REFORM CLIMATE ACTIVE TO STRENGTHEN PRIVATE SECTOR CLIMATE ACTION

Climate Active has served as the Australian Government's flagship program for recognising voluntary climate action since its establishment in 2010. With **over 750 certifications across 500+ businesses**; the scheme has incentivised companies to credibly measure as well as reduce, and offset their emissions, publicly communicating their progress.

It has driven investments into renewable energy, energy efficiency, regenerative agriculture, and land restoration projects across the country and internationally – supporting local jobs, regional economies, and Indigenous land management.

In recent years, however, expectations have shifted and the scheme has come under increasing scrutiny. Negative publications, high-profile corporate withdrawals and legal challenges have raised questions about its relevance and credibility. Some of these concerns are valid, given promised updates to the scheme have been continually delayed, and point to areas where the program needs to evolve. Others believe this overlooks the complexity and increasing risks associated with taking voluntary climate action and the positive impact achieved to date by the program. What is clear is that incentives to participate have weakened, and reform is needed to restore confidence and ensure the program meets the markets expectations going forward.

At the same time, the Government has outlined an ambitious NDC, setting out targets to reduce emissions by 62-70% by 2035. Targets that will require a rapid scaling up of private sector investments into climate action.

In this context – it is critical that Climate Active is strengthened and reformed – not repealed.

A reformed program should build on the learnings in Australia over the last decade, as well as those made by international standards and initiatives. This includes:

- **Strengthened eligibility criteria for high-quality carbon credits.** Any revisions to the program must ensure transparency and alignment with international best-practice governance frameworks, such as the Integrity Council for the Voluntary Carbon Market (ICVCM) and its ten Core Carbon Principles - covering additionality, permanence, leakage, and sustainable development safeguards; as well as the new Article 6.4 Paris Agreement Crediting Mechanism. It should also consider project-level integrity initiatives such as independent carbon rating agencies and strengthened disclosure requirements to support the transparency and quality of eligible credits.

- **Alignment with ASIC and ACCC requirements**, ensuring consistency with the Australian Securities & Investments Commission (ASIC)'s new climate-related disclosure standards and the Australian Competition & Consumer Commission (ACCC)'s guidance on carbon neutrality and net-zero claims. This will help safeguard consumers, reduce regulatory uncertainty and provide clarity for corporations. This includes transparently reporting on the use of credits, such as projects, vintages, and gross GHG emissions before netting. Without alignment between the Australian Government, ASIC, and the ACCC on consistent language and minimum guidance for voluntary corporate climate action that leverages carbon markets, confidence will erode, and the legal risks for companies to participate in voluntary carbon initiatives will continue to outweigh any incentive.

- **A modernized framework for corporate claims**, referencing meta-standards such as the ISO Net Zero Guidelines, the Voluntary Carbon Market Initiative (VCMI)'s Claims Code of Practice, IETA's Guidelines for High-integrity Use of Carbon Credits[1], and the forthcoming Corporate Net-Zero Standard from the Science-Based Targets Initiative. This should encourage companies to prioritise deep emissions reductions while using high-integrity carbon credits to address residual emissions.

- **Continued use of the Australian Carbon Credit Unit (ACCU) Scheme as a cornerstone of Australia's climate strategy,** which is integral to meeting the country's own NDC under the Paris Agreement and a core component of the Australian Government's Safeguard Mechanism. ACCUs have undergone multiple independent reviews and now operate under strengthened governance frameworks – but will require improved transparency at the project level to support integrity and further alignment with international best practice.

Around the world, other governments are now coalescing around the importance of carbon markets and crediting mechanisms in driving corporate decarbonization. In May, a new **Coalition to Grow Carbon Markets** was launched by the United Kingdom,

[1] https://www.ieta.org/guidelines-for-high-integrity-use-of-carbon-credits-2-0

Singapore and Kenya.[2] Since then, other countries such as France and Panama have joined in, and shared principles have been agreed, outlining how carbon credits should be utilized on a corporate net-zero pathway.

The latest Science Based Targets Initiative Draft Net Zero standard released for public consultation, also highlights the importance of corporate action to address or compensate for ongoing emissions while companies are on their decarbonisation journey.[3]

While direct emissions reductions remain the first priority, high-integrity carbon credits is an essential tool to address residual emissions, which must be recognized and supported by clear, consistent policy frameworks. This is particularly true in sectors such as the land sector where traditional climate policies such as taxes and trading schemes have shown challenging to implement.

In the absence of such guidance, companies will continue facing uncertainty and reputational risks, stalling progress and weakening the credibility of corporate climate action - at a time when ambition and clarity are most needed.

A modernised Climate Active will not only help Australian firms navigate an increasingly complex global landscape but will also accelerate the nation's progress toward its Paris aligned targets, safeguard consumers, increase public trust and unlock the monumental scale of private investment needed for a truly net-zero economy.

Should the Australian Government decide to discontinue the Climate Active program, it must carefully consider the implications for voluntary climate action and ensure that such decisions do not undermine corporate climate action to address ongoing emissions; including by endorsing the use of an alternate corporate claims guidance framework for use by Australian corporates.

We look forward to supporting this journey and seek an open dialogue with the relevant decision makers to advance corporate climate action in Australia.

The International Emissions Trading Association (IETA)

[2] https://coalitiontogrowcarbonmarkets.org/
[3] https://files.sciencebasedtargets.org/production/files/CNZS-V2-Second-Consultation-Draft.pdf?dm=1762285041

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ABOUT IETA

The International Emissions Trading Association (IETA) is a non-profit business association with a membership of over 300 leading international organisations operating in compliance and voluntary carbon markets around the world.

Since its foundation in 1999, IETA has been the leading voice of business on ambitious market-based solutions to climate change. We are a trusted adviser to governments to support them in developing international policy and market frameworks to reduce greenhouse gases at lowest cost, increase climate ambition, and build a credible path to net zero emissions. See www.ieta.org for more information.