

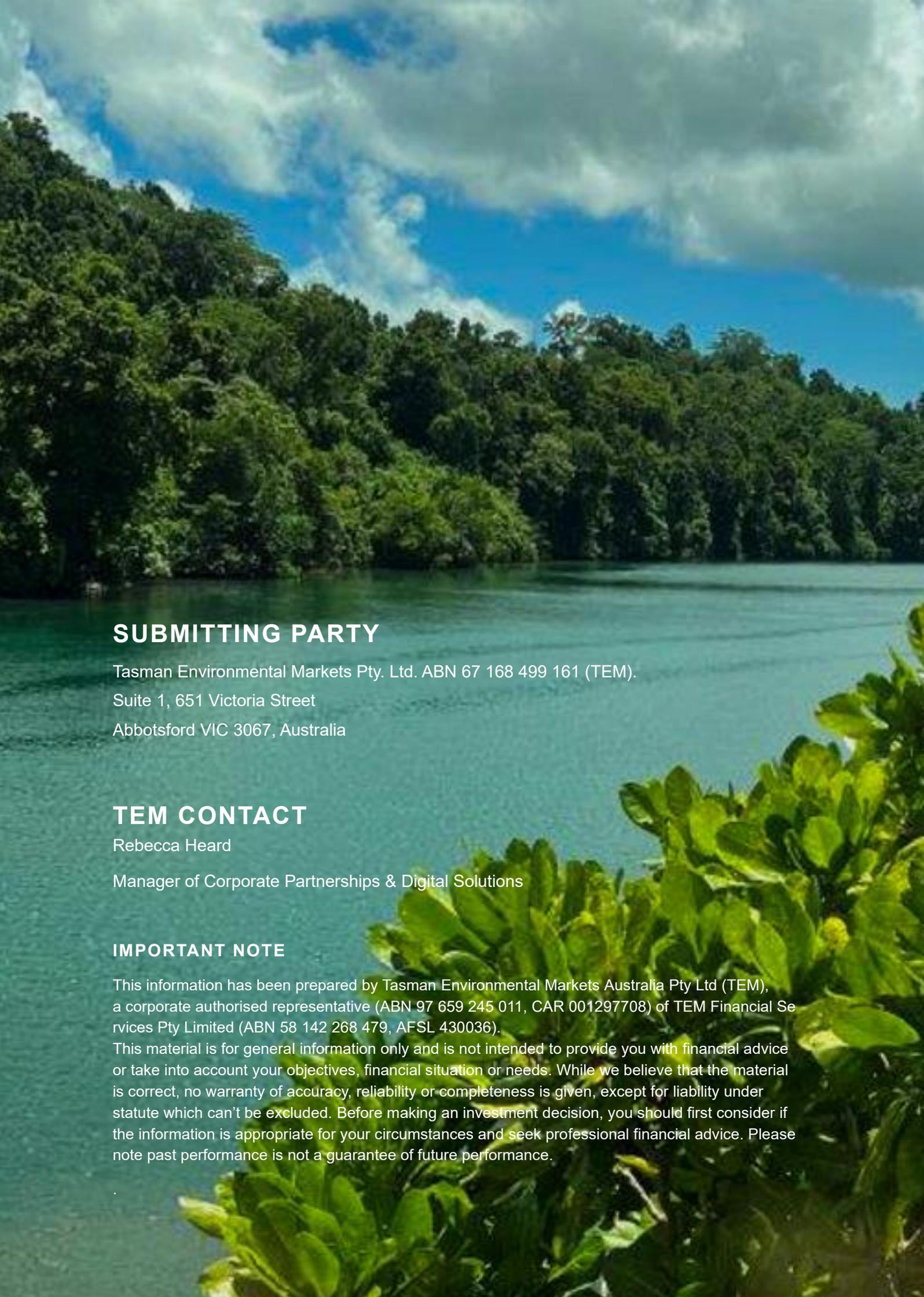


Response to the Department of Climate Change, Energy,  
the Environment and Water

**Climate Active Program Direction Consultation 2023**

Tasman Environmental Markets (TEM)

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## **SUBMITTING PARTY**

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## **IMPORTANT NOTE**

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## Executive summary

**Tasman Environmental Markets (TEM) is Australia's largest voluntary carbon offset provider.**

**We partner with businesses of all sizes to help them achieve their decarbonisation goals and make a real difference to climate change, people and the planet via financing high-quality carbon offsetting projects.**

**TEM is a certified B Corporation, is certified carbon neutral by Climate Active and are members of IETA and the Carbon Market Institute industry bodies, and a signatory of the Australian Carbon Industry Code of Conduct.**

**TEM welcomes the opportunity to provide feedback to the Department of Climate Change, Energy, the Environment and Water on its Climate Active Program Direction Consultation.**

**Overall, TEM supports strengthened ambition and integrity within the voluntary market and is supportive of the Government's efforts to improve Climate Active's role in driving voluntary climate action amongst corporate Australia. We note a high-integrity voluntary carbon market is crucial for funding climate solutions and integral for reducing and removing emissions at the pace and scale needed to limit global temperature rises to 1.5C.**

## Responses to guiding questions

**What value is provided to businesses and organisations, consumers and the climate by the Australian Government operating a program to certify voluntary climate action?**

TEM believes that voluntary climate action should be supported and recognised, and that the Australian Government has an important role to play in guiding best practice, high-integrity, and high-ambition voluntary action, through its Climate Active program.

We commend the efforts of the current program in promoting voluntary action. Climate Active has played a significant role in driving corporate climate ambition, including through:

- establishing a verified, Government-backed certification of carbon neutral claims
- driving healthy competitive pressures across corporate organisations to ramp up their carbon emissions targets through creating a benchmark of excellence
- providing a recognised standard of carbon neutrality to improve consumer awareness and provide clear consumer choice between certified and non-certified carbon neutral claims
- providing a quality proxy for non-Climate Active related carbon offsetting purchases.

TEM supports Climate Active's intentions to be more ambitious in its approach to voluntary climate action. We are also of the opinion that Climate Active could play a greater role in providing guidance to organisations on how they can credibly structure their claims and confidently demonstrate their contribution to climate action.

A robust, high-integrity program, underpinned by corporate and public confidence, is critical to the success of Climate Active and will support and encourage greater industry ambition and participation.

**Proposal 1: All participants must produce an emissions reduction strategy that includes a near-term and long-term gross emissions target aligned with Australia's NDC (at a minimum) applicable to the item being certified.**

To increase ambition and transparency from organisations partaking in the Climate Active scheme, TEM agrees that participants should be required to set near-term and long-term gross emissions reductions targets. Long-term targets signal an organisation's commitment to pursuing continuous emissions reductions, whereby short-term targets help to demonstrate the commitment to meeting the long-term targets.

One of the key strengths of Climate Active is the role it plays in motivating businesses to go above and beyond what is mandated at a policy level. In doing so, it's important that Climate Active allows organisations to define this level of ambition, enabling scope for industry-level flexibility.

The proposed alignment to Australia's NDC would be a 'one-size fits all approach' which could have counter-productive impacts on driving deeper corporate climate change ambition. In particular, this approach would likely result in an unintended exclusion of organisations in hard-to-abate sectors, such as aviation, transport, and freight.

Similarly, alignment with the NDC for other organisations may result in organisations relaxing their commitments where their existing commitments are more ambitious than Australia's NDC.

With this in mind, TEM suggests an approach that considers sector-based, near-term emissions targets.

Before operationalising proposal 1.1, TEM believes it would be a good idea for Climate Active to define a clear approach regarding how it will recognise historical voluntary reduction actions by corporates and ensure it is adequately resourced to undertake the monitoring and enforcement needed.

**Proposal 2: Businesses and organisations must demonstrate that they are on track to meet their near-term gross emissions reduction targets to be certified.**

TEM is supportive of limiting certification to businesses and organisations that have demonstrated they are on track to meet their near-term emissions reduction targets. This would support the integrity and ambition of the program by ensuring organisations are not only sharing a reduction strategy but also taking active steps to meet its targets. It also reinforces the role of carbon offsetting in helping to address unavoidable emissions today while incentivising emissions reductions activities by pricing in the cost of carbon.

TEM considers the three-year average period to be appropriate, acknowledging that emissions can fluctuate from year to year.

Organisations should demonstrate emissions reductions progress, through the disclosure of the percentage of absolute emissions reductions relative to their baseline. In addition to this, clear and

transparent metrics and key indicators should be disclosed. To ensure consistency, verified progress should also be demonstrated by a third-party independent auditor.

**Proposal 4: All eligible international carbon offsets used under the program are subject to a five-year rolling vintage requirement.**

TEM acknowledges that the industry is moving towards a rolling five-year vintage and the importance of aligning with broader industry trends.

Any changes to vintage requirements should consider the impact this could have in restricting the available amount of high-integrity offsets available in the market and could have an unintended consequence of moving market prices and making certification cost prohibitive. This risk would be especially acute under a three-year rolling period.

Vintages should also not be a proxy for quality. The quality of an offset is determined by a large number of factors that need to be considered as part of the wider due diligence on carbon projects. Instead, any restrictions to vintage requirements need to recognise that there are remaining high-quality projects of older vintages that rely on organisations purchasing them. Ruling out a project because of its vintage, risks the important role voluntary carbon offsetting plays in supporting the long-term financing of carbon sequestration and avoidance activities.

If Climate Active do move forward with a five-year rolling vintage, TEM recommends a considerable grace period for existing forward contracts and banked credits, as well as ample notice, to minimise market disruption.

TEM is supportive of the continuation of carbon credit banking given the important role this provision plays in managing market risk for Climate Active-certified organisations and the important up-front financing this can provide to project proponents.

Banking allows organisations to manage their cost and supply risk exposure, and encourages long-term commitment. Removing this flexibility could ultimately lessen climate action and the opportunity for corporates to go over and above in addressing their ongoing emissions, whilst supporting decarbonisation initiatives. Furthermore, banking allows smaller organisations to access high-quality projects, which they may not otherwise have access to, due to minimum volume requirements upon purchase.

**Proposal 6: In future, abatement from all ACCUs used under Climate Active would count toward meeting Australia's emissions reduction target under the Paris Agreement.**

TEM encourages Climate Active abatement of ACCUs to remain over-and-above Australia's NDC as a way to continue to promote action beyond regulatory requirements. This has been a strength of the program to date, and TEM believes it should be retained moving forward.

If Climate Active does decide to proceed with this proposal, TEM is of the opinion that voluntary contributions should be highlighted separately in the national accounts.

## **Proposal 7: Discontinue the term ‘carbon neutral’ to describe the certified claim**

TEM is cognisant of the current global media commentary and public scepticism surrounding carbon neutral claims. We also recognise the importance of providing consumer confidence in the credibility of claims involving the use of carbon credits. Studies show that consumers want transparency so they can understand the impact of their choices and make better decisions to help fight climate change.

TEM also notes that voluntary corporate action is moving beyond ‘carbon neutrality’ and towards net zero pathways, which involve setting and pursuing emissions reductions targets.

However, TEM recognises the crucial role of high-integrity carbon credits in supporting organisations to:

- Address ongoing emissions from doing business today, whilst pursuing their interim reduction targets
- Take immediate and consistent action to mitigate emissions beyond their value chains.
- Neutralise residual, hard-to-abate emissions.

According to a recent report by a leading carbon credit rating agency, Sylvera, (2023) organisations that purchase offsets decarbonise twice as fast as those who don’t, therefore it is important that the use of high-integrity carbon credits continues to be encouraged and recognised. Considering this, TEM agrees that there is a greater role for Climate Active to play in ensuring organisations have the confidence to accurately promote their impact by ensuring claims are accurate, in addition to directing additional resources into educating the public on what these claims encompass. Education will be key in countering current consumer uncertainty and lack of understanding of what claims mean and provide trust in future claims.

We are also aware of the high value many organisations, including some of our customers, place on being able to have a well-recognised, standardised ‘stamp’ to use in order to promote their business’ commitment to climate action. They want something to utilise to allow consumers to easily visually identify that their business or products are contributing to good environmental outcomes via supporting carbon projects.

Therefore, TEM is supportive of Climate Active evolving in line with international guidance, which encourages organisations to adopt claims that can be more easily understood by customers and more clearly align with impact achieved. TEM acknowledges that one of the downsides of current ‘compensation’ claims, such as “Carbon Neutral”, is that it does not distinguish based on climate investment, making it opaque. TEM therefore questions whether simply replacing “Carbon Neutral” with an alternative claim is the best approach and instead recommends a tiered system, based on climate impact and more of a positive , ‘climate contribution’ based model for claims.

TEM is supportive of the VCMI Claims Code of Practice, which provides clear requirements, recommendations and guidance on what claims can be made, to ensure they are truthful and informative. This involves ‘silver’, ‘gold’ and ‘platinum’ level claims organisations can make and a Carbon Integrity logo, issued by VCMI, that companies can use as part of making a Carbon Integrity

Claim. A great addition to the Carbon Integrity logo, which we support, is a QR code that links to the VCMI website for further information about the Claim.

However, we note that the Carbon Integrity logo that VCMI offers companies as part of making a Carbon Integrity Claim may not work for companies in terms of promoting their activities in a way easily understood by consumers or making clear what the logo signifies. TEM believes a consistent claim graphic, logo or 'mark' that makes it instantly clear to consumers that companies using this mark are contributing to climate action via supporting high-quality carbon projects would be a better approach. A 'mark' or graphic that makes a statement similar to "This product/company is helping fund quality climate action projects" and then states at what level they are doing this at (silver, gold or platinum) could be an alternative approach. This would be a way for organisations to be able to publicly demonstrate the progress they are making as they move through their decarbonisation journey.

A refreshed, standardised method for making corporate claims, endorsed by the government, that is easily understood by the public could be a great way to help engender trust in corporate climate action and help show how companies are genuinely contributing to mitigating climate change via supporting high-quality carbon projects.

### **Proposal 8: Introduce a certification pathway**

TEM believes Climate Active certification should be reserved for organisations taking credible climate action and there is an opportunity for Climate Active to better incentivise organisations to go above and beyond their near-term reduction targets through an improved certification scheme.

The proposed pathway may limit participation in the scheme, as participants are required to move through the "Starting Out" and "Pending" stages, which do not enable an organisation to use the Climate Active trademark, as no genuine impact is made. TEM is particularly concerned that small and medium enterprises may find this pro-longed approach cost prohibitive; with recognition not occurring until the final "Certification" stage.

TEM believes the tiers should be focused on genuine impact and suggests that certification should be tiered as silver, bronze or platinum based on the level of climate impact achieved. This would better align to other international standards, such as VCMI's Claims Code of Practice and provide a greater level of transparency and accountability, whilst also recognising that mitigation measures can take time to implement.

TEM recommends that participants in the scheme should first be required to meet foundational criteria, including the public disclosure of their GHG emissions and near and long-term reduction targets; in addition to demonstrating they are on-track to achieve these by attaining third-party assurance. We believe the government should actively provide organisations with tools, calculators and guidance to support them in achieving this foundational level. Under the current proposal, this is only provided once an organisation signs up to the "Pending" stage. Upon achievement and approval of its foundational criteria, the organisation should be able to directly apply for bronze, silver, or platinum certification, based on the level of impact being made.

**TEM welcomes the opportunity to provide further context to our submission if required.**