

13th Auction Results Cap a Big Month for the ERF

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About this update

This dated news record has been reorganised for clear reading and connected to current guidance.

Publication date: October 25, 2021.

Status note: Present-tense statements, market figures, deadlines and program details in the archived record belong to its publication date. Check current official sources before making a decision.

What this article reported

Starting with the 1,000 th project registered and the 100 millionth Australian Carbon Credit Units (ACCUs) issued, then ending with the announcement of the 13 th Emissions Reduction Fund (ERF) auction results, the last month has brought a string of good news stories for the federal government's direct-action carbon abatement program.

The ERF is a \$2 billion Abbott-era government fund that purchases carbon abatement twice a year by conducting reverse auctions. At each auction, projects can be awarded ACCU off-take contracts that are either fixed - where the project must deliver the ACCUs over the contract term; or optional - where the project can sell their ACCUs to the ERF or choose to sell at a higher price on the spot market.

The average price paid by the Australian Government for ACCUs in the latest auction was \$16.94, spread across 24 optional delivery contracts, for a total of 6.8 million tonnes of CO₂-e abatement. This is the first time that no fixed delivery contracts have been awarded, against the backdrop of climbing ACCU prices in spot market. This suggests that the ERF is moving to a role of providing a floor price to project developers while still allowing them to participate in the growing spot market.

As shown below, this year has seen significant growth in the ACCU market with spot prices diverging from the historic trend of following the auction results. In the past 12 months, there has been a 108% growth price to \$33.50, \$10.40 (65% of the 12-month growth) being in the past 6 weeks alone.

In comparison to international markets, ACCUs (AU\$33.50) are still trading at discount, per tonne of CO₂-e, compared to European Allowances - €57.93 (AU\$90.36); and UK Allowances - £58.00 (AU\$106.95); But above the Californian Emission Trading Scheme - US\$23.30 (AU\$31.21); and China's newly launched ETS - ¥41.62 (AU\$8.73).

Also this month, the Minister for Energy and Emissions Reduction announced the program development priorities for 2022, which add methods for electric vehicle and hydrogen refuelling infrastructure, use of hydrogen, stacking of different activities on farms, and expansion of the existing carbon capture and savanna fire management methods. This announcement builds on the existing priorities for soil carbon, biomethane, plantation forestry, and blue carbon.

While there have been criticisms of some land-based methods in the past months, ACCUs are recognised as a high-integrity carbon units with a diversity of methods to credit carbon savings. The growing value of ACCUs is increasing interest in projects for industry, particularly in energy efficiency,

fuel switching, transport, and alternative waste treatment across a range of sectors. The methods for industry are based on rigorous internationally recognised standards, such as the International Performance Measurement and Verification Protocol. While the ERF is dominated by land-based projects, industrial projects now make up 22% of the active projects, with further growth expected as higher ACCU price reduces payback periods for capital intensive projects in the industrial sector.

If you haven't factored ACCU pricing into your next project, now is the time to reconsider how the carbon value of your projects can be realised to boost the energy productivity of your business as the world transitions to net-zero.

How to use this information now

For current use, confirm the applicable scheme rules, regulator notices, market date and reporting period. Keep historical prices or forecasts separate from present quotes and verified outcomes.

Separate source-reported facts from forecasts, targets and commentary. For a current project, retain the official source, version, effective date, assumptions and decision record in the evidence file.

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What was the average price paid for ACCUs in the 13th ERF auction, and what does it signal about the market?

The Australian Government paid an average of \$16.94 per tonne of CO₂-e in the 13th Emissions Reduction Fund auction, securing 6.8 million tonnes across 24 optional delivery contracts. This price sits between the historical floor and the spot market rate of \$33.50, suggesting the ERF is evolving to provide a baseline price while allowing project developers to capture upside in the growing spot market. For organisations evaluating ACCU projects, this two-tier pricing structure means project economics should model both ERF participation and spot-market exposure separately, recognising that higher spot prices improve payback periods for capital-intensive improvements.

Why was the 13th ERF auction significant in its contract structure?

This was the first ERF auction to award exclusively optional delivery contracts—all 24 contracts lacked fixed delivery obligations—a departure from previous auctions that typically included fixed contracts. This shift reflects rising ACCU spot prices (\$33.50, up 108% over 12 months) and signals that project developers now have stronger incentives to defer delivery and participate in the broader market. For project developers and investors, optional delivery contracts provide flexibility to time ACCU sales strategically, though they also shift revenue timing risk onto the project owner rather than the government, requiring careful cash-flow and working-capital planning.

What were the two major ERF milestones reached in the month of the 13th auction?

The Emissions Reduction Fund reached its 1,000th registered project and issued its 100 millionth Australian Carbon Credit Units in the month leading up to the 13th auction results. These milestones underscore the scheme's maturity and the growing uptake of eligible activities across agriculture,

industrial efficiency, renewable energy, and waste management. For organisations considering ACCU projects, the combination of scheme scale and method diversity indicates a stable, well-established regulatory pathway with precedent across multiple sectors, reducing policy risk for long-term project planning and reducing additionality uncertainty relative to newer schemes.

How do Australian ACCU prices compare to international carbon markets, and what does that mean for project competitiveness?

ACCUs traded at AU\$33.50 per tonne of CO₂-e, significantly below European Allowances (AU\$90.36) and UK Allowances (AU\$106.95), but above California's scheme (AU\$31.21) and China's new ETS (AU\$8.73). This mid-range positioning reflects Australia's scheme maturity and quality standards relative to other markets. For industrial and energy projects, the Australian carbon price remains attractive relative to developed economies but below premium European levels, affecting project returns and investment prioritisation. Organisations with multi-jurisdictional operations should evaluate ACCU projects against their global carbon opportunity cost to justify capital allocation.

What new methods are being added to the ERF, and which sectors should expect new opportunities?

The Minister announced 2022 priorities to develop ERF methods for electric vehicle and hydrogen refuelling infrastructure, hydrogen use, stacked farm activities, and expansion of carbon capture and savanna fire management. These complement existing focus areas including soil carbon, biomethane, plantation forestry, and blue carbon. For organisations in transport, energy, agriculture, or industrial gas, these announcements signal emerging opportunities to combine traditional efficiency or fuel-switching improvements with novel abatement activities. We can assess which new methods align with your facility or asset portfolio and help structure projects to capture multiple abatement streams as methods become available.

Why are industrial ACCU projects attracting growing interest despite being only 22% of active ERF projects?

Industrial projects represent 22% of active ERF projects, but are attracting accelerating interest as ACCU spot prices rise to \$33.50, improving payback periods for capital-intensive energy efficiency, fuel switching, transport, and waste-treatment improvements. Higher carbon prices reduce the time required for industrial investments to recover their costs, making projects viable that were previously marginal. For manufacturing and processing operators, this price environment justifies revisiting efficiency projects that were evaluated unfavourably when ACCU values were lower. We can audit your industrial operations, model updated project economics under current carbon pricing, and identify eligible activities under internationally recognised standards such as IPMVP.

What role does ACCU price growth play in project investment decisions for industrial operators?

ACCU spot prices grew 108% over 12 months to \$33.50, with 65% of that growth (\$10.40) occurring in the prior six weeks alone. This rapid appreciation changes project economics materially: a measure with a five-year payback at \$15 ACCU values may achieve payback in three years at \$33.50, without any change to the underlying energy savings or operating efficiency. For industrial facilities, this price trajectory argues for expedited assessment of borderline projects and early measurement planning to preserve evidence and eligibility. Our measurement and verification services establish the baseline and project boundary needed to capture this value when your facility is ready to register with the scheme.

How should organisations structure their approach to ACCU project assessment given the current pricing environment and optional delivery contract trend?

The shift to optional delivery contracts and the elevated spot-market prices suggest organisations should develop ACCU projects with flexibility to participate in either the ERF auction or the voluntary market. This requires rigorous project documentation, auditable baselines, and clear measurement

boundaries—not speculation about future carbon prices. Organisations should distinguish the technical merit of energy or emission-reduction measures from their commercial exposure to ACCU price volatility. Our six-stage approach—Assess, Build the Case, Capture Value, Deliver, Procure, and Perform—ensures you establish project viability on operating grounds first, then optimise the carbon-revenue pathway once technical scope is confirmed and evidence is ready.