

Greenhouse Gas Emissions Offsets Policy and Technical Guidelines

Northern Territory Offsets Framework

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1. Purpose of the Greenhouse Gas Emissions Offsets Policy and Technical Guidelines

The Northern Territory Government (NT Government) has committed to achieving net zero greenhouse gas (GHG) emissions by 2050¹. Meeting this target will require significant effort to decarbonise the Northern Territory (the Territory) economy. Avoiding or mitigating GHG emissions (emissions) is the preferred approach. Offsets provide a mechanism of last resort to compensate for emissions that cannot be avoided or mitigated (residual emissions).

The purpose of the Greenhouse Gas Emissions Offsets Policy and Technical Guidelines (the policy) is to support and guide the consistent, transparent and appropriate use of offsets under Territory legislation to compensate for emissions and support achievement of the Territory's net zero emissions by 2050 target. The policy is a statutory instrument given effect under section 125(2) of the *Environment Protection Act 2019* (EP Act), and is a component of the Northern Territory Offsets Framework (the NT Offsets Framework).

In this policy, a reference to the term 'emissions' includes carbon dioxide, methane, nitrous oxide, sulphur hexafluoride, hydrofluorocarbons, and perfluorocarbons. A standard unit called a 'carbon dioxide equivalent' or CO₂-e is used to quantify the relative impact of these different types of gases on the atmosphere, and is usually expressed in tonnes of CO₂-e (tCO₂-e).

2. The Northern Territory Offsets Framework

The NT Offsets Framework² comprises NT Offset Principles, offset policies and supporting technical guidelines, and Administrative Guidelines, and is established under section 125(1) of the EP Act. The Framework guides the consistent and transparent establishment of offset programs as required under Territory legislation, including the EP Act or any other Act prescribed by the *Environment Protection Regulations 2020* (EP Regulations). Acts are prescribed under the EP Regulations to signal that offsets may be used under those Acts in accordance with the NT Offsets Framework³.

The Northern Territory Offset Principles (the NT Offset Principles) establish the overarching principles guiding the use of offsets in the Territory. These principles are reflected in all policy components under the NT Offsets Framework, and include:

1. Offsets must contribute to relevant Territory targets
2. Offsets must be designed to deliver maximum benefit to the Territory
3. Benefits of offsets must be additional and secured
4. Offsets must be knowledge-based and design must be responsive

¹ See the NT Government's 'Climate Change Response: Towards 2050' which can be found on the Department of Environment, Parks and Water Security website (<https://depws.nt.gov.au>).

² See <https://depws.nt.gov.au/environment-information/northern-territory-offsets-framework/northern-territory-offsets-framework>

³ Refer to the EP Regulations for a current list of Acts prescribed under the NT Offsets Framework.

5. Stakeholder engagement, disclosure and transparency is required
6. Duplication of offsets must be avoided.

These principles are further explained in detail in the NT Offset Principles document.

The policies and technical guidelines focus on and guide the use, design and delivery of specific types of offsets, for example offsets required to compensate for emissions, or impacts to biodiversity.

The Administrative Guidelines outline the administrative processes, requirements, roles and responsibilities for all offsets required by Territory legislation.

A public offset register is used to maintain transparent records of offsets secured under Territory legislation.

For further information about the NT Offsets Framework, including the above principles, policies and guidelines, refer to the Department of Environment, Parks and Water Security (DEPWS) website⁴.

3. Policy scope

This policy establishes requirements for the design and delivery of emissions offsets required by Territory legislation⁵. Any proposals or plans for an emissions offset that is required by Territory legislation must satisfy this policy. To remove any doubt, this applies to emissions offsets in relation to any scope⁶ of emissions required to be offset under Territory legislation.

The policy does not bind decision makers on when to apply emissions offsets or the quantity of emissions for which offsets are required. The decision to require an offset is made in consideration of the individual development proposal and the legislative framework under which it is being assessed. The policy is a guide for decision makers on the use and delivery of emissions offsets under Territory legislation.

4. Policy application

The policy informs:

- NT Government decision makers and assessing entities⁷ in determining and applying emissions offset requirements to proposed development under Territory legislation
- proponents in identifying potential emissions offset requirements, developing emissions offset proposals and plans, and delivering offsets to satisfy emissions offset requirements under Territory legislation
- DEPWS in assessing and approving emissions offset proposals and plans

⁴ <https://depws.nt.gov.au>

⁵ Offsets required to compensate for impacts to biodiversity are subject to a separate biodiversity offset policy and technical guidelines under the NT Offsets Framework.

⁶ This may include scope 1, 2 or 3 emissions, depending on which scope of emissions the emissions offset approval condition relates to. The different types of emissions scope are explained further in the 'Greenhouse Gas Emissions Management for New and Expanding Large Emitters' policy

⁷ Including independent assessing entities providing advice to the NT Government, such as the Northern Territory Environment Protection Authority.

- NT Government regulators undertaking monitoring, compliance and enforcement activities related to the delivery of offsets to emissions offset requirements under Territory legislation.

The policy is designed to be read in conjunction with the Administrative Guidelines.

5. Target for emissions offsets

The NT Offsets Principles require offset policies and guidelines to apply a target-based implementation model to offsets in the Territory. This model is designed to ensure offsets make appropriate contributions to priority targets for the Territory.

The overarching target that applies to emissions in the Territory is the NT target of **net zero greenhouse gas emissions by 2050**. Emissions offsets must make a material and meaningful contribution towards achieving the Territory's target of net zero emissions by 2050, as well as any additional or interim targets established by the NT Government to achieve this 2050 target.

6. Use of emissions offsets in the Northern Territory

Decarbonising the Territory economy and achieving net zero emissions by 2050 will require all sectors of the economy to manage and abate emissions.

The use of emissions offsets within the NT is just one of the regulatory tools available within a broader legislative and policy landscape focused on emissions reduction. Applying an emissions offsets is an option available to proponents to address residual emissions associated with a proposed development.

6.1. NT Government emissions management and abatement expectations

The 'Greenhouse Gas Emissions Management for New and Expanding Large Emitters' policy (the Large Emitters Policy) outlines the NT Government's emissions management and abatement expectations for proponents of development proposals. This includes emissions production thresholds that establish when these NT Government expectations apply to a development proposal.

Where a development exceeds the emissions thresholds, and requires assessment under the EP Act or Petroleum (Environment) Regulations 2016, the Large Emitters Policy requires proponents to provide a Greenhouse Gas Abatement Plan (a GGAP) with the development proposal. The GGAP must outline how the proponent will use avoidance, mitigation, and then offsets, to achieve net zero emissions by 2050, or justify why an alternative target is appropriate.

Any offsets proposed under a GGAP must satisfy this policy and the Administrative Guidelines.

6.2. Applying offset requirements

Offset requirements can be applied by the NT Government to statutory environmental authorisations under Territory legislation, such as Environmental Approvals under the EP Act or Environment Management Plans under the Petroleum (Environment) Regulations 2016. The NT Government can require proponents to use offsets (as a tool of last resort) to compensate for residual emissions produced by development, such as land clearing, resource exploration and extraction, or the establishment and ongoing operation of a facility.

The NT Government will consider whether offsets are required during assessment and approval processes. Decision makers may apply offset requirements based on what is proposed by the proponent (for example within a GGAP) or may apply different offset requirements where appropriate based on the outcomes of assessment.

Under Territory legislation, offsets can only be used as a tool of last resort where all avoidance and mitigation measures have first been explored and applied. The NT Government will only consider the use of offsets where this mitigation hierarchy has been appropriately applied by proponents to a project⁸. This means the NT Government must be satisfied that proponents have demonstrated they have taken all reasonable steps to first avoid or mitigate emissions. Any remaining emissions that cannot be avoided or mitigated are called residual emissions. Emissions offsets can only be used to compensate for residual emissions.

Where an emissions offset is considered appropriate, the decision maker for the approval may require residual emissions to be offset as a condition of the approval (an emissions offset approval condition). For development that requires an environmental approval under the EP Act, the Minister for Environment is the decision maker for the granting (or not) of the approval. The Northern Territory Environment Protection Authority (NT EPA) is the entity responsible for assessing the development proposal, and may recommend to the Minister for Environment that an emissions offset approval condition should be applied to the project. For further information about the assessment and approval of development under the EP Act, refer to the NT EPA website⁹.

The assessing entity and decision maker for a statutory approval under a different Act is determined by that Act¹⁰.

6.3. Determining when offsets are required

Emissions may be produced and identified over periods of time over the life of a project (for example, annually or every five years) or through a more distinct or “one off” emitting event such as land clearing. Residual emissions include any emissions remaining once all reasonable steps have been taken to first avoid or mitigate the production of emissions.

Assessing entities and decision makers are responsible for determining whether the quantity of residual emissions produced by the development over time, or through a single emitting event, must be offset. In making this determination, considerations may include:

- any relevant GGAP provided in accordance with the Large Emitters Policy
- the estimated emissions¹¹ produced by the project, either annually or for a single event
- the projected emissions profile over the life of the project
- the target for emissions offsets identified in Section 6 of this policy

⁸ See the NT Offset Principles for further information on the mitigation hierarchy for offsets in the Territory.

⁹ <https://ntepa.nt.gov.au/>

¹⁰ For example, DEPWS is the assessing entity and the Minister for Environment is the decision maker for an environment management plan under the Petroleum (Environment) Regulations 2016.

¹¹ Emissions should be estimated in accordance with the emissions estimation and reporting requirements for organisations under the Commonwealth *National Greenhouse and Energy Reporting Act 2008*.

- the overall impact on the Territory's emissions profile and trajectory towards the Territory's target of net zero emissions by 2050, based on:
 - the emissions produced by the project
 - the cumulative emissions produced across a proponent's enterprises in the Territory
 - the emissions associated with the relevant industry.
- the capacity of the project, proponent and industry to avoid, mitigate or offset emissions, and the extent to which this is justified and reasonable
- the advice of any assessing entities for the project (for example, the NT EPA for projects assessed under the EP Act)
- national and international emissions reduction targets, strategies and obligations.

6.4. Emissions offset approval conditions

An emissions offset approval condition should specify the amount of emissions that need to be offset for each emitting event or period. Alternatively, this may be specified in an overarching plan or strategy for managing emissions (e.g. a GGAP) that has been prepared by the proponent, and approved and built into an emissions offset approval condition by the decision maker.

For each emitting event or period, the amount of emissions that need to be offset should be expressed as:

- a fixed amount of emissions; or
- an emissions benchmark, above which any emissions will need to be offset.

A fixed amount of emissions may be more appropriate when there is high degree of confidence in the estimated emissions used to inform project assessment and approval (for example, a shorter term project using well known technology).

An emissions benchmark may be more appropriate where there is lower confidence in the estimated emissions used to inform project assessment and approval, and consequently a greater likelihood of variation (for example, a longer term project intending to use new technology as it becomes available). This approach provides a simple mechanism to ensure the amount of offsets delivered is responsive to actual measured emissions.

7. Designing and delivering emissions offsets

All offsets required by an emissions offset approval condition must be designed and delivered to satisfy the NT Offset Framework. Prior to undertaking any activities subject to an emissions offset approval condition, proponents must ensure they have acquired the necessary NT Government approval for their offset proposal. Offset proposals should be in the form of an emission offset plan.

An emissions offset plan can be a standalone document specific to offsets, or part of an overarching plan or strategy for managing the overall emissions from a project (such as a GGAP). An emissions offset plan must be approved in accordance with the emissions offset approval condition and the Administrative Guidelines prior to undertaking any activities subject to the condition. In approving an emissions offset plan, decision makers will determine whether the offset design and delivery requirements established by this policy have been met, and may seek independent assessment where required.

The Administrative Guidelines provide further information about developing and acquiring NT Government approval of an emissions offset plan.

8. Relationship with the Commonwealth Safeguard Mechanism

Offsets may also be required under the Commonwealth Safeguard Mechanism (the Safeguard Mechanism) for emissions produced by projects in the Territory. Under the Safeguard Mechanism, large emitting facilities may be required to set a baseline limit on the amount of emissions they produce. Where they exceed or expect to exceed this baseline, the Safeguard Mechanism provides a number of options, including the use of offsets to compensate for excess emissions, or adjustment of the baseline.

The NT Offsets Framework applies in addition to the Safeguard Mechanism. This means some emissions may be subject to offset requirements under both frameworks. To prevent duplication in offset delivery between the frameworks, any emissions that are offset to satisfy the Safeguard Mechanism may be subtracted from the amount of emissions required to be offset by an NT emissions offset approval condition. The purpose of this is to ensure that proponents are not required to offset the same emissions twice. For more information on the Safeguard Mechanism, refer to the Clean Energy Regulator website¹².

9. Types of emissions offsets

All emissions offsets required by an emissions offset approval condition must be delivered through activities that reduce, remove or capture emissions. The amount of emissions abatement achieved is represented by emissions offset units. Emissions offsets must be delivered using emissions offset units that are recognised as legitimate and robust by the Australian Government. This includes Australian Carbon Credit Units administered and regulated by Commonwealth legislation, or eligible offset units listed under Commonwealth Climate Active Neutral Standards (alternative emissions offset units). Under these frameworks, one emissions offset unit represents the abatement of one tCO₂-e.

9.1. Australian Carbon Credit Units

The preferred type of emissions offset unit is an Australian Carbon Credit Unit (ACCUs). ACCUs are regulated financial products under the Commonwealth *Carbon Credits (Carbon Farming Initiative) Act 2011* (the Commonwealth ACCU Framework) and administered by the Clean Energy Regulator.

9.1.1. Eligibility of ACCUs

Any ACCUs acquired under the Commonwealth ACCU Framework are eligible for use as emissions offsets under the NT Offsets Framework. However, the Commonwealth ACCU framework contains a range of requirements that may restrict ACCU use in the Territory, such as regulatory additionality requirements, or requirements that apply to ACCU purchase, generation and surrender. These requirements prevent an ACCU that is used to satisfy an emissions offset approval condition in the Territory from being sold on by the proponent. If an ACCU is used to meet an emission offsets approval condition, and is then sold on by the proponent, it would no longer satisfy the emissions offset approval condition. Further information on these Commonwealth requirements can be found on the Clean Energy Regulator website¹⁴.

¹² <http://www.cleanenergyregulator.gov.au/>

¹³ <http://www.cleanenergyregulator.gov.au/>

¹⁴ <http://www.cleanenergyregulator.gov.au/>

9.1.2. Acquiring and delivering ACCUs

ACCUs can be acquired in two ways:

1. They can be generated using methodologies under the Commonwealth Emissions Reduction Fund (ERF) framework (ERF methodologies).
2. They can be purchased on a secondary market.

Delivery of an emissions offset using ACCUs means the required number of ACCUs has been surrendered back to the Australian Government. This can be demonstrated by evidence of ACCU purchase and surrender, or evidence of an ERF contracted project that is committed to generating and surrendering the required amount of ACCUs.

The costs of generating ACCUs will vary depending on the type of project and ERF methodology used. The costs of purchasing an ACCU will also vary depending on recent market trends. For more information on the costs involved with establishing an ACCU generating project, or purchasing ACCUs on the secondary market, contact the Clean Energy Regulator.

9.2. Alternative emissions offset units

Alternative emissions offset units include emissions offset units other than ACCUs, governed by an Australian framework or an international framework. They can be used as emissions offsets under the NT Offset Framework only if they are listed as eligible offset units under Commonwealth Climate Active Carbon Neutral Standards (the Climate Active Standards).

The eligible offset units listed in the Climate Active Standards may be updated by the Australian Government as new information or new types of offset units become available. For further information on current eligible offset units, refer to the Climate Active Standards published on Australian Government's Climate Active website¹⁵.

9.2.1. Eligibility of alternative emissions offset units

Alternative emissions offset units can only be used under the NT Offsets Framework where they satisfy all of the following eligibility criteria:

1. Any units purchased or generated are able to be counted towards the Territory's net zero emissions by 2050 target.
2. The administering framework for the unit allows them to be surrendered to satisfy jurisdictional obligations such as an emissions offset approval condition in the Territory.
3. The units are not sold at any point in time (any units that are sold will no longer satisfy the emissions offset approval condition).

¹⁵ <https://www.climateactive.org.au/>

9.2.2. Acquiring and delivering alternative emissions offset units

Alternative emissions offset units can be generated or purchased in accordance with the administrative framework which governs them (the governing framework). For further information, contact the administering organisation for the offset units.

Delivery of an emissions offset using alternative emissions offset units means the required number of units has been surrendered in accordance with the governing framework. This can be demonstrated by evidence of alternative emissions offset unit purchase and surrender, or evidence of a project contracted under the governing framework that is committed to generating and surrendering the required amount of units. Any alternative emissions offset units used to satisfy an emissions offset approval condition must not be sold or profited from. Doing so will mean the units no longer satisfy the emissions offset approval condition.

The costs of generating alternative emissions offset units will vary depending on the type of emissions abatement project and methodology used. The costs of purchasing an alternative emissions offset unit will also vary depending on recent market trends. For more information on the costs involved with using alternative emissions offset units, contact the administering organisation.

10. Additionality requirements

The NT Offsets Principles require all offsets delivered under Territory legislation to be additional. This means the outcomes of the offset must be additional to what would have otherwise occurred without the offset. For emissions offsets, this means that the offset activities must not:

- already be required or committed to satisfy any other statutory obligations; or
- displace or shift costs of other management activities being undertaken by local, Territory or Commonwealth governments, land managers or other entities that are aimed at achieving environmental, economic or social improvements.

11. Emissions offset order of priority

The NT Offset Principles require that offsets maximise the environmental, social and economic co-benefits delivered to the Territory. To achieve this, emissions offsets must be delivered in accordance with the following order of priority:

1. Territory-generated offsets are to be used to deliver as much of the required amount of emissions offsets as possible. This includes ACCUs or alternative offset units generated by abatement projects located entirely or partially in the Territory¹⁶. Proponents must ensure (and be able to demonstrate) that all reasonable options to acquire a sufficient amount of Territory-generated offsets have been explored.
2. Where Territory-generated offsets cannot be used to entirely satisfy offset requirements, offsets generated in other parts of Australia or internationally may be used.

¹⁶ For example, some credit units may be generated through projects that straddle the borders between the Territory and other Australian states.

12. Delivery requirements and timeframes

An emissions offset must be delivered in accordance with the emissions offset approval condition and any associated approved emissions offset plan.

The required delivery timeframes for emissions offsets should be specified in the emissions offset approval condition or an approved emissions offset plan. In general, this will require offsets to be delivered as close to the production of the associated emissions as possible, up to a maximum of 12 months after the relevant emissions were reported on, unless the proponent can demonstrate why this is not reasonably possible.

Offset delivery is completed once the decision maker is satisfied that all offsets have been delivered in accordance with the emissions offset approval condition.

13. Monitoring, adjustments and reporting

The delivery of emissions offsets must be monitored, adjusted if required and reported on as per the emissions offset approval condition or an approved emissions offset plan. The Administrative Guidelines provide additional guidance for the monitoring, adjustment and reporting of emissions offsets.

Offset delivery adjustments may be required in response to a range of circumstances. Adjustments will likely be required where monitoring identifies that the actual emissions are different to the estimated emissions used to inform project assessment and approval. Additional offsets may be required to address an increase in actual emissions for a relevant emitting event or period, which must be delivered in the same way as any offset under this policy. Where there is a substantial increase in actual emissions, conditions of the statutory approval may also require proponents to demonstrate they have investigated opportunities to avoid and mitigate the additional emissions before offsetting them. Where actual emissions are less than the estimated emissions, any surplus offsets delivered could be used to address offset requirements for the next relevant emitting event or period. An emissions offset approval condition or an approved emissions offset plan should specify how adjustments will be made in these circumstances.

The emissions offset approval condition or approved emissions offset plan should also specify the emissions offset reporting requirements that apply to the project. This should include requirements to:

- submit reports at regular intervals about the monitoring of actual emissions and the delivery of emissions offsets, and
- submit a final report demonstrating the overall completion of offset delivery.

14. Compliance and enforcement

The delivery of emissions offsets to satisfy an emissions offset approval condition will be subject to compliance, monitoring and enforcement to ensure:

- the actual emissions align with the estimated emissions used to determine whether offsets were required
- where actual emissions are different to estimated emissions, appropriate adjustments in offset delivery are made

- offsets are delivered in accordance with any emissions offset plan, GGAP, the emissions offset approval condition, this policy and the Administrative Guidelines.

Where an emissions offset approval condition has not been met, it will be regarded as contravention of the approval conditions and dealt with in accordance with the regulator's compliance and enforcement approach.

15. Review of the policy

The policy will be reviewed in two years in consideration of:

- contemporary best practice offsetting approaches
- the Territory's progress in and approach to achieving net zero emissions by 2050 (including any additional or interim targets set by the NT Government to help achieve the net zero target)
- any additional policy or strategy development by the NT Government outlining a pathway towards net zero emission by 2050
- any changes in international obligations or Australian Government policy.