeauthority.gov.au

Dear Mr King,

Re: Review of international offsets – consultation paper

Simply Energy welcomes the opportunity to provide feedback on the consultation paper for the review of international offsets.

Simply Energy is a leading energy retailer with approximately 730,000 customer accounts across Victoria, New South Wales, South Australia, Queensland and Western Australia. Since January 2021, Simply Energy has been certified as carbon neutral through the Climate Active program. All of Simply Energy's new plans include carbon neutral energy at no additional cost to the customer.

Simply Energy is owned by ENGIE Australia & New Zealand (ENGIE), which is part of a global energy operator in the businesses of electricity, natural gas, and energy services. ENGIE is the largest independent power producer in the world and operates in over 70 countries on five continents. ENGIE has ambitions to become the world leader in the zero-carbon transition 'as a service' for our customers, including global companies and local authorities.

Simply Energy's submission provides feedback on several aspects of the Climate Change Authority's terms of reference and guiding material. Broadly, Simply Energy considers that voluntary carbon offset programs, such as Climate Active, will be effective if the following requirements are met:

- **A diverse range of offsets are available** – international offsets expand the total supply of offsets and provide participants with access to a diversity of markets and schemes.
- **Increased costs result in benefits** – the criteria for the inclusion of international offsets should reflect the voluntary nature of the program. Setting criteria that excludes otherwise high-quality projects may result in higher costs with potentially limited additional benefits.
- **Strong governance is in place** – to retain trust in voluntary programs, new rules should not invalidate forward contracts entered into under the current framework.

International offsets have an important role in Australia's carbon offset programs

Simply Energy supports the continued use of international offsets in Australia's voluntary carbon offset programs, as enabling access to international carbon markets ensures that global emissions are reduced where it is most cost effective to do so. In addition to the global benefits of reduced emissions, having access to international offsets is valuable to Australian businesses and consumers as a diversity of markets and schemes will ensure stability in the price of offsets through reduced exposure to individual market volatility and issues.

As a global company, Simply Energy and ENGIE currently source internationally-traded carbon offsets and have access to a broad range of projects. ENGIE applies internal guidelines relating to its use of offsets around the world to ensure that we select only high-quality offsets.

In that context, we support the Climate Change Authority reviewing the criteria for international offsets to ensure they are of high quality and integrity. All participants in Australia's carbon offset programs should be required to use high quality and integrity international offsets.

Considerations and criteria for international offsets

When considering the criteria for international offsets, Simply Energy suggests that there be a clear focus on additionality, permanence, environmental management, and human rights. Offsets should also not be used to compensate for overarching government (or companies) policies that fail to transition from fossil fuel energy sources to renewable energy sources.

It is also important that offsets produce co-benefits, as this would result in better acceptance of project legitimacy and quality of products. Simply Energy considers that co-benefits related to biodiversity will be key to improving climate change resilience and adaptation. Co-benefits can also result in improved local community outcomes (including revenue, gender balance, and education), water supply quality, and health services.

In terms of whether different criteria should apply at different scales (for example, at the method, project, scheme, or trading platform levels), we consider that standards need to be maintained at all scales to maintain integrity of the scheme as a whole.

Simply Energy suggests that the Climate Change Authority consider producing public guidance on the demand-side use of offsets within Australia's voluntary carbon offset programs, to aid participants in ensuring that the offsets they purchase are derived from projects that have high environmental and social integrity and produce co-benefits.

Experiences from international carbon markets can provide valuable insights

Some of the lessons we have observed from international carbon markets include:

- The quality of carbon offset projects can be very variable, even under a given certification
- Carbon programs will be better accepted if there is regular stakeholder engagement and reviews of the methodology. This also ensures a higher level of quality.
- Certification processes can be lengthy and costly.
- Evaluation can be difficult after-the-fact, especially in relation to projects located overseas.

The Climate Change Authority could also consider engaging with the Integrity Council for the Voluntary Carbon Market and the Voluntary Carbon Markets Integrity Initiative. The overarching aim of this engagement would be to align Australia's criteria on quality and integrity of offsets with other global carbon offset programs.

Corresponding adjustments are not necessary for voluntary programs

For the purpose of voluntary carbon neutral certification, it is appropriate to allow the trade of non-authorised units (where corresponding adjustments are not made). In our experience, the corresponding adjustments are complex and many countries and/or projects may not be able to make corresponding adjustments at this stage.

If international offsets were restricted solely to internationally transferred mitigation outcomes (ITMOs), this would likely result in the exclusion of many projects that are high quality and would provide cost effective emissions reductions. Restricting offsets solely to ITMOs may also limit emissions reduction projects to countries that can afford to implement the infrastructure required to generate ITMOs.

Simply Energy also urges the Climate Change Authority to consider whether restricting offsets solely to ITMOs would significantly increase the cost of businesses' obtaining voluntary carbon neutral certification. If the costs of participating in Australia's carbon offset programs are too high, this may limit growth and opportunities in the market for offsets.

The criteria and quality of Australian offsets should also be reviewed

While it is outside of the scope of the Minister for Industry, Energy and Emissions Reduction's request, Simply Energy considers the Climate Change Authority may wish to undertake a similar review into Australian Carbon Credit Units (ACCUs). This review may result in strengthened criteria on the quality of international offsets, and therefore, a higher price for international offsets. The benefits of the strengthened criteria would be undermined if participants could substitute high quality international offsets for ACCUs that may meet a lower standard.

Transition to any updated criteria for use of offsets in Australian programs

Simply Energy suggests that the Climate Change Authority also consider whether it is appropriate to implement transitional provisions to any new eligibility criteria for international offsets. Participants in Australia's carbon offset programs will have made investments and entered into forward contracts based on the current framework. It is important that these investments are honoured, to promote regulatory certainty and to ensure participants can retain trust in the programs. The Climate Change Authority should also commit to regular reviews of Australia's offset programs at set intervals. This would increase transparency of the governance arrangements that apply to the programs and increase regulatory and investment certainty.

Simply Energy urges the Climate Change Authority to be transparent with stakeholders about the progress of this review and to publish draft findings and recommendations for stakeholder review and comment. We would be concerned if the Climate Change Authority moved immediately to a final review report, especially if the report recommended significant changes to the use of international offsets in Australia's carbon offset programs.

It is not clear from the consultation paper whether the Climate Change Authority intends to publish its final review report. To promote transparency and regulatory certainty, it is important that the Climate Change Authority or the Minister make this report publicly available.

Concluding remarks

Simply Energy welcomes further discussion in relation to this submission. To arrange a discussion or if you have any questions please contact Matthew Giampiccolo, Senior Regulatory Adviser, at matthew.giampiccolo@simplyenergy.com.au.

Yours sincerely



James Barton
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Simply Energy