



Australian Government
Clean Energy Regulator

Carbon Farming Initiative

Undertaking a piggeries project



Guide

Snapshot of a piggery project

What does a piggery project look like?

- Pig waste is treated in a pond, with a minimum depth of two metres.
- The pond is covered to prevent release of methane into the atmosphere.
- Input to the pond consists only of manure from the operation of piggery sheds, which might include undigested feed and bedding.
- Gas from the covered pond is collected and combusted using flaring, an electricity generation system or a gas boiler to ensure the destruction of methane.

What do I need to do?

- Record herd data (pig numbers and classes) and feed usage data (types and quantity) weekly, based on daily figures and status of the pre-treatment screening using the PigBal model.
- Record the quantity of gas sent to the combustion device continuously (an average value in a time interval not greater than one hour).
- Download the free PigBal model from the Clean Energy Regulator website and use it to calculate abatement for your reporting obligations.
- Record the number of ponds, pond dimensions, climate data (as noted in PigBal) and non-effluent waste entering the pond in the year prior to the project commencement.
- Report regularly on your project to the Clean Energy Regulator.

What other things should you know?

- To be issued with Australian carbon credit units, you need to become a recognised offsets entity and open an account in the Australian National Registry of Emissions Units.
- Engaging an auditor early will help you to understand how to conduct a project that complies with the Carbon Farming Initiative requirements.

Contents

| | |
|--|----|
| Snapshot of a piggery project | 2 |
| Contents | 3 |
| What is the purpose of this guide? | 5 |
| The Clean Energy Regulator..... | 5 |
| The Carbon Farming Initiative..... | 6 |
| Methodology determinations | 6 |
| Greenhouse gas emissions in piggeries | 7 |
| How is methane generated in piggeries? | 7 |
| How much methane is generated in effluent treatment ponds?..... | 7 |
| Why participate? | 8 |
| Production of heat or electricity | 8 |
| How do I get started | 10 |
| Check on your eligibility | 10 |
| Decide on your business model | 11 |
| Assess the feasibility..... | 12 |
| Apply to become a recognised offsets entity and open an ANREU account..... | 12 |
| Apply for a project | 13 |
| How do I undertake a piggery project? | 14 |
| Effluent ponds | 14 |
| Methane combustion..... | 14 |
| Use of flaring | 14 |
| Use of an electricity generation system..... | 14 |
| Use of a gas boiler..... | 15 |
| Measure your greenhouse gas abatement..... | 15 |
| Identify your project baseline | 15 |
| Calculate your project baseline | 15 |
| Establish your project’s greenhouse gas assessment boundary | 16 |
| Project monitoring and recording | 17 |
| Record keeping | 18 |
| Submit offsets and audit reports | 18 |
| Reporting periods | 18 |
| Project offsets report | 19 |

| | |
|--|----|
| Audit report..... | 19 |
| Information about the audit..... | 20 |
| Making changes to my project | 20 |
| How do I sell my ACCUs? | 21 |
| Applying for ACCUs | 21 |
| Types of ACCUs | 21 |
| Who could purchase my ACCUs?..... | 23 |
| Transactions involving ACCUs..... | 23 |
| Do you need an Australian Financial Services licence to transact ACCUs?..... | 23 |
| Tax treatment of ACCUs | 24 |
| Recommended reading | 24 |
| Need more help? | 24 |

What is the purpose of this guide?

This guide has been designed to help people understand what is involved in implementing a Carbon Farming Initiative project using the *Carbon Farming (Destruction of Methane Generated from Manure in Piggeries) Methodology Determination 2012*.

The [methodology determination](#) is available at the ComLaw website¹. A second methodology available to pig farmers: 'Destruction of Methane from Piggeries Using Engineered Biodigesters' is not covered by this guide.

The guide is intended to provide an overview of the end-to-end process and general requirements for participating in a piggeries project. It is complementary to, but does not replace the methodology determination. The methodology determination, as the legislative instrument against which eligibility is assessed and abatement calculated, takes precedence. You should ensure that all of the project elements are carried out in accordance with the methodology determination. Your project auditor should be able to assist you by providing advice about meeting the legislative requirements for your individual circumstances.

The Clean Energy Regulator

This guide has been prepared by the Clean Energy Regulator.

The Clean Energy Regulator is an independent Australian statutory authority responsible for administering legislation that will reduce carbon emissions and increase the use of clean energy. This includes the Carbon Farming Initiative, the carbon pricing mechanism, the National Greenhouse and Energy Reporting scheme, the Australian National Registry of Emissions Units and the Renewable Energy Target. More information about the [Clean Energy Regulator](#) can be found on our website².

¹ <http://www.comlaw.gov.au/Details/F2012L01501>

² <http://www.cleanenergyregulator.gov.au>

What background information do I need?

The Carbon Farming Initiative

The Carbon Farming Initiative allows farmers and other land managers to earn Australian carbon credit units (ACCUs) by storing carbon or reducing greenhouse gas emissions on the land. These ACCUs can be sold to people and businesses wishing to voluntarily offset their emissions, or used to offset liability under Australia's carbon pricing mechanism.

Activities to store carbon or reduce greenhouse gas emissions are conducted as offsets projects in accordance with a methodology determination, which establishes rules for undertaking and monitoring the activity and generating ACCUs. One type of offsets project that can be conducted by pig farmers uses the *Carbon Farming (Destruction of Methane Generated from Manure in Piggeries) Methodology Determination 2012* (methodology determination) and implementation of this methodology determination is described in this guide.

Information about these [methodologies](#) is available on the Clean Energy Regulator website³.

Methodology determinations

Methodologies set out the rules for undertaking a specific activity under the Carbon Farming Initiative to earn ACCUs. The methodology determinations explain how to carry out an abatement project and measure the resulting reductions in greenhouse gas emissions. A methodology determination contains:

- a description of the activity
- rules for carrying out the activity; for example, rules that specify the minimum depth of an effluence pond (two metres) or what equipment must be used to capture gases
- instructions for determining project baselines (abatement must be measured relative to a baseline that reflects what would occur in the absence of the Carbon Farming Initiative project)
- procedures for estimating abatement as a result of the project, and
- data collection, monitoring, reporting and record-keeping requirements.

³ <http://www.cleanenergyregulator.gov.au/Carbon-Farming-Initiative/planning-a-CFI-project/methodology-determinations/Pages/default.aspx>

Greenhouse gas emissions in piggeries

Farmers who participate in a piggeries project can reduce the amount of the greenhouse gas methane entering the atmosphere.

How is methane generated in piggeries?

Methane is generated by the piggeries' liquid manure management systems (effluent treatment ponds or ponds) from the undigested material within the effluent, and from spilled feed that enters the by-product stream. After entering the pond, bacteria start to break down this material, but because the ponds are anaerobic (lack oxygen) the material is not completely broken down and a mixture of methane and carbon dioxide is released.

How much methane is generated in effluent treatment ponds?

The amount of methane produced in ponds exceeds that produced from manure deposited on pasture or otherwise handled in dry form⁴. While emissions from a range of sources arise in piggeries, the largest emission source at a conventional piggery comes from effluent treatment in anaerobic ponds—66 per cent according to recent Australian Pork Limited–funded life cycle assessment research⁵.

Farmers who participate in a piggeries project can reduce the amount of the greenhouse gas methane entering the atmosphere.

⁴ <http://www.epa.gov/outreach/sources.html>

⁵ Wiedemann, S.G. and McGahan, E.J. 2011. *Environmental impacts of alternative waste treatment systems for Australian piggeries using LCA*. Report prepared for Australian Pork Limited. APL Project No. 2009/1011.336.

Why participate?

Capturing emissions from effluent ponds has several benefits. Through the Carbon Farming Initiative, you can generate Australian carbon credit units (ACCUs) and sell these for a financial benefit.

You can use the converted methane gas—which has a moderate energy content—to generate:

- heat to heat boilers and farrowing sheds
- electricity for supply to the grid or use on site, and/or
- renewable energy certificates for trade under the Renewable Energy Target (RET).

At the simplest level, the gas can be captured and burned to destroy the methane and reduce its global warming contribution.

Production of heat or electricity

If you produce renewable energy sources you may be entitled to participate in the Large - scale Renewable Energy Schemes (LRES). These schemes allow you to create and sell certificates through the Renewable Energy Certificates registry (REC registry), providing a financial incentive for engaging in abatement activities. More information on the [renewable energy target](#) and schemes is on the Clean Energy Regulator website⁶.

A successful project approved under the Destruction of Methane Generated from Manure in Piggeries methodology is at Blantyre Farm in Young, NSW.

This project captures methane emissions produced by the manure of the farm's 22,000 pigs and, using a gas fuelled generator, has lowered the landholder's monthly electricity bill from \$15,000 to zero, and the farm is now earning \$5,000 a month selling electricity back to the grid. This power generation project is expected to pay for itself in three years.

⁶ <http://ret.cleanenergyregulator.gov.au/>

Table 1: Analysis of treatment options to reduce emissions from effluent ponds⁷

| Treatment system | Benefits and opportunities | Costs and challenges |
|---|--|---|
| Capture and destroy methane from covered anaerobic ponds (CAPs) with flaring (CAP-F) | Emissions reduced by ~ 62% Odour reduced | Cost of covering ponds may be prohibitive |
| Use methane for heat to offset farm gas usage (CAP-G) | Emissions reduced by ~ 62% Energy offsets to reduce production costs Odour reduced | Cost of covering ponds and gas use equipment may be prohibitive Gas cleaning may be required |
| Combine heat and power generation on-farm (CAP-CHP) | On-farm emissions reduced by ~ 80% Energy offsets to reduce production costs Odour reduced | Most expensive to install Minimum scale at which market supplies Gas cleaning may be required |
| Transport effluent off-site for processing at a centralised anaerobic digestion plant (CAD) | On-farm emissions reduced by ~ 62% Odour reduced | Transport costs—unless effluent is pre-treated on farm Disposal costs |

⁷ Wiedemann, S.G. and McGahan, E.J. 2011. Environmental impacts of alternative waste treatment systems for Australian Piggeries using LCA. ASP Project No. 2009/1011.336.

How do I get started

Check on your eligibility

For an offsets project to be declared eligible you must:

- use an approved methodology
 - » The *Carbon Farming (Destruction of Methane Generated from Manure in Piggeries) methodology determination 2012* sets out the detailed rules for implementing and monitoring a piggeries project. This guide provides a summary of the key rules in the snapshot at the beginning of this document and more detail under the *How do I undertake a piggeries project* section.
- make sure your project is carried out in Australia
 - » The project must be undertaken in Australia. (This includes external territories such as Norfolk Island.)
- make sure you have the legal right to conduct the project and are responsible for undertaking the project
 - » In most cases, the land owner or lessee has the right to undertake a project.
 - » If another business owns and/or operates the facility that generates emissions, ensure you have written agreement with them to conduct the project.

Consider your options carefully, get independent, professional advice and ask questions relevant to your own situation.

Decide on your business model

There are different ways to participate in the Carbon Farming Initiative, each with different methods of allocating the costs, benefits and responsibilities for the project. A summary of business model types is outlined in Table 2.

Table 2: Description of business model types

| Business model type | Description |
|-------------------------------|--|
| Independent | Landowners can undertake a project themselves and be the recognised offsets entity. The project proponent responsible for the project must be a recognised offsets entity. In this business model, the landholder retains all responsibility for the project and receives all of the Australian carbon credit units (ACCUs). |
| Aggregators | Landholders may choose to use a third party (an aggregator) to participate in the Carbon Farming Initiative. The aggregator would be the recognised offsets entity responsible for the project including submission of project reports and audits and would receive all of the ACCUs. |
| With service providers | You can use professional service providers to undertake any part of your project or to act on your behalf. Depending on the decision you make, you may still be responsible for the project and receive the ACCUs generated through project offsets. |

You may elect to authorise another person or organisation to act on your behalf, as an agent, in relation to the Carbon Farming Initiative; for example, to submit applications, prepare reports or respond to questions from the Clean Energy Regulator. An agent does not need to be a recognised offsets entity or hold an account in the Australian National Registry of Emissions Units (ANREU). You, not the agent would be the recognised offsets entity responsible for the project and receive the ACCUs.

Assess the feasibility

Before committing to undertake a Carbon Farming Initiative piggeries project, it is recommended you assess the likely costs and benefits to work out whether the project is viable in your particular circumstances.

Some things to consider when assessing the feasibility of your piggery project include:

- deciding what equipment to install
- assessing relevant technology options, quality assurance requirements and warranties
- finding out what other state and territory regulatory approvals are required to undertake a piggery project
- what systems you will use to monitor the project and collect, collate and record all relevant data
- expected costs
- anticipated abatement levels
- whether the project can realise other benefits such as the sale of electricity and renewable energy certificates, and
- expected risks associated with the proposal's implementation.

You do not need to submit your feasibility assessment to the Clean Energy Regulator.

Apply to become a recognised offsets entity and open an ANREU account

You can apply to become a recognised offsets entity as individuals; sole traders; businesses; local, state or territory government bodies; or trusts. You must complete an application form and supply relevant proof of identity documentation for all nominated authorised representatives (who will be given Australian National Registry of Emissions Units (ANREU) user credentials).

On receipt of an application, the Clean Energy Regulator will conduct assurance checks to determine whether you:

- are who you claim to be
- are 'a fit and proper person' having regard to legislative criteria
- have been convicted of offences relating to conduct of a business, or dishonest conduct, or
- have been insolvent.

This is one of many safeguards designed to protect the Carbon Farming Initiative and the trading of Australian carbon credit units.

The [application forms](#) and a list of approved identity documents are available on the Clean Energy Regulator website⁸.

There is no application fee for applying to become a recognised offsets entity or opening an ANREU account.

Apply for a project

You will need to apply to have your project declared as an eligible offsets project by completing the [Application for Declaration of an eligible offsets project form](#)⁹ and attaching the relevant supporting documents. When applying for a project to be declared as an eligible offsets project, you will need to demonstrate that the project meets all of the conditions for application and eligibility criteria set out in the relevant methodology determination.

The eligibility criteria against which the project will be assessed are set out in the section below titled *How do I undertake a piggery project* and in Part 2 of the [methodology determination](#)¹⁰.

The [example application](#)¹¹, published by the Clean Energy Regulator, will help you to determine what information and supporting documents you would need to include when applying.

There is no application fee for applying to have a project declared eligible.

⁸ <http://www.cleanenergyregulator.gov.au/Carbon-Farming-Initiative/Forms-and-calculators/Pages/default.aspx>

⁹ <http://www.cleanenergyregulator.gov.au/Carbon-Farming-Initiative/Forms-and-calculators/Pages/default.aspx>

¹⁰ <http://www.comlaw.gov.au/Details/F2013L00124>

¹¹ <http://www.cleanenergyregulator.gov.au/Carbon-Farming-Initiative/Reports-and-publications/Pages/default.aspx>

How do I undertake a piggery project?

Approved abatement activities under the methodology determination involve collecting the emitted gas by covering open ponds to prevent the release of gas (a mixture of methane and carbon dioxide). This requires:

- installing and operating covers, and gas capture and combustion equipment to existing uncovered treatment ponds, or replacing conventional ponds with covered pond systems, and
- combusting the methane component of the gas using flares, and/or an electricity generation system, and/or a gas boiler, which converts the methane to carbon dioxide.

Effluent ponds

For a project to be eligible under this methodology, ponds need to have the following features:

- Manure must be treated in ponds with a minimum depth of 2 metres.
- Construction, operation and maintenance of ponds must meet the standards and protocols detailed in the [*National Environmental Guidelines for Piggeries 2010*](#).¹²
- Inputs to ponds must consist only of manure from the operation of piggery sheds. This may include undigested feed and any bedding which would, under normal operations, enter the effluent stream.

Methane combustion

Use of flaring

For abatement activities that use a flaring system, the system must:

- use a flare that sparks every two seconds to ensure continuous destruction of methane, or
- include a control system that prevents gas flow through the flare when the flare is not operational.

Use of an electricity generation system

For abatement activities that use an electricity generation system, the system must use the default or you must measure the combustion efficiency of the device. You must also measure the electricity generated by the device.

¹² <http://www.australianpork.com.au/pages/page206.asp>

The device must be operated in accordance with the manufacturer's specifications, with calibration at least every five years. Calibration must be conducted by the manufacturer or by an accredited third party.

Use of a gas boiler

For abatement activities that use a gas boiler, the system must be operated in accordance with the manufacturer's specifications, with calibration at least every five years. Calibration must be conducted by the manufacturer or by an accredited third party.

Measure your greenhouse gas abatement

Identify your project baseline

You must calculate the baseline for your project at least once every 12 months, in line with the calculations set out in the methodology determination.

The baseline for your project is the methane that would have been generated and released from each pond included in the project in the absence of the project abatement activity. Measuring abatement against a baseline ensures that only abatement beyond what would have occurred anyway can be credited under the *Carbon Credits (Carbon Farming Initiative) Act 2011* (Carbon Farming Initiative Act).

Some emissions are not included in the project baseline, such as stationary energy, wash-down fuel use or sludge disposal practices.

Calculate your project baseline

The project baseline must be calculated on the basis of the amount of volatile solids in the effluent stream deposited into each pond included in the project. To calculate the volatile solids in the pond, the PigBal Model (version 2.14) or more recent must be used.

PigBal Model estimates of volatile solids are based on the number of animals (in various classes), the feed mix used, climatic conditions and the waste pre-treatment system (before entry of effluent into the pond) during the year.

The actual calculation of baseline requires the output from PigBal (quantity of volatile solids) to be multiplied by the methane producing capability of volatile solids in pigs (standard factor for pigs of 0.45). This volume of methane is then converted to a carbon dioxide equivalent (CO₂-e) amount by a standard conversion factor, detailed in the methodology determination at Equation 1.1.

Establish your project's greenhouse gas assessment boundary

The methodology determination specifies a method for calculating the net abatement amount for the project in relation to a reporting period. The greenhouse gas assessment boundary is all greenhouse gas emissions and reductions directly affected by the activity.

Part 3.1 of the methodology determination provides details of which emissions sources must be included in your greenhouse gas assessment boundary. A summary of the emissions sources is in Table 3.

Table 3: Gases accounted for in the abatement calculation

| | Source | Greenhouse gas/carbon pools |
|-------------------------|---|---|
| Baseline | Greenhouse gas emissions from anaerobically treated waste in project ponds | Methane (CH ₄) |
| Project Activity | Electricity from the grid and fuel used for gas capture and combustion | Carbon dioxide (CO ₂) Methane (CH ₄) Nitrous oxide (N ₂ O) |
| and/or | Gas capture and combustion via internal combustion engine Gas capture and combustion via gas boiler use to heat water, or generate steam Gas capture and combustion via flaring | Methane (CH ₄) Nitrous oxide (N ₂ O) |

Calculate your greenhouse gas abatement

All offsets reports must demonstrate that all of the stipulated emissions sources and none of the excluded ones have been included in your greenhouse gas assessment boundary, and consequently, in the calculation of abatement. Emissions and sources that must be accounted for in the abatement calculations are:

- emissions from anaerobically treated waste in project ponds
- grid-derived electricity and/or fuel used in the process of gas capture and combustion (For example, pumps and engines are used in the operation of flares, as well as in the operation of control and monitoring systems.)
- emissions from gas capture and combustion via an internal combustion engine and electricity generation system
- emissions from gas capture and combustion via a gas boiler used to heat water or generate steam, and
- emissions from gas capture and combustion via flaring.

Some calculations will require inputs based on measurement of the following:

- herd data (pig numbers and classes) daily feed usage data (types and quantity) and status of the pre-treatment screening
- the amount of gas sent to the combustion device continuously (an average value in a time interval not greater than one hour)
- the number of ponds, pond dimensions, climate data (as noted in PigBal) and non-effluent waste entering the pond in the year prior to the project commencement.

Project monitoring and recording

The Clean Energy Regulator recommends that you draw up a project plan for the monitoring, data collection and record keeping required for piggery projects. Such a plan should draw directly on all the specified requirements of the methodology determination, such as frequency of measurement and data collection.

The means of collecting and recording data on the stipulated sources will need to be in place from the start of the project. Should an offsets report and associated audit show that data collection and recording has not been in place for the entire reporting period, Australian carbon credit units may not be issued for some or all of that reporting period.

Record keeping

At a minimum, records must be kept for:

- project information
- combustion devices
- monitoring equipment, and
- gas composition.

In addition, project-specific information must be recorded and kept for calculating and verifying emissions. The determination sets out:

- monitoring requirements for the frequency of recording of PigBal inputs and gas measurement error margins, and
- quality assurance and quality control measures relating to accuracy of gas measurement pressure equipment and for the cleaning, inspecting and calibrating of equipment.

You will need to ensure the project has secure storage for all data and records, and a means of retaining records for at least seven years from the date the related offsets report was provided to the Clean Energy Regulator.

Submit offsets and audit reports

Once your project is up and running, you will need to report on your project to the Clean Energy Regulator. There are two types of reports you will have to submit—a project offsets report and an audit report.

Applications for Australian carbon credit units (ACCUs) can be made at the same time as you submit your offsets and audit reports using the [*Certificate of entitlement application including offsets report form*](#)¹³.

The Clean Energy Regulator will not issue ACCUs automatically on receipt of an offsets report.

Reporting periods

You can choose when to report and when to apply for credits. The first report to the Clean Energy Regulator is due within one to five years of the project being declared eligible, and every one to five years thereafter.

¹³ <http://www.cleanenergyregulator.gov.au/Carbon-Farming-Initiative/Forms-and-calculators/Pages/default.aspx>

Mark runs a small piggery in rural NSW. He has worked out that he is better off reporting every five years. Otherwise, the costs of the audit report will outweigh the revenue from any Australian carbon credit units.

Project offsets report

Offsets reports must demonstrate that all of the stipulated emissions sources and none of the excluded ones have been included in your greenhouse gas assessment boundary and consequently in the calculation of net abatement. The methodology determination specifies how to calculate the net abatement amount for the project in relation to a reporting period.

You must provide the following information in each report you submit to the Clean Energy Regulator:

- net greenhouse gas abatement number
- quantity of methane generated under baseline conditions in tonnes of CO₂-e
- total volume of methane sent to combustion devices, in cubic metres (sum of Q_{CH₄,h})
- destruction efficiencies of combustion devices (if default values not used)
- total amount of fuel and/or electricity used by the project, in kilolitres (kL), cubic metres (m³), or kilowatt hours (kWh), and
- electrical efficiency of (Eff) of the internal combustion engine generator.

Audit report

Audit reports, prepared by a registered level 2 or 3 greenhouse and energy auditor, provide reasonable assurance that your piggeries project complies with the declaration, methodology and relevant legislative requirements for the reporting period. Information assessed by an auditor can include the location and area of the project, equipment calibration, evidence to support legal right to undertake the project, monitoring data, the details of abatement calculations and record keeping.

A list of level 2 and 3 [greenhouse and energy auditors](#) can be found on the Clean Energy Regulator website.¹⁴ You are responsible for the engagement of auditors and costs associated with the preparation of a prescribed audit report.

More information about the requirements of the [Carbon Farming Initiative audit process](#) can be found on the Clean Energy Regulator website.¹⁵

¹⁴ <http://www.cleanenergyregulator.gov.au/National-Greenhouse-and-Energy-Reporting/Auditors/register-of-greenhouse-and-energy-auditors/Pages/default.aspx>

¹⁵ <http://www.cleanenergyregulator.gov.au/Carbon-Farming-Initiative/Auditing-eligible-offsets-projects/Pages/default.aspx>

Information about the audit

For auditing purposes you will have to make all necessary documents and information (including data collection records, receipts and other supporting documentation) and calculation spread sheets available to the auditor.

Your auditor may be able to provide further advice to assist you in collecting and compiling the information and records they will require conduct the audit. They may also be able to advise you about what they require so that they can provide a reasonable level of assurance.

The Clean Energy Regulator recommends that you engage your auditor as early as possible during project development. This will assist with ensuring the project is auditable and allow the auditor to plan activities throughout the reporting period as well as the post-reporting period.

Making changes to my project

You must notify the Clean Energy Regulator of any changes to your personal circumstances or of any change in project circumstances or operations. This may affect the project's eligibility, the amount of abatement reported and the Australian carbon credit units claimed. More information on [notifications](#) is available at the Clean Energy Regulator website.¹⁶

¹⁶ <http://www.cleanenergyregulator.gov.au/Carbon-Farming-Initiative/How-does-it-work/Step-4-Submit-offset-and-audit-reports/Pages/default.aspx>

How do I sell my ACCUs?

The sale of Australian carbon credit units (ACCUs) is through a commercial relationship between the project proponent and a willing buyer both of which must have Australian National Registry of Emissions Units (ANREU) accounts. The actual transfer of the ACCUs is conducted electronically within the ANREU, similar to the way that you conduct electronic banking.

Applying for ACCUs

Applications for ACCUs are made at the same time as you submit your offsets and audit reports by completing Part G of the [*Certificate of Entitlement application including offsets report form*](#).¹⁷ The Clean Energy Regulator will not issue ACCUs automatically on receipt of an offsets report.

The Clean Energy Regulator will assess applications for a Certificate of Entitlement. If the Clean Energy Regulator is satisfied that conditions have been met, a Certificate of Entitlement will be issued advising you of the number and type of ACCUs that the offsets project is entitled to receive for the reporting period. The ACCUs will be issued to the project proponent's ANREU account.

Types of ACCUs

Abatement activities of a type that count towards Australia's national target under the Kyoto Protocol are known as Kyoto projects. These include reforestation, savanna burning, reducing emissions from livestock and reducing emissions from waste deposited in landfills before July 2012. All other types of abatement activities, such as feral animal management, are known as non-Kyoto projects.

The Carbon Farming Initiative legislation originally set deadlines for the creation of Kyoto ACCUs—30 June 2012 for emissions avoidance projects and 31 December 2012 for sequestration projects. The passing of these deadlines meant that Kyoto ACCUs could no longer be issued for Kyoto projects and non-Kyoto (eligible) ACCUs were issued in their place.

On 21 May 2013, a Carbon Farming Initiative amendment regulation came into effect extending the Kyoto abatement deadline to 30 June 2020 for emissions avoidance projects and 31 December 2020 for sequestration projects. This change allows for Kyoto ACCUs to be issued again for Kyoto projects.

The text and table below summarise the features of the different types of ACCUs created under the Carbon Farming Initiative.

¹⁷ <http://www.cleanenergyregulator.gov.au/Carbon-Farming-Initiative/Forms-and-calculators/Pages/default.aspx>

Kyoto ACCUs:

- were created by Kyoto offsets projects with a reporting period that ended before the original Kyoto abatement deadlines
- are issued for Kyoto offsets projects from 21 May 2013 and for reporting periods until 30 June 2020 for emissions avoidance projects and 31 December 2020 for sequestration projects
- can be surrendered under the carbon pricing mechanism
- are able to be exchanged for international emissions units before 1 July 2013
- can be sold on the voluntary market.

Non-Kyoto (eligible) ACCUs:

- were created by Kyoto offsets projects with a reporting period that ended after the original Kyoto abatement deadlines and where an application for ACCUs was processed prior to 21 May 2013
- can be surrendered under the carbon pricing mechanism
- are unable to be exchanged for international emissions units
- can be sold on the voluntary market.

Non-Kyoto (voluntary) ACCUs:

- are created by non-Kyoto offsets projects
- are unable to be surrendered under the carbon pricing mechanism
- are unable to be exchanged for international emissions units
- can be sold on the voluntary market.

Table 4: Summary of characteristics of ACCUs created by Kyoto and non-Kyoto projects

| Characteristic | Kyoto ACCUs Kyoto project | Non-Kyoto (eligible) Kyoto project | Non-Kyoto (voluntary) Non-Kyoto project |
|---|------------------------------|--|--|
| Can be surrendered under the carbon price mechanism | Yes | Yes | No |
| Able to be sold on the voluntary market | Yes | Yes | Yes |

| | | | |
|---|-----|----|----|
| Able to be exchanged for international emissions units before 1 July 2013 | Yes | No | No |
|---|-----|----|----|

More information about Australian carbon credit units is available in the [Concise Description of Australian carbon credit units](#).¹⁸

Who could purchase my ACCUs?

Under Australia’s carbon pricing mechanism, around 300 companies have a mandatory obligation to reduce, offset or pay for their direct emissions.

Liable entities have a choice of meeting their liability by taking action to reduce their emissions, acquiring and surrendering carbon units including Kyoto ACCUs and Non-Kyoto (eligible) ACCUs or by paying a unit shortfall charge for any part of a liability that is not met by surrendering units. A [database of liable entities](#) under the *Clean Energy Act 2011* is maintained by the Clean Energy Regulator.¹⁹

Transactions involving ACCUs

An ACCU is personal property. The registered holder of the ACCU—the person in whose ANREU account the ACCU is deposited—is its legal owner and may pass good title to the unit to another person.

If you wish to enter the trading market without the use of a broker or a financial institution, there are several checks you can use to ensure you are selling your ACCUs to an eligible entity. The first step is to ensure the buyer is listed on the [Liable Entities Public Information Database](#).²⁰

Do you need an Australian Financial Services licence to transact ACCUs?

An ACCU is a ‘financial product’ under the *Corporations Act 2001* and the *Australian Securities and Investments Commission Act 2001*. This means that any individual or company providing financial services or specific advice about emissions units (including ACCUs) requires an Australian Financial Services licence or licence variation, unless exempt.

¹⁸ <http://www.cleanenergyregulator.gov.au/ANREU/Concise-description-of-units/Australian-carbon-credit-units/Pages/default.aspx>

¹⁹ <http://www.cleanenergyregulator.gov.au/Carbon-Pricing-Mechanism/Liable-Entities-Public-Information-Database/Pages/default.aspx>

²⁰ <http://www.cleanenergyregulator.gov.au/Carbon-Pricing-Mechanism/Liable-Entities-Public-Information-Database/Pages/default.aspx>

If you simply undertake a Carbon Farming Initiative project on your own behalf, and sell the ACCUs issued for the project, you will not need an Australian Financial Services licence.

For more information, see the [Australian Securities and Investments Commission](#) website.²¹

Tax treatment of ACCUs

You should obtain professional advice about the tax treatment of ACCUs having regard to your own situation. The following provisions are some that apply to ACCUs,:

- The proceeds of selling an ACCU will be 'assessable income on revenue account' in the income year the ACCU is sold or surrendered.
- The [A New Tax System \(Goods and Services Tax\) Act 1999](#) has been amended to provide that supplies of Kyoto ACCUs and non-Kyoto (eligible) ACCUs will be GST-free.
- Sellers of ACCUs will be deemed to have received market value for an ACCU in certain circumstances (for example, transactions between related entities).

You can obtain further information about ACCUs and the tax implications of undertaking CFI activities by contacting the Australian Tax Office.

Recommended reading

This guide should be read in conjunction with:

- [The National Environmental Guidelines for Piggeries 2010](#)²²
- [The PigBal Model](#)²³
- [The Carbon Credits \(Carbon Farming Initiative\) \(Destruction of Methane from Piggeries using Engineered Biodigesters\) Methodology Determination 2013](#)²⁴

Need more help?

If you have any further questions about participating in the Carbon Farming Initiative, you should call 1300 553 542 or email cfiadministrator@cleanenergyregulator.gov.au.

²¹ <http://www.asic.gov.au/>

²² <http://www.australianpork.com.au/pages/page206.asp>

²³ <http://www.climatechange.gov.au/en/government/initiatives/carbon-farming-initiative/methodology-development/determinations/destruction-of-methane-from-manure-in-piggeries.aspx>

²⁴ <http://www.comlaw.gov.au/Details/F2013L00124>



Published by the Clean Energy Regulator www.cleanenergyregulator.gov.au

© Commonwealth of Australia 2013

This work is licensed under the Creative Commons Attribution 3.0 Australia Licence.

To view a copy of this license, visit <http://creativecommons.org/licenses/by/3.0/au>

The Clean Energy Regulator asserts the right to be recognised as author of the original material in the following manner:



or



© Commonwealth of Australia (Clean Energy Regulator) 2013.

IMPORTANT NOTICE—PLEASE READ

This document is produced for general information only and does not represent a statement of the policy of the Commonwealth of Australia. The Commonwealth of Australia and all persons acting for the Commonwealth preparing this report accept no liability for the accuracy of or inferences from the material contained in this publication, or for any action as a result of any person's or group's interpretations, deductions, conclusions or actions in relying on this material.

This guideline should be read in conjunction with the *Carbon Credits (Carbon Farming Initiative) Act 2011* and *Carbon Credits (Carbon Farming Initiative) Regulations 2011* (current versions of which can be found on the ComLaw website). Changes to the legislation may affect the information in this document. This document is not intended to provide legal advice. Entities are responsible for determining their obligations under the law and for applying the law to their individual circumstances. Entities should seek independent professional advice if they have any concerns.