Emissions under Australia’s compliance scheme rise in FY 2021-22

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- **Emissions rise 0.4% on year to 137.5 mil mt**
- **Facilities covered rise to 219 from 215**
- **Total ACCUs surrendered rise to 738,862**

Total emissions from participants in Australia’s emissions compliance scheme in fiscal year 2021-22 (July-June) rose slightly to 137.5 million mt from 136.9 million mt in FY 2020-21, according to data from the Clean Energy Regulator.

The scheme, called Safeguard Mechanism, covers industrial facilities that produce over 100,000 mt/year of greenhouse gases and account for about 28% of Australia’s total emissions.

The total number of facilities, which includes coal and gas projects as well as alumina and steel plants, covered under the scheme rose to 219 in FY 2021-22 from 215 in FY 2020-21, according to the data released March 31.

Under the scheme, the facilities are given emissions limits and those exceeding the limits need to offset the emissions through Australian carbon credit units, or ACCUs. The total number of ACCUs surrendered by the scheme participants rose to 738,862 in FY 2021-22 from 419,315 in FY 2020-21.

Platts, part of S&P Global Commodity Insights, assessed the price of Generic ACCUs at A$38.50/mtCO2e ($25.78/mtCO2e) and HIR ACCUs at A$38.75/mtCO2e on March 31.

The scheme has been criticized for failing to force large polluters to cut emissions, which have risen by about 4.7% since reporting began in FY 2016-17.

“It has been 100% ineffective over the last couple of years at doing anything but giving heavy industries a free excuse to keep on polluting,” said Tim Buckley, director at Climate Energy Finance, an Australia-based thinktank.

The government estimates that total emissions from participants in the scheme will continue to rise in 2022-23 to as much as 143 million mt.

If the emissions have only risen by 500,000 mt, it means 143 million mt is a slight overestimation of where FY 2022-23 will end up, Buckley said.

Scheme reforms

However, the Australian parliament passed legislation on March 30 to strengthen the scheme, under which the emissions limits will fall 4.9% annually starting from FY 2023-24.

The new rules under the reformed scheme will come into force July 1, with the government aiming to cap total emissions from the scheme to 100 million mt by 2030. As a result, approvals of the new oil and gas project will be subject to scrutiny on whether their future emissions could put the scheme’s target at risk.

The bill also mandates new gas projects to achieve net-zero on-site emissions from day one, which is expected to increase their costs related to technology investment and carbon offsets.

The reformed scheme will also increase scrutiny on the use of ACCUs as companies offsetting more than 30% of emissions will have to explain to the regulator their choice for doing so, in terms of cost, technology and availability.

“I would be expecting the value of ACCUs to go up over time quite rapidly toward the cap,” Buckley said, referring to a price level of A$75/mtCO2e set by the government, at which it might release more ACCUs into the market to control the price.

Contentious participants

LNG projects were the biggest polluters in FY 2021-22, with Gorgon, Ichthys and North West Shelf LNG projects topping the list of emitters.

Other emitters among the top 10 included the Port Kembla steel plant, Worsley Alumina refinery and Qantas Airways.

The new rules may derail some new coal and gas projects due to higher compliance costs, with environmental groups and the Greens in particular, taking aim at the Beetaloo and Barossa gas projects.

While the number of facilities within the scheme will rise slightly, it will be nowhere near as much as the Greens had perhaps feared, Buckley said.

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