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### **bp Australia response to the ACCU review consultation paper**

bp welcomes the opportunity to respond to the consultation paper of the Independent Review of Australian Carbon Credit Units (ACCU). Rather than attempt to address all the questions posed in the consultation paper, bp's submission focuses on some key points for the Review's consideration.

#### **About bp**

bp's purpose is to reimagine energy for people and our planet. Our ambition is to become a net-zero company by 2050 or sooner; and to help the world get there, too. Globally, bp aims to be net-zero across our operations (scope 1 & 2), in our oil and gas production (scope 3) and in the energy products we sell (life-cycle emissions intensity). For each of these we have also set short-term (2025) and medium-term targets (2030). You can read more about our net-zero plans and progress in our [Net-Zero ambition report](#) released earlier this year.

We believe that ambitious climate policies will be essential to enable the world to meet the Paris climate goals. bp welcomes well-designed, stable, and long-term policy frameworks to incentivize and support the necessary investments in low carbon solutions. While it can't be the centerpiece of Australia's plan to reduce emissions, we do see an important role for a credible domestic offset program (the ACCU market).

#### **bp's experience with the ACCU market**

bp has a long history in participating in Australia's ACCU market. Our Low Carbon Trading team buys and sells ACCUs for our own use and on behalf of our customers. We also trade in offsets generated from other reputable voluntary offset programs and various compliance markets globally.

Some of our Australian assets are safeguard entities, others report under NGERs and, our aviation fuels business, Air BP participates in ClimateActive with all its into-plane services at airport fuel facilities across its Australian network being certified carbon neutral. We expect to continue having a sizeable demand for ACCUs into the future.

From our participation to date, Australia's ACCU program and market has been robust and credible. It shares many characteristics of other credible and trusted offset programs but has the benefit of being regulated by the Australian government and law.



We do note however that international standards and expectations around the issuance and use of offsets are also evolving. We believe it important that Australia's ACCU market stays in tune with these global developments, as well as retain the Australian public's trust in how the domestic offsetting market operates to support Australia's net zero goal.

The ACCU market itself has evolved over the years as the legislative and policy environment has changed. The prominence of the government as the primary purchaser has been a defining factor to date. This has in our experience often crowded out the private sector. We anticipate the role of the government as buyer in the ACCU market will diminish as compliance and other policies across the economy are implemented to drive emissions reductions and provide the predominate source of demand going forward.

### **Governance**

Generally, we believe the governance of the ACCU market is appropriate and of a high standard. We nonetheless support the periodic review of these arrangements and adjustments where appropriate to ensure they support the proper functioning of the ACCU Market.

bp would like the governance of the ACCU market to be best practice and remain of high standard, to avoid conflicts of interest and encourage consistency in decision making and regulation. But we also need the governance arrangements to be efficient and reflect the scale and pace of the challenge. Having the right skills and sufficient capability to undertake the various roles and responsibilities is essential.

We understand calls for some further separation of roles, particularly of the Clean Energy Regulator. We see merit in separating the role of government purchaser, as it presents at least a perceived conflict of interest to be regulating the market as well as being the major source of demand. We reiterate our expectation that the role of the government as buyer will diminish over time, with compliance and other policy driving demand into the future. We also note the government has indicated the Powering the Regions fund will not only continue to purchase ACCUs but also support industry with its decarbonization, fund the development of new clean energy industries and support workforce development. It makes sense that the purchase of ACCUs be administered alongside these other aspects of the fund.

### **Transparency**

Transparency builds trust and allows for better function of the market. bp encourages the Review to look for opportunities to enhance the transparency of the ACCU market. For example:

- undertaking public consultation prior to any reforms or policy change that is likely to have a material impact on the ACCU market
- there could be greater transparency in the process for setting priorities for method development and in allocating method development resources to different methods.
- there could be scope to increase transparency in Emission Reduction Assurance Committee's deliberations and decisions. This could build trust and better understanding of the methods, but also efficiency and consistency over time.
- where the CER has applied its discretion in its decision making and other functions, it could publish the basis of its decisions, similar to interpretive decisions published by other regulators. Again, this would help build confidence in the overall system and provide for better consistency and efficiency overtime.



- providing more information to the market about the individual projects could also be beneficial. bp encourages the Review to consider the level of project information made available in other credible offset programs which is typically more than provided for ACCU projects.
- making it easier for the market to access information about the performance of auditors and other service providers.

### **Method development**

The experience of method development in the ACCU market has been mixed. Many existing methods have not been widely used and the offset integrity principles have been applied differently across different methods.

It is essential to the overall integrity of the ACCU market that only credible and robust methods are approved. But given the scale and pace needed to reduce emissions, methods also need to be implementable. There is no time to waste on those that won't be used. The current co-design process has been beneficial in this respect.

It's also important that methods are reviewed and updated, particularly as the broader policy environment evolves. As more sources of emissions across the economy are subject to emission reduction policy, related ACCU methods will need to be reviewed and adjusted to ensure additionality and no double counting.

Removal methods are likely to become more important over time and we will need a technology neutral approach in developing these, encouraging both nature-based, as well as, engineered technologies, including projects that use Carbon Capture and Storage. bp looks forward to the findings of the CCA's research into the potential for sequestration in Australia which we expect could help inform priorities for ACCU method development.

### **Integrity of offset**

It is important that ACCUs represent genuine emissions reductions and meet high integrity standards. bp supports the offset integrity principles and notes that these are aligned with other credible offset programs and bp's own quality standards. bp's own standards include that offsets must be real, measurable, additional, permanent, independently verified, unique and meet environmental and social safeguards.

That said, expectations and best practice is evolving so it will be important that the Australian program stays in tune with these developments. There is a significant amount of work being done internationally to define the elements of high integrity offsets that can be leveraged by Australia. There is value in Australia applying comparable quality offset standards to those used in other jurisdictions and adopted by international coalitions. This supports consensus building globally on what is credible and of high standard which will be important to ensure investments target a just transition to net-zero. Common quality standards across jurisdictions also support the development of a more efficient and liquid international market and reduce participation costs for businesses that have a global footprint

### **Co-benefits**

bp acknowledges that the activities underpinning ACCUs can offer environmental and social co-benefits such as positive impacts on biodiversity and economic benefits to local communities.



Perhaps more important, if not developed with care, activities underpinning offsets can also have adverse impacts on the local environment and community. bp recommends the Review consider the arrangements that have been developed in other offset programs to minimize the risk of adverse impacts, including the adoption of environmental and social safeguards.

Beyond these “no harm” safeguards, it is bp’s view the market is best positioned to determine the respective value and preference of co-benefits. Different offset users/buyers will have different preferences on environmental and social co-benefits, as well as geographical and methodological preferences. In fact, there is already some bifurcation of ACCU market based on the market’s assessment of co-benefits. However, there are currently no common standards or systems of verification for co-benefits, which does leave the market open to false claims. This risks undermining the overall credibility of the offset market, even if not directly related to the emission reduction outcome. There could be value in government or market lead development of common standards around co-benefits to support the ACCU market. It would ideally align with other frameworks intended to value other benefits of the projects so that we do not have a proliferation of different standards and verification systems.

#### **Relationship with ClimateActive**

bp recommends that government takes a more considered approach in determining policy changes that could influence the ACCU market as well as ClimateActive.

We were disappointed with the lack of consultation and limited policy analysis in support of the new requirement for at least 20% of offsets used under ClimateActive to be ACCUs. We also note that given many ClimateActive participants manage their offset requirements well in advance, there wasn’t sufficient notice of such a substantial change to the program.

It’s still not clear what the underlying policy objective is for the new requirement. It could be a desire to enhance domestic demand, which likely requires reassessment given the reforms planned for the Safeguard Mechanism. It could be a desire to have the voluntary market contribute to Australia’s national emissions reduction targets, but as recommended by the Climate Change Authority, this requires a broader understanding of the role carbon markets are intended to play in achieving Australia’s NDC. If instead it was intended to address potential concerns about the quality of international offsets, we believe these are better dealt with through the eligibility of units rather than quantitative limits.

These sort of policy decisions need careful assessment, with the change not just having implications for ClimateActive but the ACCU market more broadly. Ideally, there would be an assessment of whether there is adequate supply and liquidity to accommodate the new condition; and given the additional cost, an assessment on any detrimental impact on voluntary demand.

bp recommends the Review consider the appropriateness of the new settings for ClimateActive in the context of proposed reforms to the safeguard mechanism. ClimateActive participants will be competing with compliance demand, which could be quite substantial given likely ambition for that policy and the relative cost of abatement for covered entities compared to ACCUs.



## **Future**

While we believe that economy-wide carbon pricing is the most cost-effective way to reduce emissions in Australia, we acknowledge that the Australian Government intends to take a more sectoral approach and implement a suite of policy measures. bp expects the Government will elaborate on its plan to achieve Australia's emission reduction targets, with all sectors across the economy facing similar incentives and burden to reduce emissions. Given the urgency and scale of emissions reductions needed, we need policy to drive the demand for emissions reductions. We believe that a domestic offset program will play an important role within this suite of policies allowing for abatement costs to be levelized across different sectors and policies.

bp acknowledges that the role of offsets in Australia is likely to evolve over time, but even in a net-zero world, there will still be some sources of residual emissions that will require removals (or offsets) to reach climate goals. Despite the importance of removals in the long run, bp considers offsets that support robust emissions reductions in the coming decades also have a role to play as they can accelerate the transition to net-zero.

## **Closing**

bp reiterates the important role that an Australian offset market will have as we reduce emissions across the economy toward net-zero. It is essential the ACCU market remains robust and credible, driving genuine emissions reductions at the scale and pace needed.