

# Review of international offsets



The Climate Change Authority (the Authority) is conducting a review of the assessment principles for international offsets. The Authority has published a consultation paper on its website and is inviting submissions from interested parties by 4 April 2022.

Responses to the consultation paper will inform the Authority's final review report, which is due to be delivered to the Minister by 30 June 2022.

The Authority is an independent statutory body established to provide expert advice on climate change policy issues. More information on the role of the Climate Change Authority is available at [www.climatechangeauthority.gov.au](http://www.climatechangeauthority.gov.au).

## Submission Instructions

Submissions are invited until 4 April 2022.

While submissions may be lodged electronically by email or by post, electronic lodgment is preferred. For accessibility reasons, please submit responses via email in a Word or RTF format. An additional PDF version may also be submitted.

### Submitting via email

[enquiries@climatechangeauthority.gov.au](mailto:enquiries@climatechangeauthority.gov.au)

### Submitting via post

Submissions  
Climate Change Authority  
GPO Box 787  
Canberra ACT 2600

### Contacts

Should you require further information about making a submission, please contact the Climate Change Authority on freecall **1800 475 869** or at [enquiries@climatechangeauthority.gov.au](mailto:enquiries@climatechangeauthority.gov.au).

## Confidentiality and publication

### Your submission may be published

Submissions not marked as confidential may be published on the Climate Change Authority's website. The Authority welcomes submissions made in a respectful manner and while the Authority values public consultation highly and seeks to be transparent, it is under no obligation to publish submissions it receives and reserves the right not to publish submissions on its website that raise legal or other concerns.

For submissions made by individuals, all personal details other than your name and the state or territory in which you reside will be removed from your submission before it is published.

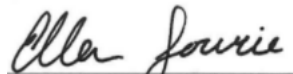
Please do not include information about third parties of a private nature unless you have permission to do so.

If any part of a submission should be treated as confidential, please provide two versions of the submission, a full version and one for publication with the confidential information removed. If you choose not to use this cover sheet and wish your submission to remain confidential then the document should be clearly marked as confidential.

**Do you want this submission to be treated as confidential?**  Yes  No

**Do you understand the information provided about confidentiality and publication?**  Yes  No

**Signature of submitter:**



**Date:** 11 April 2022

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**Title of submission:** Climate Change Authority – Review of International offsets: consultation paper, IETA & ICROA Response

## Climate Change Authority – Review of International Offsets: Consultation Paper IETA & ICROA Response

11 April 2022

The [International Emissions Trading Association](#) (IETA) and the [International Carbon Reduction and Offset Alliance](#) (ICROA) appreciate the opportunity to respond to the [Australian Climate Change Authority Review of International Offsets: Consultation Paper](#). IETA and ICROA are encouraged to see more activity in Australia to recognize the potential role of carbon offsets in Australia's Climate Active program and Indo-Pacific Carbon Offsets Scheme (IPCOS) to meet Paris-aligned climate targets.

IETA represents a broad and diverse group of stakeholders, with more than 200 members worldwide – with many companies based or with presence in Australia – including carbon offset project developers, assurance providers, standards, investors, banks and financial institutions, law firms, funds, and businesses who invest in projects and purchase credits in order to meet climate targets.

Created in 2008, ICROA represents the interests of service providers in promoting emissions reductions and offsetting to the highest standards of environmental integrity and in support of the Paris Agreement. ICROA provides an Accreditation Program and supports organizations through advocacy and action-oriented activities aimed at advancing best practice in the voluntary carbon market. ICROA also reviews carbon crediting programs which are accepted into our Code of Best Practice for international offsetting, if they meet specific criteria. We are a non-profit initiative housed within IETA.

IETA and ICROA members collectively have vast and broad experience in the carbon and climate space, and many have set ambitious climate targets, or are helping others meet both compliance and voluntary objectives. We thank the Australia Climate Change Authority for their work to explore the opportunity that international offsets can bring to meeting Australia's climate targets and support other regions and sectors to meet global Paris-aligned targets.

IETA's comments on the Consultation Paper are structured around three main sections: **Section 1** shares IETA's Net Zero Principles and summarizes the value of Article 6; **Section 2** contains detailed input and responses to the guiding questions set out in the Consultation Paper; and **Section 3** provides a summary with accessible links to complementary material and analyses on Article 6 and ITMOs.

### SECTION 1: IETA NET ZERO PRINCIPLES AND VALUE OF ARTICLE 6

IETA's mission is to support broad and functional carbon markets, guided by the principles of efficient, low-cost, measurable climate outcomes and environmental integrity. As clearly stated in the *IETA's Global Council Guidance on Net Zero*<sup>1</sup>, published in June 2020: "Carbon markets are not an

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<sup>1</sup> IETA Council Guidance on Net Zero Climate Ambition. June 2020. ([Link](#))

end in themselves. They are a means of delivering climate goals. Now they must gear up towards net zero targets. Carbon markets can produce the price signals that motivate businesses, consumers and investors to take action at scale.” Building on this Global Council guidance, **IETA’s Principles for Net Zero Ambition can be summarized below.**

- ✓ IETA supports enhanced climate ambition underpinned by climate science that aligns with the United Nations Framework Convention on Climate Change (**UNFCCC**) and the Paris Agreement goals.
- ✓ Mandatory and absolute caps for GHG emissions must ultimately decline to net zero, in order to align with the Paris Agreement targets.
- ✓ Net zero implies that not all emissions will be direct from the emissions source. Reductions outside of high-emitting sectors and industry, including across natural and geological sinks, will have vital roles to play to support near and longer-term targets.
- ✓ Carbon pricing, technology and finance will be critical to delivering this level of climate ambition. Well-designed carbon markets can deliver the price signal, prompt the investments and accelerate use of advanced technologies and innovations, including across technological and biological sinks. This can enable higher ambition, a more just transition and an acceleration toward net zero.
- ✓ Governments must embrace carbon markets that allow for trading, compliance flexibility, and linkage across borders to not only achieve but enhance 2030 NDC target(s) and net zero goals.
- ✓ Policy frameworks and carbon markets – domestic and international – should recognize and incent GHG reductions, removals and avoidance at scale.

## WHY INTERNATIONAL COOPERATION & ARTICLE 6 MATTERS

Addressing climate change requires unprecedented levels of global cooperation among countries and regions. A global framework is required to allow cooperative approaches and exchange of international carbon credits that enable greater ambition over time by helping countries meet climate and net zero targets faster and more cost-effectively. Article 6 of the Paris Agreement unlocks this opportunity for countries, including Australia, to pursue cooperative approaches with others as a route to achieving their respective NDCs. The benefits and rationale for cooperation via trading carbon should be understood and embraced through a similar lens as cooperation between nations in pursuit of traditional cooperation and trading arrangements. Trade underpins economic activity while offering society the flexibility to provide the wide range of goods and services that we all benefit from – not everyone can economically produce everything themselves. For example, trade in commodities provides materials for manufacturing and construction that may be unavailable domestically. Often, trade is also a driving force for foreign direct investment; it encourages the business sector to engage in projects and activities outside their traditional base with a view to bringing goods and services into that base. Bringing this into the climate context, these realities are also true for managing GHG emissions: not all countries can reduce, remove or avoid emissions at the same rate or at the same cost, and it is certainly not the case that every country can reach net zero emissions at the same pace. Cooperation can be used to collectively strengthen global ambition and achieve and measure targets through international trading arrangements.

## THE VALUE OF ARTICLE 6

International trading arrangements are essential to achieve the goals of the Paris Agreement but also for Australia to meet its 2030 and 2050 climate commitments.

In light of the significant gaps between Australia's climate targets and projected GHG emissions<sup>2</sup>, Australia is likely to rely on mitigation activities that occur outside of national borders to meet both its 2030 target and its mid-century net-zero ambition. International emissions trading underpinned by the Article 6 Rulebook should form one of the cornerstone mechanisms for Australia to achieve its national climate goals at a significantly lower cost.

According to the seminal IETA and University of Maryland 2019 study, "The Economic Potential of Article 6", international carbon market cooperation (enabled through Article 6) has the potential to reduce the total cost of implementing global NDCs by US\$250 billion a year in 2030<sup>3</sup>. Interpreting this estimated cost savings as a "willingness to pay" for climate mitigation action, this figure can then be translated into ~5GtCO<sub>2</sub> a year in additional mitigation by 2030. When land-use abatement is added to these modeled scenarios, Article 6 has the expanded potential to reduce total costs of meeting NDCs by US\$320 billion annually by 2030; an amount that could result in ~9GtCO<sub>2</sub> of additional mitigation. By channeling investment towards zero emission energy systems and technologies, efficient abatement opportunities, and conservation or expansion of natural and engineered carbon sinks, Article 6 will help deliver goals of the Paris Agreement. Importantly, these estimated levels of potential cost savings and mitigation "success" will mostly be accomplished through private sector projects and investments at scale. Following the landmark agreement on the Article 6 Rulebook at COP26, it is up to individual countries like Australia to operationalize these mechanisms and harness their potential.

## SECTION 2: IETA & ICROA RESPONSES TO GUIDING QUESTIONS

### General

1. What considerations should guide the use of international offsets in Australia?

#### **Use of international offsets:**

Australia should consider the role of international collaboration in meeting ambitious climate targets and how Article 6 can enhance that collaboration. Greater multilateral cooperation and joint action to help reduce emissions more efficiently and faster and enhancing the role of international offsets will provide a significant contribution. The use of international offsets can lower the cost of compliance for a domestic organization wishing to reach carbon neutrality. This would help any firm that participates in Australia's Climate Active program to reach its goal while also being economically efficient amongst a voluntary coalition of nations engaged in this collaboration, such as IPCOS. See more details on the value of international cooperation in Section 1, above.

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<sup>2</sup> UN Emissions Gap Report 2021 ([Link](#)).

"From 2005 to Net Zero" ([Link](#)) and "Canada's Net Zero Future", Canadian Institute for Climate Choices ([Link](#)).

<sup>3</sup> "The Economic Potential of Article 6 of the Paris Agreement and Implementation Challenges". IETA, CPLC and University of Maryland. Summary Report. September 2019. ([Link](#))

**Voluntary use of international offsets:**

Australia should continue to allow the use of international carbon credits without corresponding adjustment (CA) for voluntary purposes, including the Climate Active program. The Article 6 Rulebook states that all emission reductions valid for the achievement of a Nationally Determined Contribution (NDC) or for compliance with international schemes such as CORSIA require a CA, but it does not state that the trading of voluntary emission reduction credits without CA in the voluntary carbon market (VCM) is not permitted.

As we anticipate that the supply of credits with CA will be limited in the short- to mid-term, the issuance and trading of credits without CA in the VCM will ensure that private investment can continue to flow into much-needed mitigation activities.

IETA and ICROA published an analysis on the implications of Article 6 for the VCM, available [here](#).

IETA and ICROA also works closely with key initiatives such as the [Integrity Council for the Voluntary Carbon Market](#) (IC-VCM) and the [Voluntary Carbon Market Integrity Initiative](#) (VCMI) to agree on a sensible way forward for corporate climate action claims that ensure the highest level of quality, integrity and impact. These initiatives could establish new benchmarks on credit quality (IC-VCM) and demand-side integrity (VCMI) and help reduce confusion related to a lack of guidance. IETA forms part of the Executive Secretariat of the IC-VCM, supporting the work of the Board of Directors, Experts Panel and Distinguished Advisory Council in establishing Core Carbon Principles (CCPs) for high quality credits in the VCM. We believe IC-VCM's CCPs could legitimately become the market benchmark for quality.

2. What is the role of offsets in Australia's transition to net zero emissions and how might this change over time?

The role of offsets is critical in helping domestic organizations that have hard to abate emissions to elect to both reduce their own emissions as best as they can while also investing in economically efficient emissions mitigation opportunities to help the land sector, for example, to prevent or reduce emissions. The atmosphere does not differentiate where the CO<sub>2</sub> emissions come from; it is the stock of greenhouse gases in the atmosphere that determines the ultimate level of warming. Reducing emissions and preventing emission from across all economic sectors are important. Further, technologies that will eventually remove GHGs from the atmosphere and put them into geologic reservoirs or sequester the carbon in vegetation on land or in the ocean will also become important, as 'negative emissions' technologies. Offsets will help facilitate the development of this wide range of approaches.

- a. Does this vary by offset type (e.g., sequestration vs emissions reduced or avoided?)

We need all types of offsets – sequestration in soil, vegetation, land, offshore, in geology, and also reducing emissions and preventing land degradation and deforestation (e.g., Article 5 of the Paris Agreement – REDD). We need to reduce sources and strengthen sinks, so a wide range of offsets should be allowed (from avoided/reduced emissions offsets to negative emissions approaches that remove CO<sub>2</sub> from the atmosphere).

- b. What are the opportunities and risks presented by international offsets now and into the future?

The critical criteria of environmental integrity and no double-counting should be key to understanding such risks and prioritizing all opportunities that are real, measurable, and verifiable. Natural climate solution credits that can increase adaptive capacity and resiliency of communities vulnerable to climate hazards provide additional opportunities. There are risks too. If it is perceived that, rightly or wrongly, decarbonization efforts slow down because companies are using offsets rather than reducing their own emissions, this could put at risk the validity of helping the land sector reduce land emissions and helping to reforest or revegetate ecosystems. There are many initiatives, and new standards and guidance, being developed to address this risk. One of the commonly agreed upon ways to address this is to require companies to set and progress toward net zero targets, using offsets to compensate and neutralize for emissions today and until that target is met.

A further opportunity that international offsets bring, is by facilitating a swift and successful transition to a low carbon economy it will ultimately lead to less costly and less adverse impacts of climate change. Offsets provide opportunities to support local economic development, facilitating a flow of capital investments and climate finance, maintaining or increasing employment in the community

3. Are there lessons to be learned from experience with international carbon markets to date? What are most relevant to this review?

Offsets are not new, there is a wealth of experience in the voluntary carbon market and in regions around the world, where offsets are used for compliance under various regulatory system. Credits generated under the Kyoto Protocol's Clean Development Mechanism (CDM) have been used as an international offset mechanism in various jurisdictions. Independent standards (Verified Carbon Standard, Gold Standard, American Carbon Registry, Climate Action Reserve, etc.) generate credits that are used in the VCM and for domestic compliance in some jurisdictions (e.g. California, Colombia, South Africa). The vast majority of standards and methodologies set by the CDM and the independent standards are valuable experiences and institutions that can be used to support both Climate Active and IPCOS.



Key lessons learned include the importance of robust monitoring, verification, and reporting (MRV) and credible methodologies that take into account principles such as the additionality and permanence of credited emission reductions. See our answer to Q5 for more details.

### Criteria and standards

4. What criteria and standards should govern the use of offsets in Australia and under Climate Active in particular? What criteria and standards should be adopted by IPCOS?
  - a. Should different criteria and standards apply at different scales (e.g. at the method, project, scheme and trading platform levels)?

Different contexts demand different carbon pricing instruments. Knowledge, competencies, and institutions may need to be developed or can, in some cases, be adopted or adapted from existing systems. For instance, Colombia has adopted or adapted existing VCM programs, protocols, advanced MRV systems, platforms, and market infrastructure into national legislation and compliance programs. Building on VCM best practices, the country implemented a national carbon tax on fossil fuels, including an offset provision in 2017. The lessons learned from the implementation of the tax were useful for the implementation of the ETS. Together, they seek to drive decarbonization, generate co-benefits and contribute to the long-term net zero goal of the country. Similar approaches adopted by other regional countries have facilitated the convergence of standards for carbon trade under the “Carbon Pricing in the Americas” initiative, which promotes voluntary market cooperation and alignment across the traditional trading bloc of Colombia, Mexico, Peru, and Chile.

IETA strongly urges Australia to learn from existing experiences and best practices around the world. We would be happy to lend the vast experience of our members who operate in these systems and facilitate knowledge-sharing for governments and businesses.

5. What is your view of the criteria and standards currently applied by international offsets programs such as the Gold Standard, the Verified Carbon Standard and the Clean Development Mechanism?
  - a. Are there any gaps in the criteria used? What changes and/or additions are needed?
  - b. What is your view of the standards applied to ensure an offsets credit represents a real reduction in greenhouse gas emissions (e.g. permanence, additionality, measurement, reporting and verification (MRV) standards)?

IETA does not express preference for any of these specific standards or mechanisms. IETA recognizes their value and the role these standards and mechanism have already played over a long period of time in bolstering the carbon markets. Further, some these standards setting organizations are members of IETA.

ICROA has assessed standards since 2008. The current list of endorsed standards is available on the [ICROA website](#). Australia’s ERF as well as the standards mentioned above are ICROA-endorsed. Standards are endorsed and listed in ICROA’s Code of Best Practice if they meet ICROA’s Review Criteria – see below for the overview and detailed version:



- [Overview](#)
- [Detailed assessment form](#)

As mentioned above, IETA and ICROA participate in the IC-VCM, which is currently developing Core Carbon Principles (CCPs) for offsets i.e., attributes that credible offsets will need to have, a threshold for quality. IC-VCM is also developing a framework for assessing carbon crediting programs both at the program level and methodology level. A public consultation on the CCPs and Assessment Framework will start in May 2022.

WWF, the Environmental Defense Fund and Öko Institut are also planning to deliver independent, user-friendly scorings for the quality of carbon credits through the [Carbon Credit Quality Initiative](#), with a consultation also underway.

Independent carbon credit ratings are also already available from various companies such as Sylvera, BeZero, Calyx Global.

Governments and UN agencies have also conducted their own assessments of carbon crediting programs for official use in compliance schemes (e.g., ICAO's CORSIA, Colombia, South Africa and California examples mentioned above).

6. Should the age of units (their vintage) be considered in the criteria for eligible offsets in Australia?

When it comes to vintage restrictions, it may be useful to differentiate between the voluntary market and compliance market uses. Use of international credits for compliance towards an NDC is subject to A6 provisions, which only allow for post-2013 certified emission reductions (CERs) to be used against the first NDC, and state that 6.2 and 6.4 credits can be used in the same NDC cycle they are generated (likely in a 5 or 10 year timeframe). A 5-year validity window, as proposed under the UN International Civil Aviation Organisation (ICAO) Carbon Offsetting and Reductions Scheme for International Aviation (CORSIA), would also be a reasonable position.

### **Governance arrangements**

7. In the context of the Paris Agreement, how important is it to consider the governance and institutional arrangements in place for the generation, trade and use of offsets?
8. What are the key elements of good governance arrangements? Are there elements missing from current offsets programs such as the Gold Standard, the Verified Carbon Standard and the Clean Development Mechanism?

IETA and ICROA believe it is crucial to have suitable governance and institutional arrangements in place to ensure the generation, trade and use of offsets deliver real and measurable emission reductions and tangible benefits to all stakeholders involved. In case of international offsets, some key elements are agreements between the host country and the receiving country about the types of credits being generated and traded (eligible projects and sectors, application of corresponding adjustments, transfer rules, etc.) and clear guidelines for the private sector on how each type of credit can be traded and used.

The generation of high-quality offset is also dependent upon sound governance of the carbon offsets program or standard. IETA and ICROA believe that the governance arrangements of the above-mentioned standards (as well as those of the other ICROA endorsed standards) are sound.

ICROA requires that each endorsed standard has a robust and transparent governance process. For example, this includes:

- Roles and responsibilities of the organization, management and staff that are responsible for the program, as well as the board/governing structure that oversees the organization.
- Enforcement of rules to guard against conflict of interest by the board/governing body, management and staff.
- Published grievance and redress mechanisms.
- Public stakeholder consultation on the development of program rules and procedures; accounting methodologies; projects and governmental programs (in the case of jurisdictional crediting); ensuring stakeholder comments are transparently addressed.

### **Co-benefits**

#### 9. How important is it that offsets also produce co-benefits?

IETA recognizes the importance of co-benefits. As the Australia Climate Active Program itself recognizes, these co-benefits can range widely. From the Climate Active web page: "Co-benefits include many aspects of life:

- Environmental benefits include increased biodiversity, maintaining habitat for native animal and plant species, improved local air and water quality, avoiding vegetation clearance, re-establishing vegetation on previously cleared areas, and improved environmental management.
- Social and cultural benefits are the positive aspects for communities where a project is based such as employment for local people, living and working on country, capacity building, improved health and education, and access to clean and affordable energy.
- Economic benefits occur when income from the sale of offset credits flows to the community where a project is located and often translates into employment and community support, improved infrastructure, technology transfer, and increased economic activity."

Mitigation and adaptation projects that generate carbon credits often deliver additional benefits. Research carried out by Imperial College in partnership with ICROA to measure and value the impact of investing in offsetting beyond reducing emissions finds that each ton of carbon reduced has additional benefits – such as poverty alleviation, infrastructure development and nature conservation – worth over \$660<sup>4</sup>.

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<sup>4</sup> Imperial College London, ICROA. Unlocking the Hidden Value of Carbon Offsetting. [http://s3-eu-west1.amazonaws.com/ncp-cdn/downloads/ICROA\\_Unlocking\\_the\\_Hidden\\_Value\\_of\\_Carbon\\_Offsetting.pdf](http://s3-eu-west1.amazonaws.com/ncp-cdn/downloads/ICROA_Unlocking_the_Hidden_Value_of_Carbon_Offsetting.pdf)

Both Gold Standard and VCS provide guidance (and additional certifications such as the Sustainable Development Verified Impact Standard and Climate, Community and Biodiversity Standard) that can ensure projects monitor and verify sustainable development outcomes in addition to emission reductions and removals.

IETA recommends that eligible international offsets should be required to meet environmental and social safeguards to avoid adverse impacts, but that when it comes to co-benefits it is most important to facilitate transparency in order to help the market identify and value co-benefits, instead of mandating their inclusion.

- a. How important is it that IPCOS produces co-benefits in partner countries?

As stated above, co-benefits are an important part of delivering advantages beyond the climate. Co-benefits should remain a priority outside of Australia, including in partner countries under IPCOS.

10. What are the range of co-benefits that might result from the production of offsets?
  - a. Are some co-benefits more valuable than others, and if so, which?
  - b. Are there specific offsets activities that might have a particularly positive impact?

Underwritten by the carbon market, offsets can provide various non-climate environmental improvements as collateral benefits. For example, offsets generated through fertilizer management can limit nutrient run-off; offsets generated through wetlands restoration can create waterfowl habitat and flood protection; offsets created through improved forest management, reforestation, and avoided degradation sustain robust ecosystems, potentially far into the future. Offsets can also help local communities develop sustainable land-use practices that benefit their economic development. In such ways, offsets can help achieve important non-climate environmental objectives without additional cost.

IETA strongly supports the acceptance of land use credit types. There are significant opportunities in Australia's land sector, which should be fully leveraged. IETA encourages Australia to look at existing programs and standards that have experience with developing land sector offsets, including the Canadian province of Alberta where there is over a decade of experience developing agriculture and soil carbon offsets<sup>5</sup>.

11. In your view, what are the most appropriate and effective approaches for supporting, recognising and valuing co-benefits associated with offsets, and ensuring the delivery of co-benefits in local communities?

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<sup>5</sup> <https://www.alberta.ca/agricultural-carbon-offsets-overview.aspx>

The voluntary market evolution, combined with enhanced public scrutiny and pressure on corporates to invest in high-integrity credit supply with co-benefit creation, is accelerating foundational shifts in VCM design, oversight, governance, and product innovation. As a result, independent standards have been raising thresholds for credits to ensure social safeguards and the delivery of co-benefits. Among others, public consultation, environmental assessments, initial stakeholder engagement, are core elements to guarantee the sustainability of offset generation.

See comments above about the use of co-benefit standards (such as SD VSta and CCB) for this purpose.

### **Adverse impacts**

12. What are the range of adverse impacts that might result from the production of offsets?

Offsets enable critical finance, but to raise ambition, they must be used with integrity. Offsets cannot be a substitute for science-aligned carbon mitigation. End users of offsets need to follow the mitigation hierarchy with long term decarbonization plans where offsetting helps address residual emissions beyond a science-aligned pathway. Offsetting along the way helps achieve more ambition and requires appropriate transparency and disclosure. See ICROA's Code and recent high level [guidance on corporate climate action](#) for further details.

Examples of comprehensive guidance on science-aligned carbon reduction strategies include [Science-Based Targets initiative](#), [Transition Pathway Initiative](#), WWF's [corporate blueprint](#) on credibility and climate action, [IIGCC](#) guidance.

### **Broader implications**

13. What are the lessons learned from carbon markets to date?

Certainty and predictability are incredibly important for the business community, broadly and when it comes to their participation in and support of carbon market mechanisms. This remains true when it comes to the use of international offsets. We recommend that the Australian government regularly review their carbon market programs (not setting and forgetting programs or intervening at random or unexpected times without supporting analysis or consultation). It is critical that review dates and processes are clearly-defined and transparently communicated to all stakeholders, particularly those directly affected industries and market participants. Clearly prescribed data requests and transparent communication of review criteria will help stakeholders track and report on critical feedback into the proposed review process.

14. Outside of Climate Active and IPCOS, where else might offsets criteria be relevant in Australia? Are there different considerations in those cases?

They are also relevant in relation to Australia's Safeguard Mechanism. In addition, offset criteria are relevant for project development under the ERF.

## SECTION 3: SUMMARY OF ADDITIONAL MATERIAL & ANALYSIS

This final section briefly summarizes and provides access links to additional material and analyses, which IETA considers some of the most important resources to help inform Australia's future approach to ITMOs and Article 6.

### 1. THE POTENTIAL ROLE OF ARTICLE 6 COMPATIBLE CARBON MARKETS IN REACHING NET ZERO

**Author:** IETA

**Date:** October 2021

**Online Source:** [Website Link](#)

**Summary:** This paper explores the role of Article 6 in pathways to global net-zero CO<sub>2</sub> emissions in four scenarios: two Universal Net-Zero scenarios, where all countries commit to linearly reduce emissions to net-zero in 2050 with either independent or cooperative implementation, and two Staggered Net-Zero scenarios, where lower-income countries set a later date for their net-zero targets based on relative income differences, again with independent or cooperative implementation.

This study shows that Article 6 has important implications for both mitigation and sustainable development under different net-zero timings that address equity concerns. In addition to lowering mitigation costs, Article 6 could shift capital investment toward selling regions, improve local sustainability results, and present incentives for further technological innovation.

### 2. ECONOMIC POTENTIAL OF ARTICLE 6 MODELING PROJECT

**Authors:** IETA, University of Maryland and Carbon Pricing Leadership Coalition

**Date:** September 2019

**Online Source:** [Website Link](#)

**Summary:** Since 2019, IETA and the Center for Global Sustainability (CGS) at the University of Maryland have led a research project bringing together negotiators, researchers, and stakeholders to: quantify the economic potential of Article 6; identify key issues surrounding the successful implementation of Article 6; and assess the potential implications of alternative approaches to utilizing Article 6. The analysis found that a well-designed Article 6 – informed by economic analysis of alternative design options – can enhance cost-effectiveness and potential ambition of the Paris Agreement. Scientific publications are in the process of being submitted.

## CONCLUSION

Once again, IETA and ICROA appreciate this important opportunity to record our comments. We welcome the Climate Change Authority to reach out directly with any questions or follow-up requests related to the comments shared above by contacting IETA Senior Policy Associate, Ellen Lourie, at [lourie@ieta.org](mailto:lourie@ieta.org), or ICROA Programme Director, Antoine Diemert, at [diemert@ieta.org](mailto:diemert@ieta.org).