



25 May 2020

Dr Wendy Craik AM  
Chair  
Climate Change Authority  
GPO Box 2013  
Canberra ACT 2601

By email: [submission@climatechangeauthority.gov.au](mailto:submission@climatechangeauthority.gov.au)

Dear Dr Craik

### **2020 Review of the Emissions Reduction Fund consultation paper**

Thank you for the opportunity to make a submission in response to the Authority's 2020 Review of the Emissions Reduction Fund (ERF) consultation paper.

EDL is a leading global producer of sustainable distributed energy. We have a thirty year reputation for developing innovative, tailored clean and green energy solutions. EDL owns and operates nearly one hundred power stations across Australia, North America and Europe, both grid connected and remote and using landfill and waste coal mine gas, wind and solar, liquid fuels and storage.

EDL's Australian electricity portfolio currently generates around 3.5 TeraWatt hours (TWhs) of low carbon power each year. Doing so abates over 1.8 million tonnes of carbon equivalent greenhouse gases each year, comprising 1.2 million Large-scale Generation Certificates (LGCs)<sup>1</sup> and 840,000 Australian Carbon Credit Units (ACCUs). Our overseas operations generate revenue from low carbon energy and transport fuel schemes.

### **The importance of the ERF**

EDL agrees with the Authority, the Government and the King Panel<sup>2</sup> that the ERF is a vital policy mechanism for encouraging quality, low cost carbon abatement. That abatement is crucial in helping Australia to meet its greenhouse gas reduction targets. It also supports the development of innovative technologies, regional economies and jobs. Scheme projects also deliver other co-benefits such as agricultural productivity improvements.

EDL strongly endorses the Government's intention to continue to significantly invest in the ERF over the next decade as a key pillar of its Climate Solutions Plan. EDL also welcomes the Government's commitment to improving and enhancing the scheme's efficiency and effectiveness while maintaining the quality of the resulting offsets. This includes the Government's recent adoption of the King Panel's recommendations concerning the ERF<sup>3</sup>. Timely action in this regard would boost supply to the compliance and voluntary markets.

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<sup>1</sup> Total abatement assumes each LGC provides the NEM average of 0.81 t/CO<sub>2</sub>-e of abatement.

<sup>2</sup> Australian Government, [Report of the Expert Panel examining additional sources of low cost abatement](#), February 2020 and [Australian Government response to the Final Report of the Expert Panel examining additional sources of low cost abatement](#), 19 May 2020.

<sup>3</sup> King Panel report, Chapter 6.

### *What parts of the ERF could be improved and how?*

The ERF is a remarkable achievement, originally setting the global benchmark for abatement project support. However, aspects of the scheme's operation are not keeping pace with the growing range of abatement opportunities. In practice:

- method prioritisation is opaque and slow
- method development and review processes are long and slow, involve multiple government bodies, costly to resource and have uncertain outcomes and
- project eligibility requirements can be too restrictive
- CACs based on power generation entered into prior to March 2020 lack the flexibility needed to effectively manage changes to generation profiles — EDL notes that the Clean Energy Regulator (the CER) has recently introduced delivery options for CACs entered into from March 2020 and that the King Panel recommended that further flexibility options be explored) and
- increases in compliance audit costs are acting as a disincentive to entering projects.

As examples, while EDL has always found engaging with ERAC and Departmental and CER staff to be constructive:

- it has taken nearly a year to obtain agreement to a process to review proposed improvements to the Coal Mine Waste Gas method that would, if endorsed, widen the range of eligible investments and thereby likely deliver significant additional abatement under the scheme
- in seeking that agreement, it proved difficult to obtain a clear picture from the Department as to how ERF-related reviews were being prioritised, timetabled and resourced
- it also proved hard to gain a clear understanding of the evidence that would need to be provided to support the proposed changes and
- when developing or refining methods, the Department sometimes appears to focus more on the details (such as eligibility exclusions) rather than finding ways to support those technologies most likely to deliver genuine abatement at competitive prices.

EDL submits that these issues can be significantly addressed by the following:

1. Additional Departmental and ERAC resources including, for the latter, the appointment of additional Members and potentially a reduction in the quorum needed to progress the Committee's work
2. Formalising arrangements for greater industry and other stakeholder engagement in method development and review — this should include:
  - a willingness to regularly discuss review prioritisation and timetabling
  - a requirement to publish review progress metrics and
  - imposing a default time limit for each review stage breach of which would require reporting the reasons why to the Minister
3. Increase CER involvement in method development and reviews to minimise the risk of projects being rejected for registration — this could, for example, involve developing more detailed guidelines for preparing material demonstrating that

proposed projects comply with the relevant method eligibility requirements. Such guidelines could be published at the same time as the new or revised method

4. Provision for, with industry experts, jointly exploring and developing improvements to existing methods and developing new ones and
5. More frequent, regular ERAC meetings.

These recommendations are largely consistent with those proposed by the King Panel<sup>4</sup> and accepted by the Federal Government.

### **Maintaining integrity and optimising governance of the ERF**

*Do you have any views on the operation of the offsets integrity standards and the additionality provisions as key principles supporting the integrity of abatement under the ERF?*

The ERF should include a mechanism that allows for more tailored eligibility periods to be considered for project types rather than simply imposing a default (for example) seven year period with a potential once-only seven year extension. Doing so would recognise that the additionality associated with different technologies varies. For example, it may be the case that after the initial seven years a project may not have achieved business as usual status but is in fact able to provide further material quantities of quality, affordable abatement. In such circumstances, the Minister should be allowed to extend that type of project for a further seven years with ERAC to review the potential for additionality beyond that extension towards the end of that period.

*Do you think the governance structures of the ERF remain fit for purpose?*

Broadly, the structure remains appropriate. EDL's main concern is the efficiency and effectiveness of the scheme processes set out above.

*What are your views on method prioritisation, method development and method review processes in the ERF? Please include any thoughts on how these processes could be improved, including how the expertise of industry could be better incorporated.*

Please refer to the answers provided above.

### **Managing risks to abatement**

As noted above, CACs based on power generation entered into prior to 2020 lack the flexibility needed to effectively manage changes to generation profiles. Consistent with the King Panel's recommendation<sup>5</sup>, the CER's recent introduction of delivery options should be expanded to include revisions to CACs entered into prior to March 2020.

### **Opportunities for enhancing outcomes**

*What role could the ERF play in future economic recovery efforts?*

Abatement will continue to play a critical role in Australia and the world's response to climate change. EDL is a business that has grown by developing and applying innovative

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<sup>4</sup> King Panel report, Chapter 6.

<sup>5</sup> King Panel report, p 50 et seq.



carbon offset solutions. We firmly believe that the Australian and international offsets markets can and should be much larger and that, with locally developed, world-leading technologies encouraged through policies such as the ERF, that scale can be realised quickly and at a relatively low cost. As noted above, doing so offers economic benefits, including regional investment and jobs, that can assist in the recovery from COVID-19.

*Should the ERF more explicitly address climate resilience and impacts? If so, how? Is there a need for enhanced guidance on how to manage ERF projects for multiple benefits? If so, should this be part of the ERF or complementary programs and policies?*

As noted above, ERF-supported abatement projects can provide important co-benefits. EDL agrees with the King Panel's view that it is not the scheme's role to deliver those co-benefits<sup>6</sup>. Rather, consideration should be given to ensuring that the ERF's role in incentivising abatement is consistent with the effectiveness of other government policies and market mechanisms in delivering those co-benefits.

Should you have any questions in relation to this submission, please contact Anthony Englund, Head of Regulatory Affairs, at [anthony.englund@edlenergy.com](mailto:anthony.englund@edlenergy.com) or on (0412) 039 860.

Yours faithfully

A handwritten signature in black ink, appearing to read 'J Harman', with a stylized, looped initial 'J'.

**James Harman**  
Chief Executive Officer

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<sup>6</sup> King Panel report, p 33.