22 May 2026

Department of Climate Change, Energy, the Environment and Water

Submitted online

Carbon Credits Integrity and Transparency Bill Consultation

The Australian Financial Markets Association (AFMA) is responding to the Department of Climate Change, Energy, the Environment and Water's (DCCEEW) Carbon Credits and Other Legislation Amendment (Integrity and Transparency) Bill Consultation.

AFMA is the leading financial markets industry association promoting efficiency, integrity and professionalism in Australia's financial markets, including the capital, credit, derivatives, foreign exchange, energy, carbon, and other specialist markets. Our membership is comprised of over 140 of Australia's leading financial market participants, including key participants in the ACCU market.

Key Points

- **AFMA supports the proposed measures to boost integrity and transparency in the ACCU market**
- **The current IRMD proposal risks undermining investment and market confidence**

As AFMA expressed in our submission to the 2022 Independent Review of ACCUs (Chubb Review), reforms should continue to support ACCUs as a valuable tradable product to ensure that the market functions well and can contribute to the success of ACCUs assisting in Australia meeting its climate targets.[1] AFMA welcomes this exposure draft and the measures being introduced as part of the ongoing effort to reform and improve the ACCU scheme.

1. Transparency improvements

AFMA supports measures to boost transparency in the scheme. In particular, AFMA supports establishing the Carbon Abatement Integrity Committee (CAIC) and considers that its work will contribute to ensuring that ACCUs continue to be seen as high quality carbon units. The committee's powers of review, verification and ability to advise to government will boost transparency and integrity, as well as support a generally more efficient process. While the CAIC alone cannot resolve all integrity concerns, its establishment, alongside other measures will assist with integrity enhancements.

We caution the Department that expanded data disclosure does not necessarily enhance integrity as there is a risk that large amounts of highly technical information this could obscure rather than provide clarity if much of the market doesn't have the capacity to interpret it meaningfully. We believe it would instead be of greater value for the Department to focus on how to reduce transaction costs associated with accessing existing data. AFMA understands that the Clean Energy Regulator (CER) has already identified a number of legislative barriers preventing participants from using tools such as APIs to access this data, making the process far more manual and burdensome.

[1] https://www.afma.com.au/getattachment/Policy/Submissions/2022/R52-22_Independent-Review-of-ACCUs/R055-22-Independant-Review-of-ACCUs.pdf?lang=en-AU&ext=.pdf

Additionally, data must be presented in a manner which clarifies discrepancies between different reporting frameworks.

We welcome the proposal to ensure that the CAIC's membership has experts with varied backgrounds, including in the trading of environmental instruments. Ensuring that CAIC membership includes expertise in trading and financial markets will aid the integrity of the market.

AFMA expressed in both its Chubb Review and 2026 ACCU scheme review submissions that the Government should be clear and transparent about its activity in the market, to safeguard market integrity.[2] We therefore support moving responsibility for purchasing ACCUs under the CFI Act from the CER to the Department as it removes the possibility of conflicts between the CFI Act functions and the CER's role as regulator. Whilst a welcome reform, AFMA considers that there needs to be appropriate separation in the Department between the trading function and the Department's policy role. We encourage the Department to develop appropriate guidelines and business process to ensure this with a particular focus on ensuring that material information, including that relating to methodology integrity, should not be available to anyone within the Department in a purchasing role, when that information is not available to the wider market. The guidelines consider the impact of government activities on the operation of the market and look to minimise any disruption to it.

2. Integrity and efficiency improvements

AFMA welcomes the Department's decision to introduce a series of integrity improvements identified by recent reviews, we think it important that any measures identified to improve integrity and efficiency can be swiftly implemented. In this regard, AFMA also agrees with DCCEEW's intent to move Climate Change Authority reviews from every three years to every five which will support more effective reform implementation and in-depth reviews.

With regard to the Integrity Risk Method Declarations (IRMD), we support the intent to safeguard the integrity of methods and the need for review. But for the scheme to function well, participants must be confident that if they act in accordance with the scheme rules, the resulting certificates will remain unaffected, in the event a method later attracts integrity concerns. The market cannot function efficiently if participants are left to bear reputational and financial risk resulting from legacy units that later faced integrity concerns, when participants had no role in methodology design and approval at the time. The proposed framework does not adequately address this issue and AFMA considers that greater clarity is required for holders of legacy units.

It is also important to safeguard confidence in government processes and existing backstops, and we see material risk that this intervention has the potential to undermine that. In particular, we are concerned that the current broad definition of integrity risks, beyond compliance with the Offsets Integrity Standards, could lead to public misunderstanding that this criterion has been triggered. In this regard, it is important to note that the Chubb Review sought to clarity the purpose and function of the scheme from an educational perspective rather than recommending material changes. The ACCU scheme has been successful in part due to it being government backed with a robust regulatory architecture and methodology development processes. We are concerned that the proposed IRMD changes could undermine this and reduce the ability of existing registered projects being able to deliver their expected issuance outcomes.

We are in particular concerned that the IRMD process risks undermining long-term investment confidence at a project level, due to reduced certainty of ACCU issuance forecasts and cost structures, especially given that land managers make long-dated decisions about how their land is going to be managed to deliver carbon abatement as well as their broader agricultural plans. Noting the levels of supply required to meet growing and sustained demand, this is a considerable concern.

[2] https://www.afma.com.au/policy/submissions/2025/r69-25-cca-2026-accu-scheme-review.pdf?ext=.pdf

In addition, the definition of ‘material risk’ to Offset Integrity Standards, as one of the criteria for declaring IRMD requires further definition as the lack of clear safeguards and parameters could result in subjective judgements from one methodology to another. The assessment of materiality should be informed by quantitative measures that are independently verified over a long-term time horizon. The timing of when IRMD commences also matters. Commencing IRMD where there are no available alternative methods for transition is not advisable, even if a parallel process is initiated for the development of a new or varied method at the point when CAIC makes its assessment. Seeing as method development is a lengthy process, this could cause the ACCUs issued through the method under IRMD review, but yet to be declared, to be stranded, without having an appropriate method to transition into, due to perceived integrity issues.

Ultimately, integrity matters are best addressed through the existing robust method development process with the Emissions Reduction Assurance Committee, and soon CAIC. The stability and effectiveness of the market require stable methods that are demonstrably backed by government.

In light of concerns arising from many segments of the market, AFMA encourages the Government to further consult with the market on IRMD arrangements and design ahead of introduction to the Parliament.

AFMA Recommendations

i. Remove legislative barriers preventing use of APIs
ii. Develop guidelines about the how the Department’s ACCU purchasing function will be segregated from its policy work.
iii. Further consult on the IRMD design before introducing the Bill to the Parliament

AFMA would welcome the opportunity to discuss this submission further and would be pleased to provide further information or clarity as required. Please contact me at myoung@afma.com.au or 02 9776 7917.

Yours sincerely,

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