

Greenhouse Gas Emissions Offsets Policy and Technical Guidelines

Northern Territory Offsets Framework

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1. Purpose of the Greenhouse Gas Emissions Offsets Policy and Technical Guidelines

The Northern Territory Government (NT Government) has committed to achieving net zero greenhouse gas (GHG) emissions by 2050¹. Meeting this target will require significant effort to decarbonise the Northern Territory (the Territory) economy. Avoiding or mitigating GHG emissions (emissions) is the preferred approach. Offsets provide a mechanism to compensate for emissions that cannot be avoided or mitigated.

The purpose of the Greenhouse Gas Emissions Offsets Policy and Technical Guidelines (the policy) is to establish how and when to use offsets in the Territory to compensate for emissions. The policy is a statutory instrument given effect under section 125(2) of the *Environment Protection Act 2019* (EP Act), and is a component of the Northern Territory Offsets Framework (the NT Offsets Framework).

In this policy, a reference to the term 'emissions' includes carbon dioxide, methane, nitrous oxide, sulfur hexafluoride, hydrofluorocarbons, and perfluorocarbons. A standard unit called a 'carbon dioxide equivalent' or CO₂-e is used to quantify the relative impact of these different types of gases on the atmosphere, and is usually expressed in tonnes of CO₂-e (tCO₂-e).

2. The Northern Territory Offsets Framework

The NT Offsets Framework, illustrated in Figure 1 below, is established under section 125(1) of the EP Act to enable the consistent and transparent use of offsets in the Territory. It allows the use of offsets under the EP Act or an Act prescribed by the Environment Protection Regulations 2020 (Prescribed Acts)².

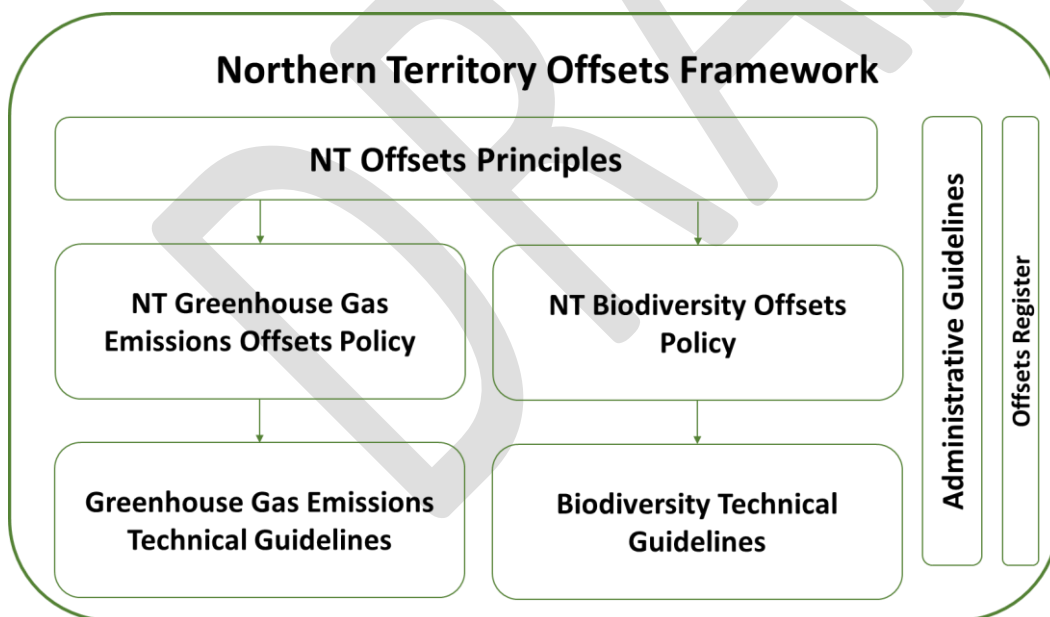


Figure 1: The Northern Territory Offsets Framework

¹ See the NT Government's 'Climate Change Response: Towards 2050' which can be found on the Department of Environment, Parks and Water Security website (<https://depws.nt.gov.au>).

² The NT Government intends to prescribe the *Petroleum Act 1984* in conjunction with the commencement of this policy.

The Northern Territory Offset Principles (the NT Offset Principles) are a key component of the NT Offsets Framework, establishing the expectations for policies and guidelines under the framework, and any offsets required by the framework. The NT Offset Principles establish that:

1. Offsets must contribute to relevant Territory targets
2. Offsets must be designed to deliver maximum benefit to the Territory
3. Benefits of offsets must be additional and secured
4. Offsets must be knowledge-based and design must be responsive
5. Stakeholder engagement, disclosure and transparency is required
6. Duplication of offsets must be avoided.

This policy applies to offsets in relation to emissions only (emissions offsets). Biodiversity offsets are subject to a separate biodiversity offset policy and technical guidelines. The Administrative Guidelines establish roles, requirements and responsibilities for the development and implementation of both emissions offsets and biodiversity offsets. A public offset register is used to maintain transparent records of offsets secured under the NT Offsets Framework.

For further information about the NT Offsets Framework, including the above principles, refer to the Department of Environment, Parks and Water Security (DEPWS) website³.

3. Use of emissions offsets in the Northern Territory

Under the NT Offsets Framework, offset requirements can be applied to environmental approvals under the EP Act or statutory approvals under a Prescribed Act⁴. This enables offsets to be used as a tool to compensate for emissions produced by development, such as land clearing, resource exploration and extraction, or the establishment and ongoing operation of a facility.

The NT Government may consider the use of offsets to compensate for emissions in the assessment and approval stages of a development project. The NT Government will only consider the use of offsets as appropriate where proponents have applied the mitigation hierarchy to the project. This means all reasonable steps have been taken by proponents to first avoid or mitigate emissions, and significant residual emissions will remain.

Where an emissions offset is considered appropriate, the decision maker for the approval may require residual emissions to be offset as a condition of the approval (an emissions offset approval condition). This may require proponents to deliver on their offset proposal, or may apply different offset requirements than those proposed by the proponent.

³ <https://depws.nt.gov.au>

⁴ For example, an environment management plan under the Petroleum (Environment) Regulations 2016

For development that requires an environmental approval under the EP Act, the Minister for Environment is the decision maker for the grant of approval. The Northern Territory Environment Protection Authority (NT EPA) is responsible for assessing the development proposal, and may recommend to the Minister for Environment that an emissions offset approval condition should be applied to the approval. The assessing agency and decision maker for a statutory approval under a Prescribed Act is determined by the Prescribed Act⁵.

For further information about the assessment and approval of development under the EP Act, refer to the NT EPA website⁶.

4. Policy application and scope

This policy applies to the use of emissions offsets under the EP Act or Prescribed Acts.

Decision makers will consider this policy in applying an emissions offset approval condition. An offset that is developed and delivered to satisfy an emissions offset approval condition must also satisfy this policy.

The policy informs:

- assessing agencies and decision makers in applying an emissions offset approval condition to a statutory approval
- proponents in identifying potential offset requirements, developing offset proposals, and delivering offsets to satisfy an emissions offset approval condition
- regulators undertaking monitoring, compliance and enforcement activities related to the delivery of offsets to satisfy an emissions offset approval condition.

The policy is designed to be read in conjunction with the NT Offset Principles and the Administrative Guidelines.

5. Relationship with the Commonwealth Safeguard Mechanism

Offsets may also be required under the Commonwealth Safeguard Mechanism (the Safeguard Mechanism) for emissions produced by projects in the Territory. Under the Safeguard Mechanism, large emitting facilities may be required to set a baseline limit on the amount of emissions they produce. Where they exceed or expect to exceed this baseline, the Safeguard Mechanism provides a number of options, including the use of offsets to compensate for excess emissions, or adjustment of the baseline.

The NT Offsets Framework applies in addition to the Safeguard Mechanism. This means some emissions may be subject to offset requirements under both frameworks. To prevent duplication in offset delivery between the frameworks, any emissions that are offset to satisfy the Safeguard Mechanism may be subtracted from the amount of emissions required to be offset by an NT emissions offset approval condition. The purpose of this is to ensure that proponents are not required to offset the same emissions twice. For more information on the Safeguard Mechanism, refer to the Clean Energy Regulator website⁷.

⁵ For example, DEPWS is the assessing agency and the Minister for Environment is the decision maker for an environment management plan under the Petroleum (Environment) Regulations 2016

⁶ <https://ntepa.nt.gov.au/>

⁷ <http://www.cleanenergyregulator.gov.au/>

6. Target for emissions offsets

The NT Offsets Principles require offset policies and guidelines to apply a target-based implementation model to offsets in the Territory, to ensure offsets make appropriate contributions to priority targets for the Territory.

The overarching target that applies to emissions in the Territory is the NT target of **net zero greenhouse gas emissions by 2050**. There may also be additional or interim targets set in the future by the NT Government to help achieve this target.

Emissions offsets must make a material and meaningful contribution towards achieving the Territory's target of net zero emissions by 2050, as well as any additional or interim targets set to achieve this 2050 target.

7. Applying emissions offset requirements

The section outlines how assessing agencies and decision makers should:

- determine whether offsets are required
- determine the amount of emissions that need to be offset
- express offset requirements in an emissions offset approval condition.

This can also be used to guide proponents in identifying when and how offset requirements may apply to their project.

7.1. Determining when offsets are required

In general offsets should be applied to a project where significant residual emissions will be produced. Emissions may be produced and identified over periods of time over the life of a project (for example, annually or every five years) or through a more distinct or "one off" emitting event such as land clearing. Residual emissions include any emissions remaining once all reasonable steps have been taken to first avoid or mitigate the production of emissions.

Assessing agencies and decision makers are responsible for determining whether residual emissions are significant. The determination about whether residual emissions are significant and the amount of residual emissions that need to be offset should be made based on the following:

- the estimated emissions produced by the project, either annually or for a single event
- the projected emissions profile over the life of the project
- the target for emissions offsets identified in Section 6 of this policy
- the overall impact on the Territory's emissions profile and trajectory towards the Territory's target of net zero emissions by 2050, based on:
 - the emissions produced by the project
 - the cumulative emissions produced across a proponent's enterprises in the Territory
 - the emissions associated with the relevant industry.

- the capacity of the project, proponent and industry to avoid, mitigate or offset emissions
- the advice of any assessing agencies for the project (for example, the NT EPA for projects assessed under the EP Act)
- national and international emissions reduction targets, strategies and obligations.

7.2. Expressing offset requirements in an emissions offset approval condition

An emissions offset approval condition should specify the amount of emissions that need to be offset for each emitting event or period. Alternatively, this may be specified in an overarching plan or strategy for managing emissions (e.g. a greenhouse gas abatement plan) that has been prepared by the proponent, and approved and built into an emissions offset approval condition by the decision maker.

For each emitting event or period, the amount of emissions that need to be offset should be expressed as:

- a fixed amount of emissions; or
- an emissions threshold, above which any emissions will need to be offset.

A fixed amount of emissions may be more appropriate when there is high degree of confidence in the estimated emissions used to inform project assessment and approval (for example, a shorter term project using well known technology).

An emissions threshold may be more appropriate where there is lower confidence in the estimated emissions used to inform project assessment and approval, and consequently a greater likelihood of variation (for example, a longer term project intending to use new technology as it becomes available). This approach provides a simple mechanism to ensure the amount of offsets delivered is responsive to actual measured emissions.

8. Types of emissions offsets

Both direct and indirect emissions offsets can be used to satisfy an emissions offset approval condition. The difference between direct and indirect emissions offsets is explained below. An emissions offset 'order of priority' is provided in Section 9 that outlines the circumstances in which different types of offsets must be used to address an emissions offset approval condition.

8.1. Direct emissions offsets

Direct emissions offsets are offsets delivered through activities that reduce, remove or capture emissions. The amount of emissions abatement achieved is represented by emissions offset units. Direct emissions offsets must be delivered using emissions offset units that are recognised as legitimate by the Australian Government. This includes Australian Carbon Credit Units administered and regulated by Commonwealth legislation, or eligible offset units listed under Commonwealth Climate Active Neutral Standards (alternative emissions offset units). Under these frameworks, one emissions offset unit represents the abatement of one tCO₂-e.

8.1.1. Australian Carbon Credit Units

The preferred type of emissions offset unit is an Australian Carbon Credit Unit (ACCUs). ACCUs are regulated financial products under the Commonwealth *Carbon Credits (Carbon Farming Initiative) Act 2011* (the Commonwealth ACCU Framework) and administered by the Clean Energy Regulator.

8.1.1.1. Eligibility of ACCUs

Any ACCUs acquired under the Commonwealth ACCU Framework are eligible for use as direct emissions offsets under the NT Offsets Framework. However, the Commonwealth ACCU framework contains a range of requirements that may restrict ACCU use in the Territory, such as regulatory additionality requirements, or requirements that apply to ACCU purchase, generation and surrender. Further information on these Commonwealth requirements can be found on the Clean Energy Regulator website².

8.1.1.2. Acquiring and delivering ACCUs

ACCUs can be acquired in two ways:

1. They can be generated using methodologies under the Commonwealth Emissions Reduction Fund (ERF) framework (ERF methodologies).
2. They can be purchased on a secondary market.

Delivery of a direct emissions offset using ACCUs means the required number of ACCUs has been surrendered back to the Australian Government. This can be demonstrated by evidence of ACCU purchase and surrender, or evidence of an ERF contracted project that is committed to generating and surrendering the required amount of ACCUs.

The costs of generating ACCUs will vary depending on the type of project and ERF methodology used. The costs of purchasing an ACCU will also vary depending on recent market trends. For more information on the costs involved with establishing an ACCU generating project, or purchasing ACCUs on the secondary market, contact the Clean Energy Regulator.

8.1.2. Alternative emissions offset units

Alternative emissions offset units include emissions offset units other than ACCUs, governed by an Australian framework or an international framework. They can be used as direct emissions offsets under the NT Offset Framework only if they are listed as eligible offset units under Commonwealth Climate Active Carbon Neutral Standards (the Climate Active Standards).

The eligible offset units listed in the Climate Active Standards may be updated by the Australian Government as new information or new types of offset units become available. For further information on current eligible offset units, refer to the Climate Active Standards published on Australian Government's Climate Active website¹⁰.

⁸ <http://www.cleanenergyregulator.gov.au/>

⁹ <http://www.cleanenergyregulator.gov.au/>

¹⁰ <https://www.climateactive.org.au/>

8.1.2.1. Eligibility of alternative emissions offset units under the NT Offsets Framework

Alternative emissions offset units can only be used under the NT Offsets Framework where they satisfy all of the following eligibility criteria:

1. They are generated in the Territory.
2. Any units purchased or generated are able to be counted towards the Territory's emissions profile.
3. The administering framework for the unit allows them to be surrendered to satisfy jurisdictional obligations such as an emissions offset approval condition in the Territory.
4. The offset units are not already required or committed to satisfy any other legislative obligations.

8.1.2.2. Acquiring and delivering alternative emissions offset units

Alternative emissions offset units can be generated or purchased in accordance with the administrative framework which governs them (the governing framework). For further information, contact the administering organisation for the offset units.

Delivery of a direct emissions offset using alternative emissions offset units means the required number of units has been surrendered in accordance with the governing framework. This can be demonstrated by evidence of alternative emissions offset unit purchase and surrender, or evidence of a project contracted under the governing framework that is committed to generating and surrendering the required amount of units.

The costs of generating alternative emissions offset units will vary depending on the type of emissions abatement project and methodology used. The costs of purchasing an alternative emissions offset unit will also vary depending on recent market trends. For more information on the costs involved with using alternative emissions offset units, contact the administering organisation.

8.2. Indirect emissions offsets

Indirect emissions offsets are offsets delivered by contributing funding towards research and development (R&D) that will support emissions abatement in the Territory and contribute to the 2050 net zero target. For example, this could include research that results in new carbon abatement methodologies that apply in the Territory context.

8.2.1.1. Eligibility of indirect emissions offsets

In order to use indirect emissions offsets, proponents must be able to demonstrate that all of the following eligibility criteria are met:

1. The R&D must:
 - a. contribute to new technology, methods, strategies or actions that will support and contribute to ongoing emissions abatement benefits in the Territory; and
 - b. where possible, be undertaken within the Territory (this includes, for example, the location of data collection); and
 - c. be undertaken by a third party entity and not by the proponent subject to the emissions offset approval condition or a related entity.

2. There must be reasonable confidence that the R&D will achieve the proposed benefits.
3. The R&D must not already be required by statutory obligations or committed under any other emissions abatement strategies or schemes.
4. The maximum period for which an indirect emissions offset can contribute to an individual R&D project is five years, after which the eligibility of that project for continuing support through indirect emissions offsets must be re-evaluated.

8.2.1.2. Delivering indirect emissions offsets

Delivery of an indirect emissions offset means the required amount of funding has been committed to the R&D project. To provide certainty to the R&D provider, the commitment should be made for the lifetime of the R&D project, up to a maximum of five years.

The funding must be committed to the R&D provider before the start of the relevant emitting event or period to which the indirect emissions offset relates. The total value of the required funding is costed based on the estimated emissions for the relevant emitting event or period, and the ACCU spot price provided in the most recent quarterly carbon market report published by the Clean Energy Regulator available at the start of the relevant emitting event or period.

Delivery of indirect emissions offsets can be demonstrated by contracts, payment schedules, and evidence of payment relating to the commitment of funding to the R&D provider.

8.2.1.3. Contractual arrangements for indirect emissions offsets

Any funding provided to support R&D must be bound by enforceable contractual arrangements between the proponent and the entity undertaking the R&D that ensures all of the following:

1. the NT Government has a non-exclusive, irrevocable, royalty-free licence to:
 - a. use the intellectual property of the R&D for government purposes
 - b. reproduce, publish and adapt R&D reporting material for government purposes
2. the proponent subject to the emissions offset approval condition does not own the intellectual property of the R&D
3. any intellectual property of the R&D can be used to maximise the benefits to the Territory
4. funding is not used for anything other than the R&D specified within the contract.

9. Emissions offset order of priority

This section outlines the circumstances in which different types of offsets must be used to address an emissions offset approval condition. This is designed to ensure an appropriate amount of residual emissions are directly compensated for using emissions abatement approaches, while maximising the environmental, social and economic co-benefits delivered to the Territory.

Emissions offsets for any period must be delivered in accordance with all of the requirements in the following order of priority:

1. Territory-generated ACCUs must be used to deliver as much of the required amount of emissions offsets as possible. Proponents must ensure (and be able to demonstrate) that all possible options to acquire a sufficient amount of Territory-generated ACCUs have been explored.
2. Where Territory-generated ACCUs cannot be used to entirely satisfy offset requirements, both of the following requirements apply:
 - a. At least 50 per cent of the required amount of emissions offsets must be delivered using direct emissions offsets.
 - b. At least 50 per cent of the required amount of emissions offsets must be delivered using offsets that provide co-benefits to the Territory, which means the offsets deliver emissions abatement in the Territory, or contribute to R&D focused on new emissions abatement opportunities in the Territory.

Scenarios to help explain the order of priority:

The below scenarios assume the emissions that need to be offset for a relevant emitting event or period equals 100 per cent (%).

Scenario 1 – Sufficient Territory-generated ACCUs are available to satisfy 100% of the offset requirement:

- The proponent must use Territory-generated ACCUs to entirely satisfy the requirement

Scenario 2 - Maximum amount of Territory-generated ACCUs available will satisfy 50% of the offset requirement:

- Requirement 2(a) and 2(b) are satisfied
- The proponent can use any combination of indirect and direct offsets to satisfy the remaining 50%

Scenario 3 – Maximum amount of Territory-generated ACCUs available will satisfy 20% of the offset requirement:

- To satisfy 2(a), the proponent must satisfy at least another 30% using non-Territory generated ACCUs or alternative emission offset units
- To satisfy 2(b), the proponent must also ensure that at least another 30% are delivered that provide co-benefits to the Territory, using either indirect offsets or alternative emission offset units
- Once both 2(a) and (b) have been satisfied, the proponent can use any combination of indirect and direct offsets to satisfy any remaining %.

10. Delivery requirements and timeframes

An emissions offset must be delivered in accordance with the emissions offset approval condition, this policy, the NT Offset Principles and the Administrative Guidelines. In some cases an emissions offset approval condition may also require offsets to be delivered in accordance with an emissions offset plan developed by the proponent.

An emissions offset plan can be a standalone document specific to offsets, or part of an overarching plan or strategy for managing the overall emissions from a project (such as a greenhouse gas abatement plan). An emissions offset plan must be approved in accordance with the emissions offset approval condition and the Administrative Guidelines prior to undertaking any activities subject to the condition. In approving an emissions offset plan, decision makers will determine whether the requirements of this policy have been met, and may seek independent assessment where required.

The required delivery timeframes for emissions offsets should be specified in the emissions offset approval condition or an approved emissions offset plan. The preferred approach is to deliver offsets as close to the production of the associated emissions as possible. However, decision makers have flexibility in how they apply delivery timeframe requirements. For example, they may require the emissions offsets to be delivered within one or more years after the relevant emitting event or period.

Offset delivery is completed once the decision maker is satisfied that all offsets have been delivered in accordance with the emissions offset approval condition.

11. Monitoring, adjustments and reporting

The delivery of emissions offsets must be monitored, adjusted if required and reported on as per the emissions offset approval condition or an approved emissions offset plan. The Administrative Guidelines provide additional guidance for the monitoring, adjustment and reporting of emissions offsets.

Offset delivery adjustments may be required in response to a range of circumstances. Adjustments will likely be required where monitoring identifies that the actual emissions are different to the estimated emissions used to inform project assessment and approval. Additional offsets may be required to address an increase in actual emissions for a relevant emitting event or period, which must be delivered in the same way as any offset under this policy. Where there is a substantial increase in actual emissions, conditions of the statutory approval may also require proponents to demonstrate they have investigated opportunities to avoid and mitigate the additional emissions before offsetting them. Where actual emissions are less than the estimated emissions, any surplus offsets delivered could be used to address offset requirements for the next relevant emitting event or period. An emissions offset approval condition or an approved emissions offset plan should specify how adjustments will be made in these circumstances.

The emissions offset approval condition or approved emissions offset plan should also specify the emissions offset reporting requirements that apply to the project. This should include requirements to:

- submit reports at regular intervals about the monitoring of actual emissions and the delivery of emissions offsets, and
- submit a final report demonstrating the overall completion of offset delivery.

12. Compliance and enforcement

The delivery of emissions offsets to satisfy an emissions offset approval condition will be subject to compliance, monitoring and enforcement. Where an emissions offset approval condition has not been met, it will be regarded as contravention of the approval conditions and dealt with in accordance with the regulator's compliance and enforcement approach.

13. Review of the policy

The policy will be reviewed in two years in consideration of:

- the Territory's progress in and approach to achieving net zero emissions by 2050 (including any additional or interim targets set by the NT Government to help achieve the net zero target)
- any changes in international obligations or Australian Government policy.

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