

Emission Reduction Fund Auction

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The Emissions Reduction Fund is an Australian government scheme that contracts with project developers to deliver emissions abatement. Since its inception in late 2014, it has committed \$2.7 billion towards 528 projects currently under contract, which will collectively deliver 217 million tonnes of abatement. Projects span agriculture, vegetation management, facilities upgrades, and landfill gas systems across states including New South Wales, Queensland, and Western Australia. The scheme uses two contract types: fixed delivery contracts commit ACCUs to the government, while optional contracts give holders flexibility to sell credits to private buyers at higher voluntary market prices, reflecting growing private-sector demand for Australian Carbon Credit Units.

Publication context: This article reflects its publication date. Market prices, program rules, reporting duties and deadlines may have changed. Confirm current official guidance before making a decision.

The 14 th Emissions Reduction Fund Auction

Interest in Australia's Emission Reduction Fund continues to surge as businesses across the country increasingly look to lead the way in chartering a path to a greener and more sustainable future.

The 14 th Emissions Reduction Fund Auction in early April saw 25 new projects contracted, which are set to wipe 7.6 million tonnes from Australia's emissions tally. The volume made for an 11 percent increase on Auction 13 last October when 6.8 million tonnes of emissions reductions were contracted. The average price of carbon abatement also rose two percent, from \$16.94 per tonne in October to \$17.35 per tonne in April.

The above represents steady growth in pricing since Auction 3 in 2016 when the average price per tonne was valued at just \$10.23. In total, contracts for the 25 new projects were nominally valued at \$131.8 million, up from the \$115.9 million that was committed six months earlier. Over 76 percent of the total volume offered at Auction 14 was accepted by the market.

The newest projects under the Emission Reduction Fund span across agriculture, vegetation, facilities, and landfill and waste. The vast majority of the projects contracted will establish permanent native forests through assisted regeneration on previously cleared land in Queensland, New South Wales, Western Australia, and South Australia.

There were two projects contracted that will upgrade existing landfill gas collection systems at facilities in regional Queensland to capture and combust gas generated at the landfill from legacy and non-legacy waste. One agriculture project in New South Wales will increase the carbon in soil by altering the stocking rate, duration, or intensity of grazing and adding nutrients to the land in the form of fertilisers. Another project will upgrade a facility in Queensland with new equipment that will reduce carbon emissions.

For the first time, the 14 th Emissions Reduction Fund Auction did not offer long-term 'fixed' delivery contracts for the purchase of Australian Carbon Credit Units (ACCUs), with the market instead showing a preference for 'optional' contracts. Clean Energy Regulator chair David Parker says "The shift to

optional contracts highlights how Australia's carbon market is evolving with increasing demand from the private sector for Australian Carbon Credit Units".

"We expect very few ACCUs under optional contracts to be delivered to the Commonwealth, with most being sold to private buyers at higher prices available in the private voluntary market. To date, only a tiny fraction of optional contracts have been delivered to the Clean Energy Regulator. This illustrates that optional delivery contracts are not primarily a means for the government to purchase abatement but rather act to underpin supply."

Optional delivery contracts de-risk investment in projects and facilitate liquidity in the secondary market if contract holders choose to sell their carbon credits to others. There are 528 projects currently under contract as part of the Emissions Reduction Fund, with 220 of those in New South Wales, 158 in Queensland, and 71 in Western Australia. Since its inception in late 2014, the scheme has seen \$2.7 billion committed towards projects which will deliver 217 million tonnes of abatement.

Using this guidance

Check the site's operating conditions, data quality, project stage and current program settings before turning the dated discussion into a scope or investment decision.

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What is the Emissions Reduction Fund and how does it work?

The Emissions Reduction Fund is an Australian government scheme that contracts with project developers to deliver emissions abatement. Since its inception in late 2014, it has committed \$2.7 billion towards 528 projects currently under contract, which will collectively deliver 217 million tonnes of abatement. Projects span agriculture, vegetation management, facilities upgrades, and landfill gas systems across states including New South Wales, Queensland, and Western Australia. The scheme uses two contract types: fixed delivery contracts commit ACCUs to the government, while optional contracts give holders flexibility to sell credits to private buyers at higher voluntary market prices, reflecting growing private-sector demand for Australian Carbon Credit Units.

How does the Emissions Reduction Fund relate to ACCU projects and carbon credit assessment?

The Emissions Reduction Fund purchases Australian Carbon Credit Units created through approved methods under the ACCU Scheme. Before entering an ERF auction, projects must meet ACCU eligibility requirements including newness, regulatory additionality, and government program restrictions defined by the Clean Energy Regulator. Each ERF project requires an auditable commercial model showing projected abatement by period, the route from estimates to credit claims, and assumed issuance timing. We can assist by evaluating ACCU project potential, assessing method suitability, establishing credible abatement forecasts, and guiding clients through the evidence and registration requirements necessary for ERF participation.

What was the outcome of Auction 14 in April 2022, and how did it compare to previous auctions?

Auction 14 contracted 25 new projects delivering 7.6 million tonnes of emissions reductions, an 11 percent increase from Auction 13's 6.8 million tonnes. The average price rose modestly from \$16.94 per tonne to \$17.35 per tonne—a two percent increase reflecting steady price growth since Auction 3 in 2016 when prices were \$10.23 per tonne. Contracts totalled \$131.8 million, up from \$115.9 million at

Auction 13. Over 76 percent of the total volume offered was accepted. Notably, Auction 14 marked the first time fixed delivery contracts were not offered; instead, optional contracts dominated, indicating market preference for flexible arrangements and growing private voluntary market demand for carbon credits.

What types of projects are eligible for the Emissions Reduction Fund?

ERF projects span multiple sectors: vegetation management (particularly native forest regeneration on previously cleared land), agricultural practices (soil carbon enhancement through grazing management and fertiliser application), landfill and waste management (gas collection system upgrades), and facility upgrades (emissions-reducing equipment installation). Auction 14 projects concentrated on permanent native forest establishment across Queensland, New South Wales, Western Australia, and South Australia, alongside regional landfill improvements and agricultural carbon initiatives. Project eligibility depends on compliance with an approved method under the ACCU Scheme and demonstration that the project meets additionality and newness requirements. We can help clients assess whether their proposed intervention qualifies under an existing method and identify the evidence needed to establish eligibility.

Why is the shift to optional delivery contracts significant for the Emissions Reduction Fund?

Optional contracts represent a structural evolution in Australia's carbon market, reflecting growing private-sector demand for ACCUs beyond government purchasing. These contracts de-risk project investment and facilitate secondary-market liquidity by allowing contract holders to sell credits to voluntary buyers at higher prices than ERF offers. David Parker, Clean Energy Regulator chair, noted that only a tiny fraction of optional contracts are delivered to the Commonwealth; most ACCUs are sold privately. This trend indicates that optional contracts primarily underpin project supply and finance rather than serve as a government procurement tool. For project developers, this creates commercial opportunity but requires careful evaluation of contract terms, buyer relationships, and strategic timing decisions separate from government eligibility assessment.

How has carbon abatement pricing evolved in the Emissions Reduction Fund?

Average ACCU prices in the ERF have grown steadily from \$10.23 per tonne at Auction 3 in 2016 to \$17.35 per tonne by Auction 14 in April 2022, representing a 69 percent increase over six years. This reflects both increasing demand for carbon abatement and market confidence in project delivery. Price growth between consecutive auctions remains modest—Auction 14 saw only a two percent rise from Auction 13—suggesting a maturing market with stabilising valuations. When developing an ACCU project commercial model, treating forecast price and quantity as separate uncertainties is essential; an optimistic price assumption does not resolve technical method eligibility or measured outcome questions. We can help clients model realistic price scenarios and assess project viability across different market conditions.

What evidence and commercial planning are required for ERF auction participation?

Before submitting to an ERF auction, projects must have registered with the Clean Energy Regulator under an approved ACCU method, established the project's real commitment history and investment status, secured required rights and consents, and developed a verified commercial model. The commercial model must show projected abatement by period, the eligibility pathway from estimates to credit claims, assumed issuance timing, project costs, monitoring and reporting effort, audit assumptions, and certificate price scenarios. Revenue-sharing arrangements should be assessed on actual contract terms. Importantly, the project must distinguish between reduction and removal outcomes using terminology supported by the method and evidence. We provide ACCU project assessment, commercial modelling, and eligibility guidance to help clients prepare auction-ready evidence and navigate scheme requirements.

How does geographic distribution of ERF projects reflect abatement opportunities across Australia?

The 528 currently contracted ERF projects show uneven geographic concentration: New South Wales holds 220 projects, Queensland 158, and Western Australia 71, reflecting variation in abatement opportunity, land suitability, and project development activity. Auction 14's 25 new projects emphasised native forest regeneration across these same states, indicating that vegetation-based abatement dominates the pipeline. This distribution reflects both ecological factors (cleared land availability, climate suitability) and market development (advisor presence, landholder engagement, regulatory clarity). When evaluating site-specific or regional abatement potential, understanding local project density and method availability is important. We can help organisations assess emissions reduction opportunities within their geographic footprint and identify which ERF methods are actively approved and funded in their jurisdiction.

What is the relationship between Emissions Reduction Fund contracts and private voluntary carbon markets?

The ERF operates alongside private voluntary carbon markets where optional contracts are increasingly common. Optional contract holders can elect to sell ACCUs privately at higher prices than the government ERF offers, rather than delivering them to the Commonwealth. According to Clean Energy Regulator commentary, the vast majority of ACCUs issued under optional contracts enter the private market, with only a negligible fraction delivered to government. This bifurcation creates strategic complexity: project developers must evaluate whether fixed government contracts provide certainty despite lower prices, or optional contracts offer upside potential but require private-buyer relationships and market-timing decisions. Our carbon advisory services include instrument selection and due diligence support, helping clients assess contract structures, buyer arrangements, and market conditions to optimise commercial outcomes.