

Carbon credit - Northmore Gordon

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Carbon credit

A carbon credit is a certificate that is equivalent to 1 tonne CO₂-e (carbon dioxide equivalent). Carbon credits are an instrument family for environmental certificates established by approved methods and supported by evidence that demonstrates eligible abatement. Each credit must be created under an approved methodology specifying which activities qualify and how reductions or removals are calculated and verified.

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What is a carbon credit?

A carbon credit is a certificate that is equivalent to 1 tonne CO₂-e (carbon dioxide equivalent). Carbon credits are an instrument family for environmental certificates established by approved methods and supported by evidence that demonstrates eligible abatement. Each credit must be created under an approved methodology specifying which activities qualify and how reductions or removals are calculated and verified.

What is the primary carbon credit instrument in Australia?

In Australia, the primary carbon credit instrument is the Australian Carbon Credit Unit (ACCU), which represents one tonne of carbon dioxide equivalent stored or avoided by an eligible scheme project. The ACCU Scheme applies methods, registration and reporting requirements to particular projects. However, the scheme does not issue credits for every reduction shown in a company's emissions inventory—only those meeting stringent eligibility criteria including newness, regulatory additionality and government program restrictions.

What are the key requirements for carbon credits to be issued under the ACCU Scheme?

Before relying on ACCU revenue, organisations must establish the proposed method, project proponent, real commitment history, required rights and consents, monitoring plan and expected administrative obligations. Projects must be registered before activities start unless the method provides otherwise. CER guidance distinguishes preparatory work from actions indicating commencement, including certain final investment or asset commitments. An auditable commercial model should show projected abatement by period, the route to a credit claim, assumed issuance timing, project costs, monitoring effort, audit assumptions and price scenarios.

How do carbon credits differ from other environmental instruments?

Carbon credits are distinct from renewable-energy attributes such as LGCs (Large-scale Generation Certificates) or REGOs (Renewable Energy Guarantees of Origin), and from energy-efficiency certificates such as VEECs or ESCs. Each instrument belongs to its own programme with different eligibility, creation and use rules. Do not compare their quantities as though they were identical units of emissions reduction, energy savings or financial value. Electricity attributes, carbon credits and physical energy savings serve different accounting purposes and require different treatment.

What is the difference between carbon removal and emission avoidance in carbon credit projects?

Avoiding an emission and storing carbon are different physical outcomes with distinct terminology under the ACCU Scheme. An efficiency project should not be relabelled as carbon removal merely because its result is expressed in tonnes of CO₂-equivalent. Use the terminology supported by the applicable method and evidence. For historical projects, verify registration, method, crediting period and issued-unit records before using them as evidence of credit delivery.

What should organisations assess before committing to carbon credit revenue?

Before relying on carbon credit revenue, establish which approved method applies, verify the project proponent's credentials and commitment history, confirm required rights and consents, develop a detailed monitoring plan, and identify administrative obligations. Prepare a commercial model showing projected abatement timing, the eligibility pathway, assumed issuance timing, costs, monitoring effort and audit assumptions. Treat forecast quantity and market price as separate uncertainties. An optimistic price does not resolve uncertainty about method eligibility or measured outcomes.

How can Northmore Gordon assist with carbon credit assessment?

We provide environmental certificate services including project registration support, commercial assessment, and engineering evaluation. We help organisations determine whether proposed activities meet particular scheme and method requirements, prepare evidence schedules identifying records needed before works, during installation and after commissioning, and develop auditable commercial models. We also offer carbon advisory services connecting emissions information with engineering and investment decisions to support carbon credit opportunity assessment.

What common mistakes should be avoided when claiming carbon credits?

Do not label estimates, registrations or sales forecasts as issued units. Avoid manufacturing evidence or silently changing project dates if work has already begun. Do not assume a technical improvement automatically qualifies for credits under the applicable scheme. An estimate remains an estimate until registration and verification establish an outcome. For certificate claims, retain exact wording, supporting calculations, source documents, period, assumptions and approvals. Keep forecast and realised outcomes distinct, and avoid converting conditional results into unqualified claims.

Are carbon credits the same as carbon offsets?

No. Carbon offsets are purchased instruments representing emissions reductions from outside an organisation's operations that are used separately from inventory accounting. Carbon credits are method-based certificates issued under approved schemes like the ACCU programme where eligible abatement is demonstrated through documented evidence. In transition workplans, separate physical reductions from carbon offsets and do not subtract purchased offsets from an emissions inventory without applying the relevant reporting framework correctly.