



# CARBON CREDITS

The path to a more sustainable future

*As Australia intensifies its efforts to combat climate change, the carbon credit market has become a CORNERSTONE of its ENVIRONMENTAL STRATEGY. This comprehensive report delves into the Australian Carbon Credit Unit (ACCU) scheme, exploring its origins, mechanisms, and IMPACT on reducing greenhouse gas emissions.*

## IN BRIEF:

- The Australian carbon credit market is experiencing a significant increase in demand for Australian Carbon Credit Units (ACCUs), driven by stricter offset targets for polluting facilities under the Emissions Reduction Scheme. This demand is projected to peak at 31 million units by 2031.
- The Australian government anticipates that demand for ACCUs will exceed issuance by 2028, with holdings expected to rise from 38 million units in 2024 to 51 million units in 2026 before gradually declining to 39 million units by 2032.
- Australia has committed to reducing emissions to 43% below 2005 levels by 2030 and achieving net zero emissions by 2050.
- The development of liquid carbon trading markets supports the ASX plans to introduce Environmental Futures contracts to aid in managing the energy transition and decarbonisation efforts.

“The Australian carbon credit market is on a fascinating trajectory. We’re witnessing a surge in demand for Australian Carbon Credit Units (ACCU) driven by stricter offset targets for polluting facilities within the Emissions Reduction Scheme. This trend is expected to continue until at least 2031, with demand reaching a projected peak of 31 million units.” states Mark Phillips, CEO of Carbon Capital Corporation.

<sup>1</sup>The Australian government announced in November 2023 that, for the first time, the demand for ACCUs is projected to exceed their issuance by 2028. This trend is attributed to implementing stricter offset targets for polluting facilities within the country’s emissions compliance scheme.

According to the government’s emissions projections report, the ongoing trend of high demand and reduced issuance is anticipated to persist until 2031. It is projected that the demand for ACCUs will peak at 31 million units by this time.

Market participants will rely on their current holdings to bridge the gap between demand and issuance. These holdings are expected to rise from 38 million units in 2024 to 51 million units in 2026 before gradually declining to 39 million units by 2032.

<sup>1</sup>Kshitz Goliya. (2023, November 30). Australia’s carbon credit demand to surpass issuances in 2028 as compliance tightens. Spglobal.com; S&P Global Commodity Insights. <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/energy-transition/113023-australias-carbon-credit-demand-to-surpass-issuances-in-2028-as-compliance-tightens#:~:text=The%20report%20forecast%20that%20ACCU>

It is predicted that a significant rise in demand for ACCUs from the scheme, projecting an increase from under 1 million in 2022 to 26 million by 2030. This initiative encompasses 219 facilities emitting over 100,000 metric tons of carbon dioxide equivalent (mtCO<sub>2</sub>e) annually, collectively contributing around 28% of Australia’s total greenhouse gas emissions.

**Australian carbon credit demand and supply**



**EXHIBIT 1: AUSTRALIAN CARBON CREDIT SUPPLY AND DEMAND**

Starting July 2023, facilities emitting below their designated limits will receive a novel credit known as Safeguard Mechanism Credit (SMC), while those exceeding their limits will be required to offset their emissions by retiring either SMCs or ACCUs.<sup>2</sup>

As outlined in Australia’s Nationally Determined Contribution (NDC) under the Paris Agreement, the country has committed to reducing emissions to 43% below 2005 levels by 2030, aiming to achieve net zero emissions by 2050. These targets are enshrined in the Climate Change Act 2022.<sup>3</sup>

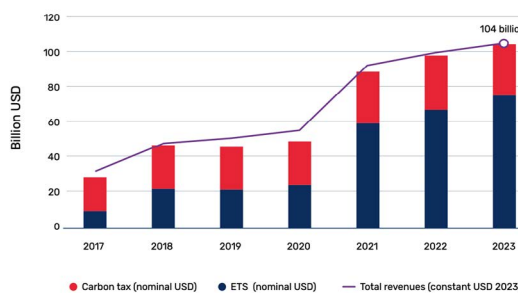
Australia’s 2030 commitment comprises a single-year target to reduce emissions by 43% below 2005 levels by 2030 and a multi-year emissions budget spanning from 2021 to 2030.

The 2030 target serves as a milestone towards the overarching objective of achieving net zero emissions by 2050. As a signatory to the Paris Agreement, Australia, like other parties, must communicate its NDC at least every five years, with each successive NDC reflecting the highest possible level of ambition. Australia is scheduled to submit its next NDC by the year 2025.

**WORLD BANK REPORT, MAY 2024<sup>4</sup>**

<sup>4</sup>The Annual State and Trends report from The World Bank stated that Governments are increasingly leveraging carbon crediting frameworks to draw more funding through voluntary carbon markets and enable participation in international compliance markets. Carbon pricing revenue hit unprecedented levels, surpassing USD 100 billion for the first time in 2023. This milestone was driven by elevated prices in the EU.

**EXHIBIT 2: EVOLUTION OF GLOBAL REVENUES OVER TIME**



<sup>5</sup>Currently, there are 75 carbon pricing instruments in use globally. More than half of the revenue generated from these instruments is allocated to climate and nature-related programs.

Progress on carbon pricing implementation has been observed in several middle-income countries, including Brazil, India, Chile, Colombia, and Türkiye. These nations are increasingly adopting carbon pricing mechanisms as part of their strategies to address climate change and reduce greenhouse gas emissions.

Although carbon tax rates saw slight increases, changes in prices within Emissions Trading Systems (ETSs) were varied, with ten systems witnessing price decreases over the previous 12 months. Notably, even long-standing ETSs in the European Union, New Zealand, and the Republic of Korea were among those experiencing declines in prices.

**“CARBON PRICING REVENUE HIT UNPRECEDENTED LEVELS, SURPASSING USD 100 BILLION FOR THE FIRST TIME IN 2023.”**

*World Bank*

Despite the positive trends highlighted in this year’s State and Trends of Carbon Pricing report, higher pricing and broader coverage will be crucial to fully unlock the potential of carbon pricing.

While 24% of global emissions are covered by a carbon pricing scheme, less than 1% are subject to a direct carbon price that meets or exceeds the range recommended by the High-Level Commission on Carbon Prices to keep temperature increases “well below” 2°C, as stipulated by the Paris Agreement.

<sup>2</sup> Kshitiz Goliya. (2023, November 30). Australia’s carbon credit demand to surpass issuances in 2028 as compliance tightens. Spglobal.com; S&P Global Commodity Insights. <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/energy-transition/113023-australias-carbon-credit-demand-to-surpass-issuances-in-2028-as-compliance-tightens#:~:text=The%20report%20forecast%20that%20ACCU>

<sup>3</sup> Department of Climate Change, Energy, the Environment and Water. (2023). Australia’s emissions projections 2023. <https://www.dcecew.gov.au/sites/default/files/documents/australias-emissions-projections-2023.pdf>

EXHIBIT 2: Akhter, Z. (2022, August 1). An Introduction to Carbon Credits. Blue Sky Analytics. <https://blueskyhq.io/blog/an-introduction-to-carbon-credits>

<sup>4,5</sup> & EXHIBIT 3: State and Trends of Carbon Pricing 2024. (2024). openknowledge.worldbank.org. [online] doi:<https://doi.org/10.1596/41544>.

The World Bank notes that the adoption of carbon pricing has been “limited” over the past 12 months, with only two new carbon pricing instruments being introduced.

<sup>6</sup>Regarding the supply side, the Integrity Council for the Voluntary Carbon Market has set a benchmark for credit quality, with the initial batch of approved credits anticipated to be available in 2024.

Conversely, efforts on the demand side have concentrated on reducing operational and value chain emissions, as well as considering the potential of carbon credits to tackle residual emissions.

### WHAT ARE CARBON CREDITS?

“Carbon credits, permit the owner to emit a certain amount of carbon dioxide or other greenhouse gases. One credit permits the emission of one ton of carbon dioxide or the equivalent in other greenhouse gases.”<sup>7</sup>

Proponents of the carbon credit system argue that it facilitates measurable and verifiable reductions in greenhouse gas (GHG) emissions through certified climate action projects. These projects are designed to reduce, remove, or avoid the emission of GHGs into the atmosphere.

By investing in such projects, organisations and individuals can effectively offset their carbon footprint and contribute to global efforts to mitigate climate change. The carbon credit system provides a transparent and accountable mechanism for tracking emission reductions, ensuring each credit represents a genuine and quantifiable reduction in GHG emissions.

### TYPES OF CARBON CREDITS

#### Australian Carbon Credit Units (ACCUs)

Australia’s ACCU Scheme tackles climate change by awarding tradable carbon credits (ACCUs) for projects that cut emissions. Each ACCU represents one tonne of carbon dioxide equivalent (tCO<sub>2</sub>-e) avoided or sequestered.

#### Verified Emission Reductions (VER)

VERs are a type of voluntary carbon offset credit. Unlike compliance credits tied to regulations, VERs come from projects that reduce or remove greenhouse gases outside of government mandates. Each VER represents one tonne of CO<sub>2</sub> equivalent emissions mitigated. VERs are popular for individuals and businesses looking to go beyond their footprint reduction efforts and contribute to additional climate action.

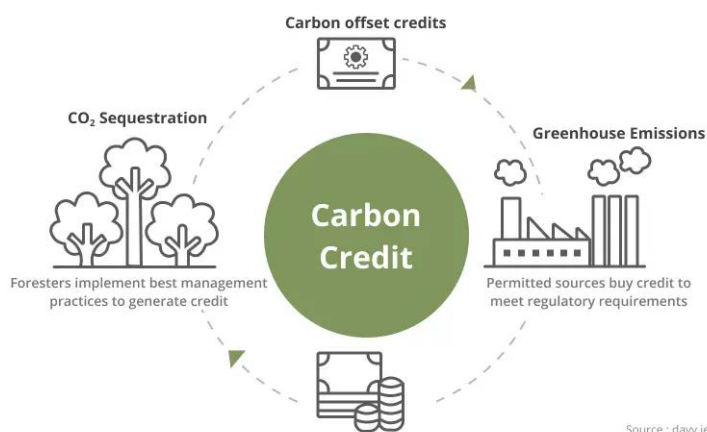
#### Certified Emission Reductions (CER)

CERs are a prominent type of carbon credit within the Kyoto Protocol’s Clean Development Mechanism (CDM). Each CER represents one tonne of CO<sub>2</sub> equivalent emission reduction achieved by CDM projects in developing countries. These projects, verified by independent bodies, could involve renewable energy installations, energy efficiency improvements, or forest conservation efforts.

### TYPES OF CARBON MARKETS

Carbon credits are bought and sold within carbon markets, which are platforms for trading emissions or emission reductions. These markets facilitate the exchange of credits representing emissions or actions taken to reduce emissions. Presently, there exist two categories of carbon markets.

EXHIBIT 3: CARBON CREDITS



Source : davy.ie

<sup>6</sup>State and Trends of Carbon Pricing 2024. (2024). openknowledge.worldbank.org [online] doi:https://doi.org/10.1596/41544.

<sup>7</sup> & EXHIBIT 3: (Akhter, 2022). Carbon Credit Cycle. An Introduction to Carbon Credits. Blue Sky Analytics. https://blueskyhq.io/blog/an-introduction-to-carbon-credits

## COMPLIANCE CARBON MARKET

The Compliance Carbon Market, also called the Mandatory Market, operates under government regulations, where specific industries are allocated allowances defining their permissible level of emissions, once they have reduced as much as they can at their facilities.

“The Australian Carbon Credit Unit (ACCU) scheme is a prime example of a compliance carbon market. It sets a cap on facilities’ emissions and allows them to trade ACCUs to meet their obligations, once they have first reduced their site emissions as much as possible.” says Phillips.

Carbon credits play a crucial role within the framework of emissions trading schemes such as cap and trade (CAT) or emissions trading schemes (ETS). These systems involve placing a cap or limit on the volume of greenhouse gas (GHG) emissions permitted for each entity. If an entity surpasses its allocated emission limit, it faces penalties.

However, to offset these penalties, entities have the option to purchase carbon credits from the market or from others whose emissions fall below their allotted limit.

This mechanism incentivises emission reduction by allowing entities to profit from selling surplus carbon credits, while simultaneously penalising those exceeding their emissions allowance by requiring them to purchase credits to offset their excess emissions.

<sup>8</sup>At present, there are three major Emissions Trading Systems in the world;

- European Union’s Emissions Trading System (EU)
- The California Global Warming Solutions Act (USA)
- The Chinese National Emission Trading System (China)

## VOLUNTARY CARBON MARKET

The Voluntary Carbon Market (VCM) constitutes the second category of carbon markets, distinct from government-regulated compliance markets. Unlike compliance markets, the VCM is established by private entities and operates independently of government oversight. The quality and accountability of the VCM is managed by large global carbon registries, like Gold Standard and Verra.

“The VCM offers companies and individuals an avenue to offset their emissions beyond regulatory requirements, contributing to broader global decarbonisation efforts.” says Phillips

In the VCM, private individuals, businesses, and other entities can create, trade, and purchase carbon credits outside of mandatory carbon pricing mechanisms. This market allows companies emitting carbon to offset emissions by acquiring carbon credits from projects that mitigate or eliminate greenhouse gas (GHG) emissions.

Each carbon credit within the VCM represents reducing, avoiding, or removing one metric ton of carbon dioxide or its equivalent in GHGs. These credits are referred to as offsets upon utilisation for emission offsetting purposes.

## PRICING OF CARBON CREDITS

The pricing of carbon credits is influenced by many factors, and the lack of transparency and standardised pricing poses a significant challenge to the carbon credit system. As of November 2021, the price per carbon credit varied widely around the world, ranging from a few cents to USD 20 per metric ton of carbon dioxide equivalent (MtCO<sub>2</sub>e). Establishing a standard mechanism for pricing is crucial to enhance market transparency.

“DEMAND FOR ACCUS FROM LESS THAN 1 MILLION ACCUS IN 2022 TO 26 MILLION ACCUS BY 2030”

*DCCEEW, Australian Government*

## SEVERAL KEY FACTORS AFFECT THE PRICING OF CARBON CREDITS.

**Market dynamics** The Voluntary Carbon Market (VCM) is driven by supply and demand forces. Increased demand for credits, driven by global decarbonisation efforts, has led to a significant rise in carbon prices.

**Project location** The location of a carbon offset project plays a crucial role in determining credit prices. Projects in regions with limited infrastructure, resources, policy barriers, or higher risks often incur higher costs, resulting in higher prices for credits.

**Vintage of carbon credits** The vintage, or issuance year, of carbon credits affects their pricing. Generally, buyers are willing to pay more for recently issued credits due to updated methodologies and standardisation. However, older credits do not expire and continue to offset emissions.

<sup>8</sup>Department of Climate Change, Energy, the Environment and Water. (2023). Australia’s emissions projections 2023. <https://www.dcceew.gov.au/sites/default/files/documents/australias-emissions-projections-2023.pdf>

**Economies of scale** Prices may be influenced by economies of scale, with developers offering discounts for larger credit purchases. However, this depends on the specific project developer.

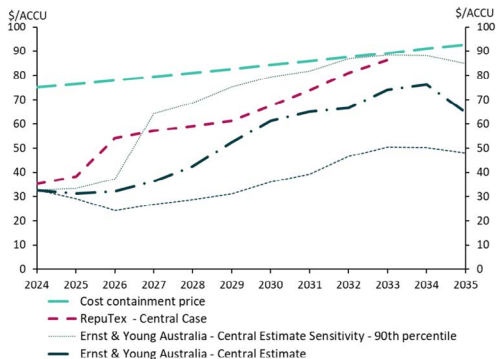


EXHIBIT 4: DCCEE ACCU PRICING 2024 - 2035

**Quality of credits**

High-quality credits, which represent real, measurable, permanent, and additional GHG emission reductions or removals, incur higher costs for design, implementation, monitoring, and verification.

**Additional certifications**

Credits from projects with additional certifications, such as contributions to Sustainable Development Goals (SDGs), may command higher prices due to broader sustainability benefits.

**THE AUSTRALIAN CARBON CREDITS UNITS SCHEME (ACCU)**

The ACCU scheme offers a valuable tool for landholders, communities, and businesses to participate in climate action projects. With projections indicating that rising ACCU issuance will reach 30 million units by 2033, the scheme presents compelling opportunities for project developers.

<sup>9</sup>The ACCU scheme allows landholders, communities, and businesses to undertake projects within Australia aimed at either preventing emissions or capturing and storing carbon from the atmosphere. Each ACCU represents a project’s removal or avoidance of one tonne of carbon dioxide

“THE PROJECTED DEMAND FOR ACCUS HIGHLIGHTS THE CRUCIAL ROLE OF THE CARBON CREDIT MARKET TO MEET AUSTRALIA’S AMBITIOUS CLIMATE TARGETS”

*Mark Phillips, CEO, Carbon Capital Corporation*

equivalent (t CO<sub>2</sub>-e). ACCUs can be sold to the Government through Carbon Abatement Contracts and companies, utilised to fulfil obligations under the Safeguard Mechanism, retired voluntarily through the Climate Active program, or utilised for other purposes.

ACCU projects encompass a variety of activities aimed at reducing emissions or sequestering carbon. While projects cover a wide range of sectors, the majority have focused on activities within the Land Use, Land Use Change and Forestry (LULUCF) sector to enhance carbon sequestration or reduce emissions, including initiatives related to vegetation and savanna fire management, as well as projects within the waste sector.

Similar to other commodities, the supply and demand of ACCUs are influenced by market prices. Projections regarding ACCU demand are based on available information to estimate demand given various emission reduction opportunities, particularly

considering on-site abatement actions at Safeguard facilities.

Changes in abatement costs and technological advancements over time are also considered.

As prices increase, additional ACCUs are expected to become available, with consideration given to the time required for project implementation and emission reductions to occur.

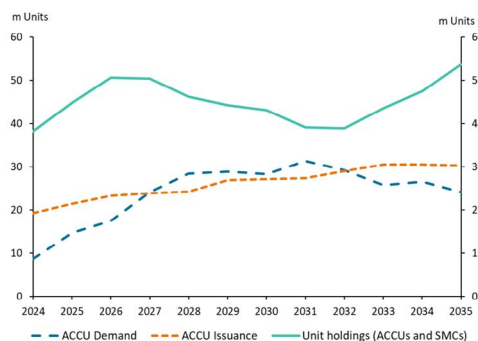


EXHIBIT 5: PROJECTED ACCU ISSUANCE, 2024 TO 2035

**USAGE AND GROWING DEMAND OF THE ACCU SCHEME**

Demand for Australian Carbon Credit Units (ACCUs) is anticipated to rise, reaching its peak in

EXHIBIT 4: Source - (Department of Climate Change, Energy, the Environment and Water, 2023) Forecast ACCU Prices by Market Analysts, 2024 to 2035, real 2024 \$A per ACCU

EXHIBIT 5: Department of Climate Change, Energy, the Environment and Water, 2023 Projected ACCU issuance, Demand and Unit holdings, 2024 to 2035, million units.

<sup>9</sup> Department of Climate Change, Energy, the Environment and Water. (2023). Australia’s emissions projections 2023.

2031. This surge in demand is primarily driven by the Safeguard Mechanism, where companies are projected to utilise ACCUs in parallel with on-site reduction and abatement, and Safeguard Mechanism Credits (SMCs) to fulfil their obligations.<sup>10</sup>

The demand from the Safeguard Mechanism is forecast to escalate from less than 1 million ACCUs in 2022 to 26 million ACCUs by 2030. Subsequently, ACCU demand is expected to decrease post-2031 as more on-site abatement opportunities are pursued to meet Safeguard obligations.

The issuance of ACCUs is projected to increase steadily from 16-17 million in 2023 to 30 million by 2033, incentivised by higher ACCU prices. The majority of ACCUs are currently generated from the land sector, with vegetation and savanna fire management being the main sources of new ACCU issuance.

At the end of the 2023 financial year, unit holdings in the Australian National Registry of Emissions Units totalled 27.6 million. ACCU issuance presently exceeds demand and is expected to continue doing so until 2027, leading to an accumulation of units, if new carbon accounting methods are released rapidly to facilitate new project development within that timeframe.

Beyond 2027, demand is predicted to temporarily surpass new issuance, which will be met by utilising existing ACCU holdings.

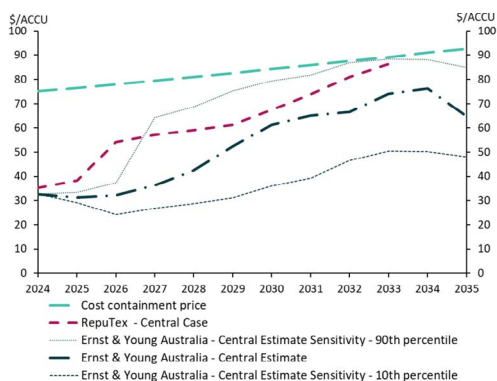


EXHIBIT 6: FORECAST ACCU PRICES 2024 TO 2035

“The projected demand for ACCUs highlights the crucial role of the carbon credit market in incentivising emission reductions to meet Australia’s ambitious climate targets as outlined in its Nationally Determined Contribution (NDC) under the Paris Agreement.” states Phillips.

## FINANCIAL MARKETS SUPPORTING THE ENERGY TRANSITION

The international renewable energy transition has been significantly bolstered by the development of liquid carbon trading markets, with most transactions occurring through derivatives.

<sup>11</sup>According to the London Stock Exchange, global carbon markets nearly reached a record value of USD 950 billion in 2023. European Union Allowances (EUAs), the primary unit in the world’s most established cap and trade system, comprised the bulk of this market. In 2023, approximately USD 840 billion worth of EUAs were traded, with around 90% of these transactions occurring in the derivatives market.

This derivatives-based international experience offers a valuable blueprint for expanding carbon markets in Australia and New Zealand. Derivatives uniquely facilitate market growth by reducing uncertainty.

Unpredictability is a significant barrier that slows and limits business efforts to decarbonise, influenced by factors such as evolving government policies and shifting investor and consumer expectations. By addressing these uncertainties and enhancing certainty, it is possible to increase investment in the carbon market and maximise the potential for emission reductions.

The ASX currently offers various commodity derivative contracts that facilitate price discovery and hedging across sectors such as electricity, gas, and agriculture, aiding businesses in managing the renewable energy transition.

<sup>12</sup>To further support the decarbonisation efforts of Australia and New Zealand, ASX plans to introduce a suite of Environmental Futures contracts covering ACCU (Australian Carbon Credit Units), LGC (Large Generation Certificates), and NZU (New Zealand Units) markets.

These contracts will initially be listed on an annual basis for up to five years, providing a transparent forward curve for market participants to price and hedge their exposure. This initiative aims to help the market manage the uncertainties associated with the energy transition.

In July 2022, the current Federal Government initiated an Independent Review of the scheme, known as the Chubb Review, which led to a sustained dip in ACCU prices throughout the review period.<sup>13</sup>

Consequently, the generic ACCU price dropped from a high of \$57 at the beginning of the year to as low as \$26 in August. This fluctuation highlights how uncertainty can drive market volatility.

For carbon markets to mature and scale effectively, they require access to risk management tools that

<sup>10</sup> Department of Climate Change, Energy, the Environment and Water. (2023). Australia’s emissions projections 2023. <https://www.dcceew.gov.au/sites/default/files/documents/australias-emissions-projections-2023.pdf>

<sup>11-13</sup> CARBON MARKETS & AUSTRALIA’S NET ZERO CHALLENGE Acknowledgments Acknowledgement of Country. (n.d.). Available at: [https://carbonmarketinstitute.org/app/uploads/2024/04/2024\\_CMI-Westpac\\_Carbon-Market-Report.pdf](https://carbonmarketinstitute.org/app/uploads/2024/04/2024_CMI-Westpac_Carbon-Market-Report.pdf).

allow businesses to hedge against such uncertainties. Derivatives can play a crucial role in providing these risk management solutions.

### CARBON MARKETS IN DECARBONISATION

A high-integrity carbon market is a crucial tool for countries aiming to achieve ambitious emissions reduction targets while fostering a thriving economy. By putting a price on carbon emissions, businesses can assess the cost of inaction versus the benefits of investing in cleaner technologies and practices.

Additionally, carbon markets facilitate emissions reductions in the most cost-effective areas, ensuring that ambitious targets are met at the lowest possible cost, thereby promoting economic efficiency and competitiveness.

Carbon markets are utilised globally to drive decarbonisation, although their designs and policy objectives can vary. In Australia, the reformed Safeguard Mechanism operates as a “baseline decline and credit” emissions trading system (ETS), where credits are awarded for emissions below a certain limit.

Conversely, the European Union ETS functions as a “cap-and-trade” system, providing permits up to an emissions cap. Despite their differences, both schemes

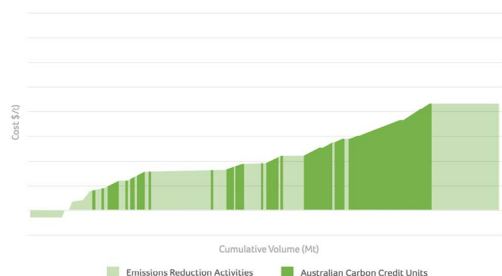


EXHIBIT 7: PRICE OF EMISSIONS REDUCTION ACTIVITIES VS AUSTRALIAN CARBON CREDIT UNITS

share the same goal: decarbonising the economy.

For Australia to successfully achieve its ambitious decarbonisation targets, a high-integrity carbon market is essential. Such a market must be scalable and provide reliable price signals to participants. Australia’s carbon market will remain crucial in helping the country meet these emissions reduction goals while also promoting economic growth.

Both sequestration activities, incentivised by the Australian Carbon Credit Units (ACCU) Scheme, and the implementation of emissions reduction initiatives require time to scale effectively. To ensure that ambitious targets can be set and achieved, it is vital to establish long-term policy certainty and the

correct institutional structures now.

This proactive approach will facilitate the development of a robust and effective carbon market, capable of driving substantial environmental and economic benefits for Australia.

### GLOBAL CARBON MARKETS AT COP28

“While a final agreement on a UN-managed carbon market wasn’t reached at COP28, the discussions were a positive step forward. We witnessed a growing consensus among countries on the importance of robust environmental standards and the need to involve the private sector in the voluntary carbon market.” says Phillips.

Carbon markets have faced criticism for their perceived lack of credibility in delivering genuine environmental impact. At COP28, delegates discussed the possibility of establishing a UN-managed carbon market to facilitate emissions trading and channel climate finance to developing nations. However, negotiations without resolution.

The breakdown in negotiations primarily stemmed from a disagreement between the European Union and the United States regarding regulatory standards. The EU advocated for stricter guidelines, while the US favoured more lenient rules. The US proposed flexible UN standards for carbon credits, aiming to increase the involvement of the private sector in the voluntary carbon market.

The EU rejected the proposal, resulting in another COP conference ending without a consensus on carbon markets. This has led to uncertainty surrounding the operation of carbon markets, the validity of bilateral agreements, and the criteria for carbon credits.

Carbon markets are primarily governed by Article 6 of the Paris Agreement, specifically Articles 6.2 and 6.4. Article 6.2 allows countries to engage in bilateral carbon credit trading, while Article 6.4 outlines a framework for UN oversight. However, the lack of agreement on the functioning of these articles has left countries to navigate their own paths.

Supporters of carbon markets argue that by purchasing premium credits, nations and corporations can channel significant funds towards nature-focused initiatives, Indigenous communities, the gradual elimination of coal-powered energy, and the promotion of renewable energy in developing nations.

Experts state that “VCM can drive genuine change, catalyse investment in the global south, enhance people’s lives and drive real emission reductions. However, we must use credits to complement

corporate decarbonisation, rather than a substitute, including for scope 3 emissions.”<sup>14</sup>

Significant changes are unfolding across the architecture of carbon projects globally. This encompasses a spectrum of initiatives to enhance transparency, accountability and effectiveness in carbon offset projects, from improved methodologies for project validation to developing robust monitoring and verification mechanisms.

Additionally, there’s a growing emphasis on stakeholder engagement and the integration of local communities in project design and implementation, reflecting a broader shift towards more inclusive and sustainable approaches to carbon mitigation.

The ongoing dialogue beyond COP28 underscores the international community’s commitment to strengthening the carbon credit market. The proposed UN framework under Article 6.4 offers a promising path towards a more streamlined and transparent global market for carbon credits.

Although further refinement is needed, the groundwork laid at COP28 creates a solid foundation for future negotiations. It paves the way for a more effective market that can contribute significantly to global decarbonisation efforts.

### éthica capital and Greenco. membership

Australia’s carbon credit market is experiencing steady growth, driven by ambitious national and state-level emissions reduction targets. The ACCU Scheme, established in 2011, is the backbone of this market. ACCUs are issued for projects that reduce or sequester greenhouse gas emissions. These projects can involve new technologies, improved land management practices, or forestation initiatives. In 2022, over 10 million ACCUs were issued,

representing a significant increase from previous years. This translates to millions of tonnes of carbon dioxide equivalent being removed from the atmosphere or avoided.



Participation in the ACCU Scheme generates tradable carbon credits. For every tonne of carbon dioxide equivalent (tCO<sub>2</sub>-e) reduced or removed, one ACCU is issued. These ACCUs can be sold to businesses and government entities looking to offset their emissions. This creates a financial incentive for businesses and landholders to adopt sustainable practices.

With a growing emergence of Carbon Credits in Australia and nations worldwide, build your project with equity, debt or non-dilutive funding with éthica capital. éthica capital also offers guidance on issuing carbon credits for your project, ensuring compliance and maximising its environmental impact.


éthica capital, Green Bond Corporation SARL (GBC), and Carbon Capital Corporation (CCC) are parts of The Green Bond Corporation Group (GBC Group). Together, GBC Group combines extensive expertise and influential insights in sustainable finance, infrastructure development, and carbon-based financing. The group leverages their collective knowledge and capital markets to support businesses in achieving their environmental and humanitarian goals, enabling them to make a significant positive impact while enhancing their success.

<sup>14</sup> Pmc.gov.au. (2024). Available at: <https://oia.pmc.gov.au/published-impact-analyses-and-reports/chubb-review-australian-carbon-credit-units>.



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