

Emissions Trading Schemes - Northmore Gordon

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Details:

Home > Glossary > Emissions Trading Schemes

Emissions Trading Schemes

Emissions trading schemes exist in both mandatory and voluntary forms. Mandatory schemes are regulatory requirements established by governments, while voluntary schemes operate outside formal regulatory frameworks. The International Emissions Trading Association provides an overview of mandatory markets operating globally. Understanding which type applies to your organization is essential for compliance and strategic planning, as mandatory schemes typically have specific reporting deadlines, eligibility criteria, and participation requirements that differ substantially from voluntary arrangements.

Related guidance

Carbon advisory

Scope 1, 2 and 3 emissions

Certificates

Government schemes

Certificate trading

Measurement and verification

What is the difference between mandatory and voluntary emissions trading schemes?

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How do Australian Carbon Credit Units (ACCUs) fit within the broader context of emissions trading and carbon crediting?

ACCUs represent one tonne of carbon dioxide equivalent stored or avoided by eligible scheme projects under Australia's regulatory framework. They belong to their own programme and should not be compared directly with other certificate types as identical units of emissions reduction. ACCUs require project registration before activities commence, with specific newness and regulatory additionality requirements. We provide support for ACCU project assessment, commercial modelling, and understanding whether proposed activities meet scheme eligibility before relying on carbon credit revenue in investment cases.

What are the key differences between renewable energy certificates and carbon credits in Australia's schemes?

Australia operates separate schemes for renewable energy certificates and carbon credits, each serving different purposes. STCs and LGCs are renewable energy certificates under the Renewable Energy Target scheme with different eligibility and capacity rules. ACCUs are carbon credits under the Australian Carbon Credit Unit scheme, representing emissions reductions or removals. REGOs record renewable electricity attributes separately from the Renewable Energy Target and continue beyond 2030 when that scheme ends. Selecting the correct instrument depends on the activity, jurisdiction, timing, and the intended claim. We assess eligibility across these pathways and ensure appropriate instrument selection based on scheme requirements.

Why should energy savings not be treated the same as renewable energy certificates for emissions reduction?

Energy savings, renewable energy certificates, and carbon credits serve different accounting purposes and should not be assumed equivalent. An efficiency project reducing energy consumption is a physical reduction in fuel use, while purchasing renewable certificates addresses the attributes of electricity generation. Carbon credits represent emissions avoided or removed through specific eligible methods. These outcomes require different evidence, have different scheme rules, and support different environmental claims. A company's investment case, accounting framework, and public claims must clearly distinguish which mechanism is being used and what it actually establishes about the organization's emissions impact.

What information should be prepared before assessing a project's eligibility for emissions trading or carbon credit schemes?

Effective assessment requires documenting the location, equipment and capacity, existing and proposed operating conditions, project timeline, and ownership arrangements. Identify any prior installations, certificate claims, grants, or assignments of environmental attributes. Distinguish estimates from measured data and prepare an evidence schedule showing what must be recorded before works, during installation, and after commissioning. Establish who gathers evidence, who verifies it, and who can make applications or claims. The exact requirements come from the governing scheme, not generic guidance. We can review project timing and evidence readiness to identify what information must be collected before commitments affect scheme eligibility.

How do project timing and commencement definitions affect eligibility for carbon credit schemes?

Project timing critically affects eligibility for schemes like the ACCU programme. CER distinguishes preparatory work from actions indicating project commencement, including final investment or asset commitments. Projects generally must be registered before activities start unless the method provides otherwise. A project may move through stages—feasibility approval, investment decision, purchase commitments, installation, commissioning, and operation—each with potential scheme implications. Using separate dates for these stages, rather than a single 'project started' label, prevents hiding the event that matters under particular rules. We provide project timing reviews to preserve evidence and identify available pathways before commencement decisions become irreversible.

What role do environmental certificates play in funding energy efficiency and renewable projects?

Environmental certificates can contribute revenue to energy and renewable projects but should be assessed separately from other funding sources. Certificate quantity, eligibility, verification costs, and sale price are distinct variables with independent uncertainty. Our services include determining activity eligibility, calculating certificate potential, conducting due diligence on environmental attributes, and supporting certificate trading. However, eligible certificates should be compared against a base case without unconfirmed proceeds. Management must understand resilient investment cases where projects remain viable without conditional certificate support, with certificates treated as additional value.

rather than essential revenue.

How should organizations distinguish between different types of emissions reduction claims?

Emissions reduction claims require precise language tied to specific evidence. 'Reduced energy use' requires stating the quantity, boundary, operating period, and estimation method. 'Avoided emissions' requires a defined counterfactual and applicable emissions factors. 'Stored or removed carbon' requires documentation of the physical storage or removal process. 'Certificates issued' requires specifying the scheme, registry, project, and issuance record. Claims about renewable electricity, carbon-neutral status, or net-zero require identifying the applicable framework, boundary, and complete supporting requirements. A single certificate total cannot support multiple overlapping claims. Maintaining a claim file with exact wording, supporting calculations, source documents, and assumptions prevents unsupported claims in public communications.

What qualifies as eligible abatement under Australian carbon credit schemes?

Eligible abatement under schemes like the ACCU programme must meet an approved method, registration requirements, and specific evidence standards. The scheme distinguishes between avoided emissions and carbon removal as different physical outcomes requiring different terminology and evidence. An efficiency project reducing energy consumption is not automatically eligible as carbon removal simply because results are expressed in CO₂-equivalent tonnes. Projects must undergo technical assessment against the method, formal registration acceptance, monitoring and reporting of required information, and independent verification before units are issued. Treating forecast quantity and verified outcomes as different stages prevents overstating credit delivery when projects are still in planning phases.