

OFFICIAL: SENSITIVE
S22

Organisation	Participant type
Aboriginal Biodiversity Conservation Foundation	Standards body
Aboriginal Biodiversity Conservation Foundation	Standards body
ANU institute for climate, Energy & Disaster Solutions	Academia
APPEA	Peak Industry Body
Australian Industry Greenhouse Network	Peak Industry Body
Australian Industry Group	Peak Industry Body
Baker McKenzie	Advisory
BHP	Purchaser
BMT	Advisory
BP (CMI taskforce chair)	Purchaser
Camco	Project Developer
Carbon Markets Institute	Peak Industry Body
Carbon Markets Institute	Peak Industry Body
Caritas	International AID and development
Caritas	International AID and development
CCDA - PNG	Government
Comhar	Advisory
Conservation International	NGO
Conservation International	NGO
Conservation International	NGO

s22

Conservation International	NGO
Corporate Carbon Advisory ENI Australia	Project Developer Purchaser
Fair Carbon	Standards body
FairTrade	Project Developer
Fiji Government representative (Fiji Ministry of Economy)	Government
Gold Standard	Standards body
Gold Standard	Standards body
Green Collar	Project Developer
Green Collar	Project Developer
Indonesian Government representative	Government
Investor Group on Climate Change	Institutional Investor Group
Investor Group on Climate Change	Institutional Investor Group
Intergen	Advisory
International ID	International AID and development
Origin Energy	Purchaser
Plan Vivo PNG Government representative	Standards body Government
Pollination	Advisory
Pollination	Advisory
Pollination	Advisory
Pollination	Advisory
Pollination	Advisory

Shell	Purchaser
South Pole	Project Developer/Broker
Sustineo	Management Consultant
Tasman Environmental Markets	Project Developer
Thai Government representative (ONEP)	Government
The Mullion Group	MRV
The Nature Conservancy	NGO
The Nature Conservancy	NGO
The World Bank	NGO
Verra	Standards body
WeAct	Project Developer
WeAct	Project Developer
Woodside	Purchaser
Woodside (CMI taskforce chair)	Purchaser
EDLEnergy	Project Developer
Nakau	Project Developer
Oceanwise	Project Developer
Natural Carbon	Project Developer
Macquarie Bank	Financier/purchaser
Total Energies	project developer/financier/purchaser
Total Energies	project developer/financier/purchaser
Total Energies	project developer/financier/purchaser
Total Energies	project developer/financier/purchaser
Total Energies	project developer/financier/purchaser
Total Energies	project developer/financier/purchaser
Origin Energy	project developer/financier/purchaser

Origin Energy	project developer/financier/purchaser
Origin Energy	project developer/financier/purchaser
Tenkile Conservation Alliance	Project developer
Tenkile Conservation Alliance	Project developer
Macquarie Bank	Financier/purchaser
ACT	project developer
Representative from Govt of Timor-Leste	Government
National Farmers Federation	peak national body
The Mulloon Institute	project developer
CarbonLink	project developer
International Carbon Credit Projects Pty Ltd	project developer
James Cook University	Academia
Australian Institute of Marine Science	Government
Telstra	
Carbon Farmers of Australia	Project developer
Tasman Environmental Markets	Project developer



Introductory Webinar

An introductory webinar to the Indo-Pacific Carbon Offsets Scheme (IPCOS) was held via Zoom online videoconference on Tuesday 19th October 2021. 51 attendees joined, from a total of 61 invitees. Refer to Appendix 1 for the full list of webinar attendees.

The following items have been made available separately for use by the DISER team, including internal use and sharing as relevant:

- Webinar recording, available to [view and download here](#), using password: *IPCOS2021*; and
- Full webinar slides, including both DISER and CMI presentations.

Webinar Agenda

1:00pm	Welcome Housekeeping Acknowledgement of Country	s22
1:05pm	Opening Comments	David Higgins
1:15pm	Private Sector Investment in Nature-Based Solutions	s22
1:35pm	IPCOS Presentation	s22
1:45pm	Facilitated Q&A with DISER Team & Next Steps	s22
2:15pm	CLOSE	

Presenters and Panellists

Department of Industry, Science, Energy and Resources:

- David Higgins
- Katie Eberle
- s22
-
-

Carbon Market Institute:

- s22
- s22

Webinar Attendee Questions

Question	Attendee
Will partners be expected to be private sector only or could you also look to partners with NGOs, other government development agencies, etc.?	s22
What is the timeline for implementation of IPCOS?	
When will the co-investment facility be ready to deploy capital into the pilot projects? Is the Department thinking 2022, 2023 or later?	
Will IPCOS purely pursue nature-based solutions or will other project types (e.g. renewable energy) be considered?	



What level of analysis has been done and has been planned for sovereign risk management specifically in relation to (i) permanence and (ii) return on investment for international investors?	s22
Has there been any consultation with European development banks on how they approached providing risk capital and climate finance, and capacity building who have over a decade of experience building similar frameworks in Asia etc.?	
Verification of 'co-benefits' can be done under the SDG reporting framework.	
Verification of 'co-benefits' can be done under the CBVF which has been recognised by the Australian Human Rights Commission as best practise and Queensland Government.	
What will the considerations be for inside and outside scope of NDCs, noting 6.2 may potentially be only for inside scope and the scale of abatement in this context?	
Noting the aim for delivering high integrity mitigation outcomes, how will the challenge of permanence be bridged in the land sector – noting a 5-year scheme commitment initially?	
Is there any planning being done in relation to infrastructure to help scale the market and standardise the market access?	
Is the aim to support the ACCUs market for compliance with the safeguarding mechanism or purely for voluntary use?	
How will IPCOS interact with Australia's NDC commitments, given Art 6.2 is government to government?	
What role do you envisage for corporates in capacity building in the region – are there specific areas in particular that you think would be useful for us to focus on?	
Adding to the commentary on sources of verification for co-benefits, Accounting for Nature has a licensed, verified and third party audited scheme in place which has also been backed by the Queensland Government. This system will provide certainty around projects creating biodiversity gains. Investment with no verifiable biodiversity gain does not equal a nature-based solution.	
There are a number of funds in the region looking for feasible projects, with investors looking for opportunities including impact investors. Will this facility be taking a different approach to increase the feasibility apart from just financial de-risking?	



Design Workshop

Following the introductory webinar, a smaller group was invited to participate in a subsequent workshop, also facilitated through Zoom on the 19th October 2021. 36 participants joined, from a total of 36 invitees (noting that not all attendees remained in the session for the full meeting). Refer to Appendix 2 for the full list of workshop attendees.

Workshop Agenda

2:30pm	Welcome Housekeeping	s22
2:35pm	High Level User Journey Discussion	s22
3:15pm	Scheme Design Principles Discussion	s22
4:00pm	Technical Consultation Process & Timeline Discussion	s22
4:45pm	Final Comments & Next Steps	s22
5:00pm	CLOSE	

Summary of Workshop Discussion

High Level User Journey Discussion

Interaction and Alignment with International Voluntary Standards

- Questions and discussion centered around the possible and anticipated interplay between IPCOS and international voluntary offset standards, such as Verra, Gold Standard, Plan Vivo and others. This included interaction DISER has had with, and interest from, such standard setting bodies to date.
- It was noted that these organisations are currently developing and/or evolving their policies and positions with relation to Article 6.2 eligibility, and that it will be important to ensure that IPCOS is aligned to, or at least not in tension with, these policies. The scheme design process will require continued consultation with such standard setting organisations, which are keen to remain engaged.
- It was also queried what the requirements will be for these standard setting organisations to ensure that they can be eligible under IPCOS, and how the interplay between multiple registries will be treated. Options tabled at this stage include creating a direct link between relevant registries, or ensuring cancellation of units in the relevant registry at the appropriate point in time.

Corresponding Adjustments and External Registries

- The prospect of double counting is pervasive, and all stakeholders seem to be in agreement that the treatment of corresponding adjustments will be crucial to the scheme's integrity. DISER noted that the capacity building element of the scheme design will include management of registry development and linkages to prevent double counting. As IPCOS-eligible credits will have corresponding adjustments, future consultations will need to delve into how these credits are tagged within the relevant registries to show that they have corresponding adjustments.
- It was articulated that this is important not only for scheme integrity, but also to provide clarity and assurance to corporate purchasers about the nature of their offsetting claims. Credit purchasers already grapple with this issue, hence ensuring simplicity in this aspect of the scheme will be essential in order to encourage demand uptake. For this reason it will be important to engage with demand side market participants further in future IPCOS consultations and workshops.



- Verra is currently working to develop technical integration of registries, with the rules for this expected to be finalised in early 2022. It was indicated that the Verra registry will include an additional indication of whether any given project has/can have corresponding adjustments.
- Gold Standard is also working with the Swedish Energy Agency on acquisitions under Article 6.2. It was not clear whether this includes establishing a framework, policy, or processes for corresponding adjustments – future consultations involving Gold Standard should seek to uncover more detail on this. In any case, it was stated that Gold Standard is working towards supporting schemes such as IPCOS. Gold Standard also currently has a consultation open on [Operationalising Article 6 and Enabling Responsible Claims](#).

Alignment with other Government Programs

- Participants were interested to know how the IPCOS design process could leverage other government programs and funding opportunities. This includes various DFAT private sector funding initiatives, and the Australian Non-Government Organisations Cooperation Program.
- It was questioned whether the early stages of the scheme design process could also see the provision of funding to support investment readiness through project feasibility, methodology identification, methodology development, and so on.

Integrity and Co-benefits

- There is indication that there is strong stakeholder support for the scheme's focus on integrity and the integration of co-benefits. It was noted that the host government countries DISER is currently in discussions with are also strong proponents for this.
- Regarding project assurance, the draft user journey indicates that the Australian Government would provide this (additional to the assurance already integrated into the relevant offsetting standard) – however it was pointed out that if the scheme is to ensure capacity building and a peer-to-peer knowledge sharing approach, this should be undertaken jointly by Australian and partner countries.
- More detail on integrity and co-benefits is provided in the Scheme Design Principles section below.

Host Countries and Guiding Investment

- Stakeholders are eager to learn of which host countries have been identified by the Australian Government, as this will enable them to target their project applications accordingly. It was indicated that more detail on this will be provided in the coming months.
- It was also suggested that DISER and IPCOS guide project developers as to the specific requirements of the host countries. For private investment to flow, it will be necessary to provide certainty and clarity, particularly with relation to sovereign risk and land tenure complexities for land sector projects.

Scheme Design Principles

Principle 1: Transparent and Inclusive Governance

- Workshop participants encouraged for there to be significant inclusion of a diverse range of non-government and private sector actors throughout the scheme design process, including establishment and administration of scheme governance frameworks that include private sector participation. Ultimately integrating this approach early on is expected to be beneficial in allowing for the Australian Government to phase-out its involvement over time.
- It was suggested that future workshops integrate a bottom-up approach at relevant stages – allowing for the perspectives of certain actors/groups to be spotlighted and drawn out.
- This will necessarily include representatives from various standard setting bodies as well. To further explore how IPCOS will ensure parity and alignment between the domestic ERF and IPCOS, it may also be valuable to conduct a workshop or group consultation with these bodies, the Clean Energy Regulator and Climate Active (both as a group and individually).



Principle 2: Aligned with the Paris Agreement and Sustainable Development Goals (SDGs)

- There is significant support for the scheme's focus on co-benefit outcomes additional to carbon outputs. Interest in carbon projects with co-benefits is growing, although there is no clear market consensus on how co-benefits should be treated. This includes not only the framework for measuring, verifying, and reporting on co-benefits, but also how they are monetised (if at all), and how this interacts with the carbon credit valuation. Use of SDGs as the only measure of success was debated.
- Leveraging the existing frameworks of Verra, Gold Standard, Plan Vivo and others was generally seen as efficient and logical. However, not all stakeholders saw the adoption of these frameworks as best practice, instead advocating for more localised consideration of co-benefits. A balance will need to be struck between aligning with one (or more) framework(s) that is already in use, globally applicable and recognised (e.g. SDVista), and creating a more localised approach to the treatment of co-benefits.
- This global/local tension will require significant further exploration in the upcoming consultations and workshops, to ensure a more integrated, less binary- approach. One view is that this Principle 2 is too limiting, should be expanded to consider other co-benefits not identified in the SDGs, should be more flexible as interest in co-benefits changes over time, and should allow for a more localised approach backed by (if not created by) local people.
- Conversely, representatives of the international carbon offsetting standard bodies have pointed out that their existing SDG-aligned co-benefits frameworks are not as prescriptive as they are often perceived to be. For example, the Gold Standard for the Global Goals framework (GS GG) requires co-benefits to be treated in a context specific way, involves local community engagement, enables local stakeholders to play a leading role in project development, allows for or ensures the provision of local expert opinion, and allows for locals to verify the co-benefit outcomes, further building local capacity.
- Verra's SDVista also allows for context specific treatment of co-benefits based on a project's type, the region and country in which it is undertaken. Further detail on this should be sought in subsequent IPCOS design discussions. It was also highlighted that it will be essential for IPCOS design to begin with the eligibility of methodologies rather than the application of co-benefits framework(s).
- In addition, such a strong focus on co-benefits leads to a cross-over between what is considered a 'carbon project' and what is considered an 'international development project'. It has been suggested that DISER should engage with other bodies operating in the international development sector ranging from local on-ground NGOs to regional bodies and multi-lateral development banks. This will allow for development best practices to be integrated into the scheme design. It is assumed however that this is already being considered through DISER's engagement with DFAT.
- It will be necessary to explore to what extent the scheme design process should engage with international development experts, and to what extent such voices need to be brought into the IPCOS design workshops facilitated by CMI. Importantly, and central to the concepts of creating co-benefits, ensuring inclusivity and promoting capacity building, the application of a co-benefit standard(s) will need to integrate local knowledge and expertise.

Principle 3: Responsibility and Cooperation Amongst Parties

- There was limited discussion on this principle, but in general support for scheme design process to ensure shared responsibility and cooperation, and to draw on existing expertise in both Australia and host countries. The approach to the co-investment facility is supported in that it is aligned with this principle as well.
- Further detail will be required regarding responsibility and cooperation, including but not limited to responsibility for project integrity and ensuring no double counting.



Principle 4: High Integrity Offsets

- Further to the points made with relation to Principle 1 and 2, using a peer-to-peer strengths-based approach to all aspects of the scheme and project development is favourable and likely to bolster scheme integrity. The scheme will need to reflect community interests in order to be of high integrity and credibility – as well as to have high impact. It has been suggested that the IPCOS design process further engage with host/partner countries to seek to understand their own localised framings of social, environmental, cultural and other benefits and safeguards.
- It was highlighted that within carbon markets the discussion around co-benefits is often centred on 'no net harm', and that this should also be extended to focus on creating positive outcomes rather than just preventing negative ones.
- Workshop participants suggested that more detail be drawn out for Principle 4.

Consultation Process and Timeframes

Workshop 3

- Before progressing on IPCOS's treatment of corresponding adjustments, it will be necessary to await the finalisation of Article 6 negotiations, and the subsequent alignment of all voluntary standards to the final agreement on Article 6.
- It is logical to discuss the added layer of verification in Workshop 3 following on from Workshop 2 – it will be beneficial to explore the environmental and social safeguards topic first.

Other inclusions

- It will be necessary to discuss MRV at some point, noting that it would be suitable to leverage existing voluntary standards. It will be essential to build in a sufficient level of flexibility at the meta level to allow for an independent body to take over the facility at a later date.

Written Workshop Attendee Comments and Questions

Question	Attendee
Is there anything formal that voluntary standards, like the Verra VCS Program, are required to do to be eligible for IPCOS?	s22
How will voluntary standard registries interact with ANREU?	
Does the high integrity credits entail any discounting?	
Have you received interest from the international standards to participate? It seems like they would be a bit cautious because they are pushing for recognition of additionality beyond Paris.	
At Verra, we have a procedure under development to integrate our registry with government registries where domestic market mechanisms exist or are being created. We can explore this in the IPCOS framework.	
Gold Standard is working with the Swedish Energy Agency for their acquisitions under Article 6.2. So all the work GS is doing on Paris alignment and managing units authorised under Article 6 is building to be able to support this type of scheme.	



<p>The discussion of ensuring high integrity relates to one question I had about the stage in the project development process when Australian Government funding can be accessed. Would this scheme be able to provide funding for earlier stage feasibility for things like carbon project viability that builds on existing conservation and development projects, and/or identifying the methodology that will be most appropriate for a particular place and community (or even developing or adapting a methodology as needed)? It looks like it would come in later in the process in the journey doc shared.</p>	s22
<p>Would it be possible to confirm which host countries have been high graded by the government. This would potentially save a lot of time identifying/pitching/developing a project if its unlikely that that host country/project isn't a good chance of being selected.</p>	
<p>GS currently has a consultation open on claims guidance - https://www.goldstandard.org/our-work/innovations-consultations/operationalising-article-6-and-enabling-responsible-claims</p>	
<p>Most nations will value local jobs as verifiers and local decision making using a peer to peer strengths based approach. Exporting jobs and decision making (i.e. indicator banks) to foreign companies will not likely be popular.</p>	
<p>I wonder if principal 2 is too limiting and should be more open-ended to consider other co-benefits and be more flexible as interest in co-benefits change over time?</p>	
<p>The Pacific and individual countries therein also have their own development frameworks/plans that are more tailored than the SDGs.</p>	
<p>Are co-benefits adequately captured under principle 4 i.e. going beyond safeguards to actually measure, verify etc co-benefits?</p>	
<p>In fact, we see a growing interest from carbon market stakeholders to include additional certifications such as SDVista.</p>	
<p>GS requires at least 3 SDGs to be measured during the life of the project.</p>	
<p>Methodologies eligible for SDVista can be developed for specific types of projects, regions, countries. The key is the validation and verification considering an independent third-party auditing process even to these new methodologies, as well as the use of the Verra Registry with all the projects documentations.</p>	
<p>I think it works well sequentially to look at the added layer of verification in workshop 3 after workshop 2 on social and environmental outcomes if these are to be within the scope of that added layer of verification (which I would agree that they should be). Good to unpack the "safeguards" question first.</p>	



Appendix 1: Registered Webinar Attendees

s22

Organisation
Clean Energy Regulator
Sustineo
EY
Carbon & Clean Energy Solutions
HSBC
Pollination
Jarden
Tasman Environmental Markets
Carbon Market Institute
The Australian National University
Norton Rose Fulbright
Director
Origin
APPEA
Department of Foreign Affairs and Trade
Aboriginal Carbon Foundation
Corporate Carbon
Comhar Group Pty Ltd
Climate Friendly
IETA
IETA
New Forests
Fiji Ministry of Economy
Ministry of Economy
BHP
Department of Foreign Affairs and Trade
Woodside Energy Ltd.
Baker McKenzie
DISER
Ministry of Economy



s22

Clean Energy Regulator
KPMG
SustainCERT
Carbon Growth Partners
Verra
South Pole
Woodside
Dept of Industry, Science, Energy & Resources
ClimateWorks
CCA
PNG Office of Climate Change and Development
AIGN
CO2 Australila
Climate Change Authority
bp Australia
CBL Markets
Point Advisory
We Act Pty Ltd
Mullion Group
ANZ
Market Advisory Group



Appendix 2: Registered Workshop Attendees

s22

Organisation
Clean Energy Regulator
Sustineo
Carbon & Clean Energy Solutions
Tasman Environmental Markets
Carbon Market Institute
Carbon Market Institute
The Australian National University
Norton Rose Fulbright
Director
DISER
Department of Foreign Affairs and Trade
DISER
Aboriginal Carbon Foundation
Corporate Carbon
Comhar Group Pty Ltd
DISER
Carbon Market Institute
The Nature Conservancy
Ministry of Economy
Department of Foreign Affairs and Trade
Baker McKenzie
DISER
Ministry of Economy
Clean Energy Regulator



s22

Carbon Growth Partners
Verra
DISER
PNG Office of Climate Change and Development
bp Australia
DISER
CBL Markets
Point Advisory
We Act Pty Ltd
Mullion Group
DISER
Market Advisory Group



Australian Government

**Department of Industry, Science,
Energy and Resources**

Indo-Pacific Carbon Offsets Webinar

Supporting economic growth and job creation for all Australians | [industry.gov.au](https://www.industry.gov.au)

19 October 2021



Welcome, housekeeping and introductions

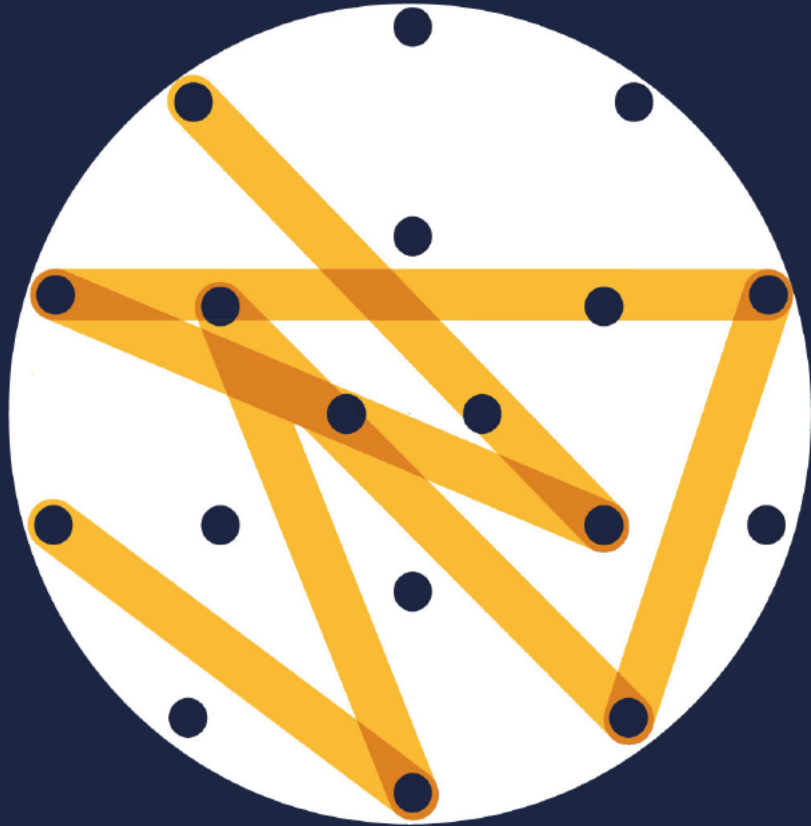
Acknowledgment of country

In the spirit of reconciliation the CMI acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today

Housekeeping

Today's Agenda

Item#	Item	Speaker	Time
1	Welcome	Carbon Market Institute	1.00pm
2	Opening comments	David Higgins, GM International Climate Branch, DISER	1.05pm
3	Private sector investments in nature-based solutions	Carbon Market Institute	1.15pm
4	The Indo-Pacific Carbon Offsets Scheme	s22 Senior Policy Officer, Markets and Partnerships, DISER	1.30pm
5	Q&A session and next steps	All	1.45pm



Private Sector Investment In Nature-based Solutions

19th October 2021

**Carbon
Market
Institute**

Nature-Based Investment Study

Overview

CMI conducted a scoping study to ascertain the business appetite for innovative pathways for funding nature-based solutions to climate change in the Asia-Pacific/Indo-Pacific region.

Consultees Represented

- Emissions-intensive trade-exposed (EITE) companies
- Institutional (investment) banks
- Institutional investors
- Other corporate entities
- Project developers.

Consultation Focus

- Appetite for investment in NBS in the region
- Frameworks, standards & initiatives
- Financing products and structures
- Partnerships in the region
- Drivers and barriers
- Risk considerations
- Non-carbon drivers
- Countries of interest



Nature-Based Investment Study

Key Findings

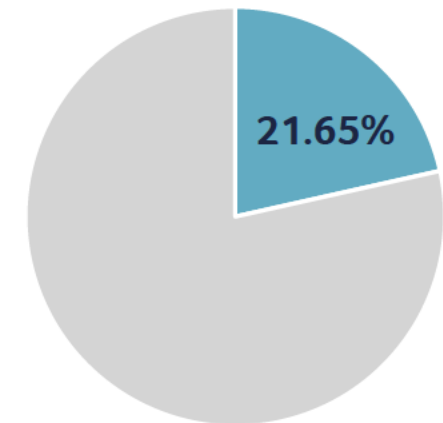
Nature will play a critical role in Asia Pacific climate action



The desire for non-carbon benefits is growing but not yet a primary investment driver



There is an ongoing role for carbon markets to drive investment



■ Global emissions covered by carbon pricing initiatives



Nature-Based Investment Study

Key Findings

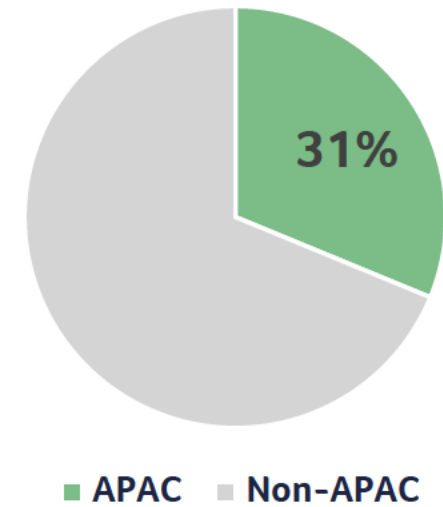
Nature will play a critical role in Asia Pacific climate action



The desire for non-carbon benefits is growing but not yet a primary investment driver



There is an ongoing role for carbon markets to drive investment



Nature-Based Investment Study

Key Findings

Localised approaches to climate change and nature-based solutions are needed

Local context examples:

- Natural resource endowments
- The country's economic structure
- Country-specific stakeholder dynamics & partnership arrangements
- Local project development capacity
- Benefit-sharing arrangements

Key enabling environment considerations:

- Legal frameworks
- Institutional & regulatory readiness
- Stakeholder engagement & social safeguards
- Partnerships, resources & capacity building requirements
- Policy intent and alignment

Policy Enabler Examples

- Samoa's Climate Change Policy 2020
- PNG's National REDD+ Strategy
- Timor-Leste's National Biodiversity Strategy and Action Plan
- PNG & Fiji's Forest Reference Level technical assessments
- Fiji's Climate Act 2021
- NDCs with a focus on market-based approaches, and highlighting NBS potential

Nature-Based Investment Study

Partnerships & the Private Sector

There is opportunity for regional partnerships to catalyse further private sector investment in nature-based activities particularly in the Pacific

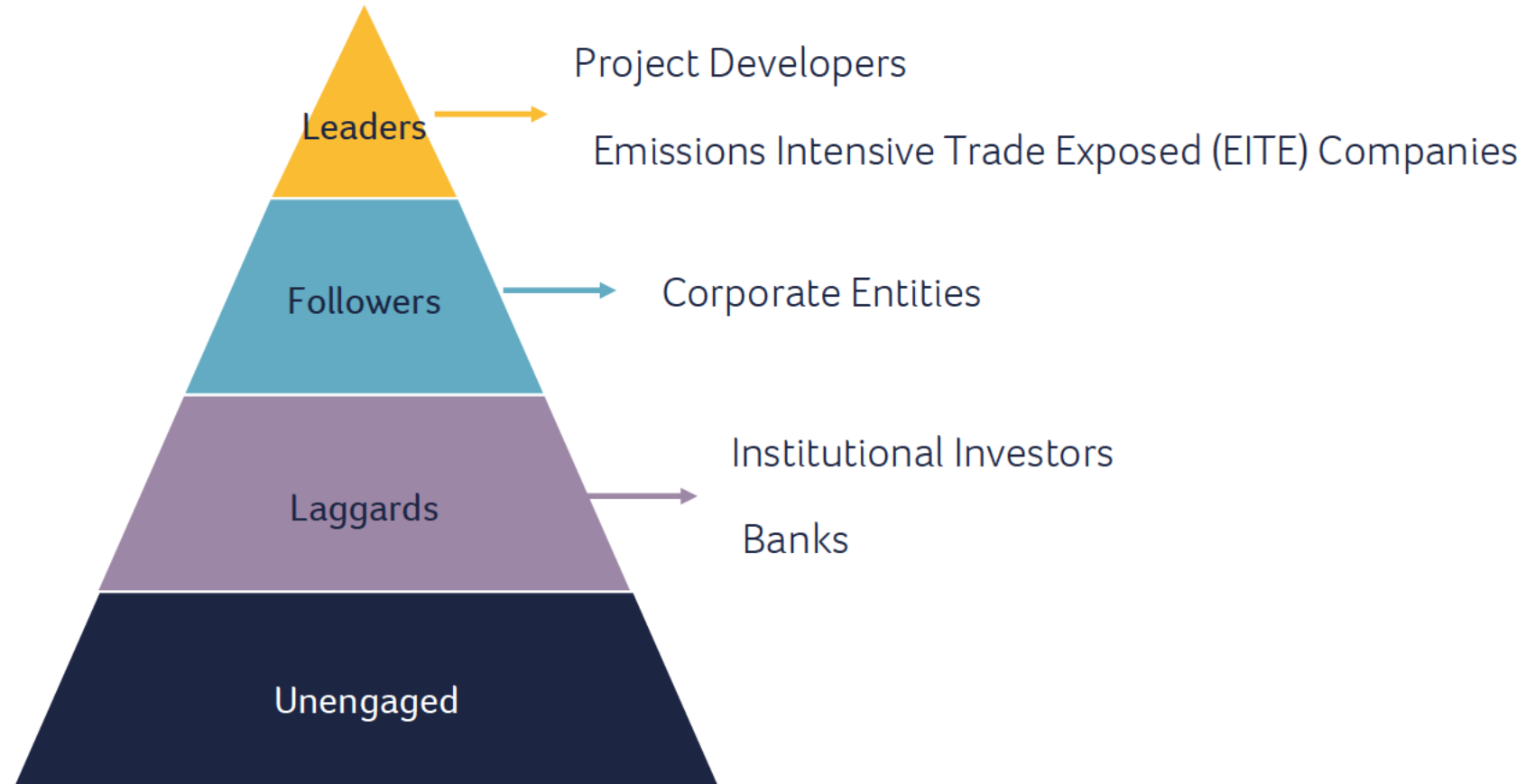
1. Formal and informal interactions between the private sector, government policy makers & others.
2. Private-sector engagement strategy for existing partnerships with material, time-bound and action-oriented goals.
3. Supplement existing funds with private-sector funding as part of private-sector partnership development.
4. Re-establish and enhance the capability of existing partnerships to work with public and private sector partners on market development and education initiatives.
5. Work with public and private sector partners to develop financial tools, markets and products.
6. Establish a project taskforce that engages a small, committed group of public and private sector partners to undertake specific in-country nature-based activities.
7. Leverage nature-based activities as a tool to support COVID-19 economic recovery.



Nature-Based Investment Study

Partnerships & the Private Sector

Private sector organisations are willing to engage in near-term Asia Pacific NbS activities, yet the private sector is diverse in its approach to climate change and nature-based solutions





Nature-Based Investment Study

Catalysing Investment

A range of de-risking activities should be undertaken to encourage investment

Policy & Institutional Frameworks

- Clarity on legal rights
- Enhanced anti-corruption & bribery structures
- MRV systems and related project development tools
- Nationally Determined Contribution (NDC) carbon policy positions
- Article 6 positions and preparatory activities
- Other NBS-related capacities (e.g. relating to agriculture, forestry, trade policies, etc.)

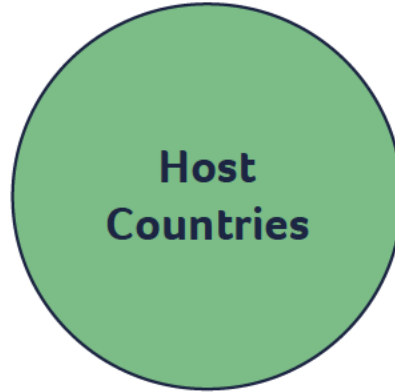
Financial Frameworks & Related Interventions

- Foreign direct investment and ownership rules
- Early stage and co-financing structures
- Endorsement of internationally-used best practice frameworks (e.g. SDGs, PRI, TCFD)
- Standardisation of financial taxonomy & valuation metrics
- Export credit agency investment (underwriting which would support risk mitigation)
- Market co-design activities



Nature-Based Investment Study

Catalysing Investment



8TH ANNUAL
**Australasian
Emissions
Reduction
SUMMIT 2021**
9-10 DECEMBER | ICC SYDNEY

DESTINATION
ZERO & BEYOND

summit.carbonmarketinstitute.org



business leading transition

carbonmarketinstitute.org

Indo-Pacific Carbon Offsets Scheme

s22

Department of Industry, Science, Energy and Resources

19 October 2021

Supporting economic growth and job creation for all Australians | [industry.gov.au](https://www.industry.gov.au)

Overview

Commitment

Australian Government initial investment
\$60 million over 5 years from 2021-22

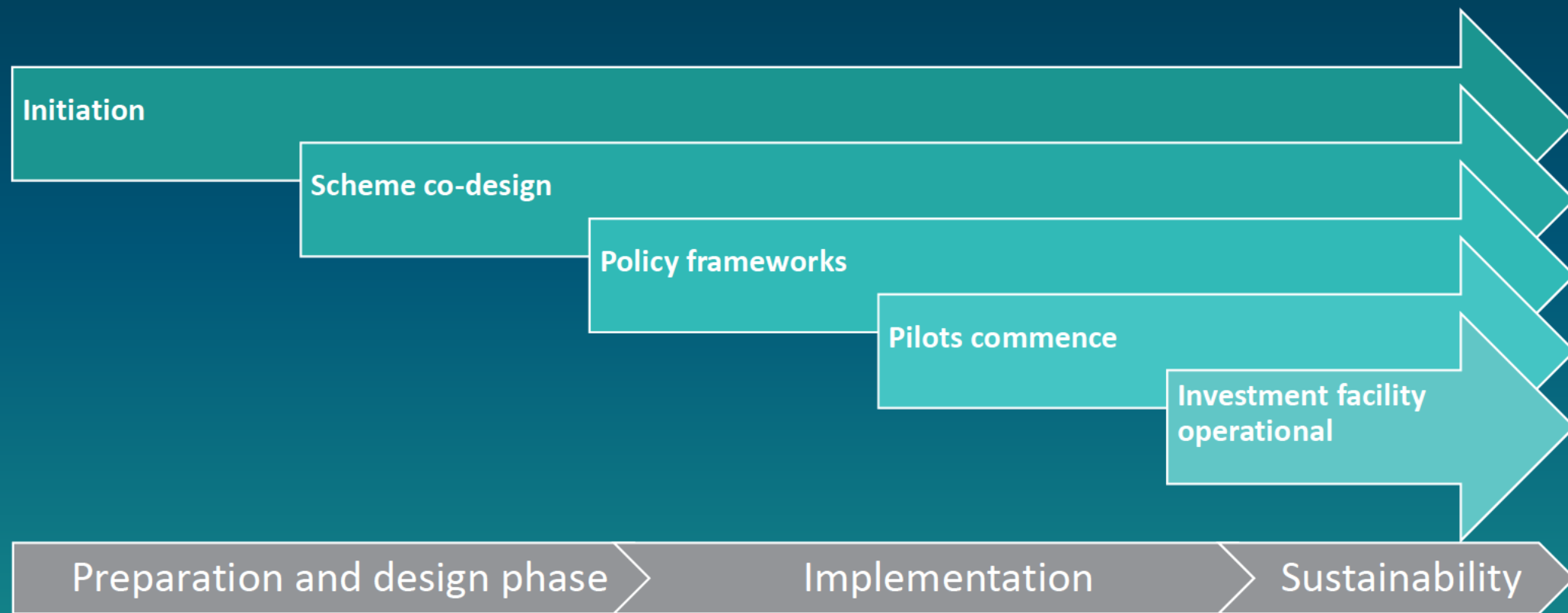
Purpose

Building regional capacity, supporting private investment
and delivering high-integrity offsets

Approach

Voluntary action under Article 6.2 of the Paris Agreement

Scheme phases



Regional partners



Strong relationships



Existing capacity



Available abatement and
interest in markets

Outcomes



Investment facility



High integrity credits



Community and environmental benefits



Australian Government

**Department of Industry, Science,
Energy and Resources**

Indo-Pacific Carbon Offsets Scheme Workshop

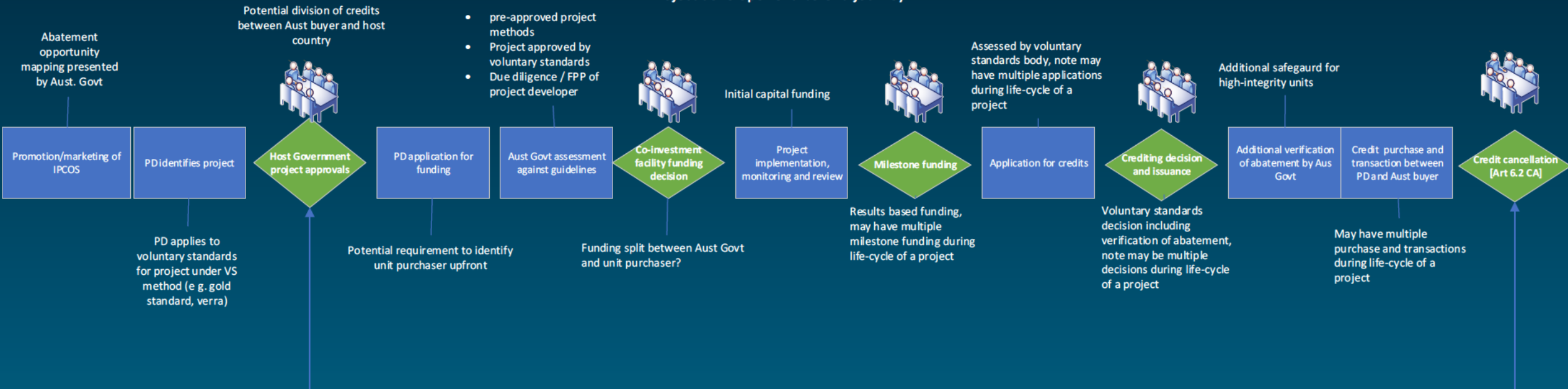
Supporting economic growth and job creation for all Australians | industry.gov.au

Today's workshop Agenda

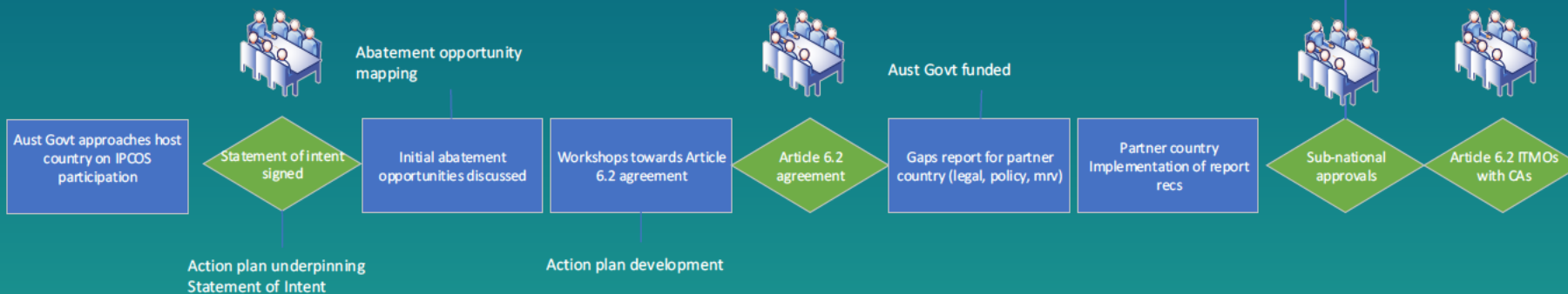
Item#	Item	Speaker	Time
1	Welcome and housekeeping	CMI	2.30pm
2	IPCOS high-level user journey discussion	s22 Senior Policy Officer, Markets and Partnerships, DISER	2.35 pm
3	Scheme design principles discussion	s22 Senior Policy Officer, Markets and Partnerships, DISER	3.15 pm
4	Technical consultation process and & timeline discussion	s22 Assistant Manager Markets and Partnerships, DISER	4.00 pm
5	Final comments and next steps	s22 Assistant Manager Markets and Partnerships, DISER	4.45 pm
6	Close	CMI	5.00 pm

Item 2: IPCOS user journey

Project developer end-to-end journey



Partner countries trading under Article 6.2 end-to-end journey



Item 3: Principles

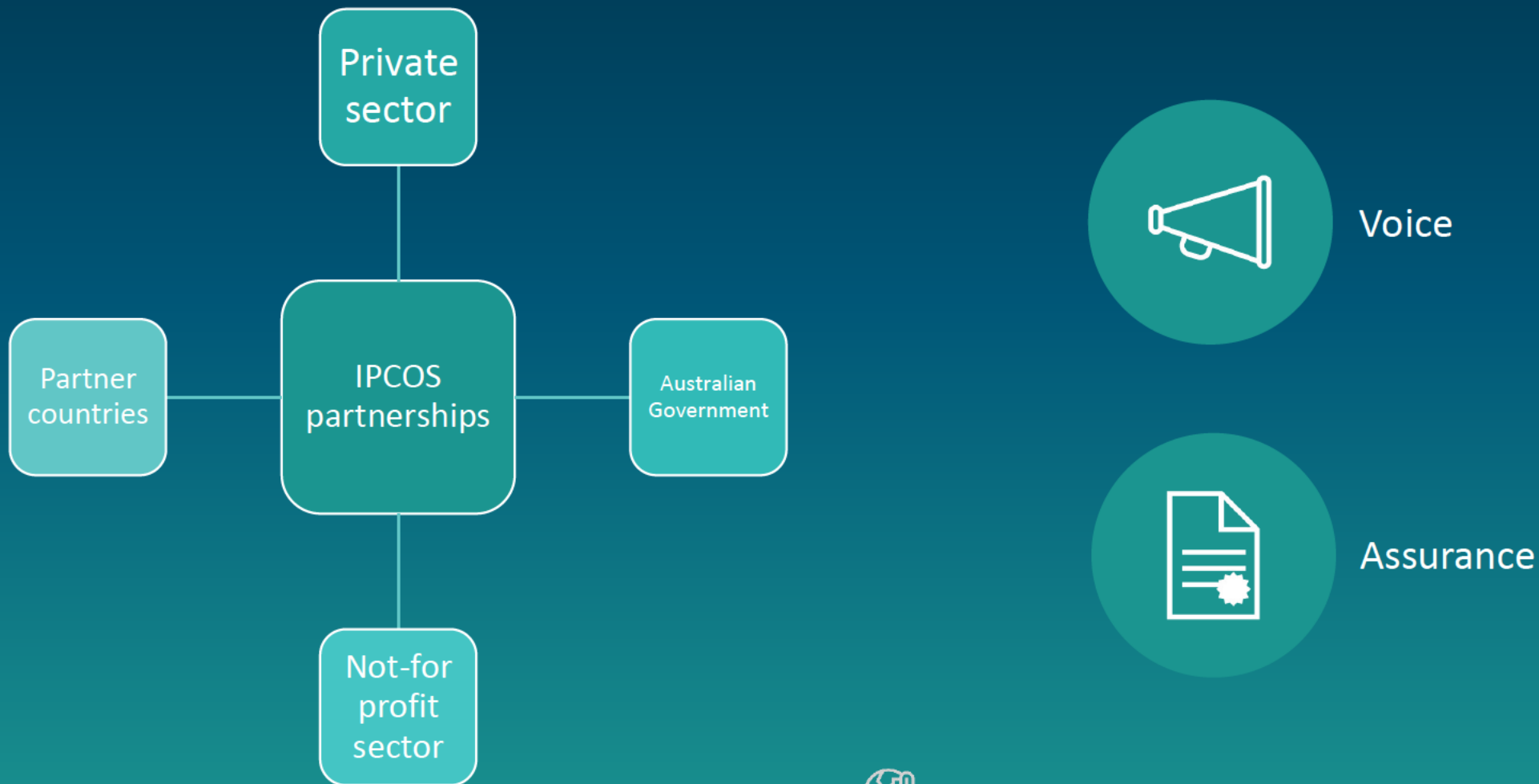
**1. Transparent
and inclusive
governance**

**2. Aligned with
Paris Agreement
and SDGs**

**3. Responsibility
and cooperation
among parties**

**4. High-integrity
offsets**

1. Transparent and inclusive governance



2. Aligned with the Paris Agreement and SDGs



3. Responsibility and cooperation amongst parties



Responsibility



Existing knowledge and information

4. High-integrity offsets

Social and environmental safeguards

Real, measured, reported and independently verified abatement

No advanced or retro-active crediting

Reporting is accurate, conservative, and timely

Permanent abatement with risk assessments and treatments

Projects must be additional and not already required by law

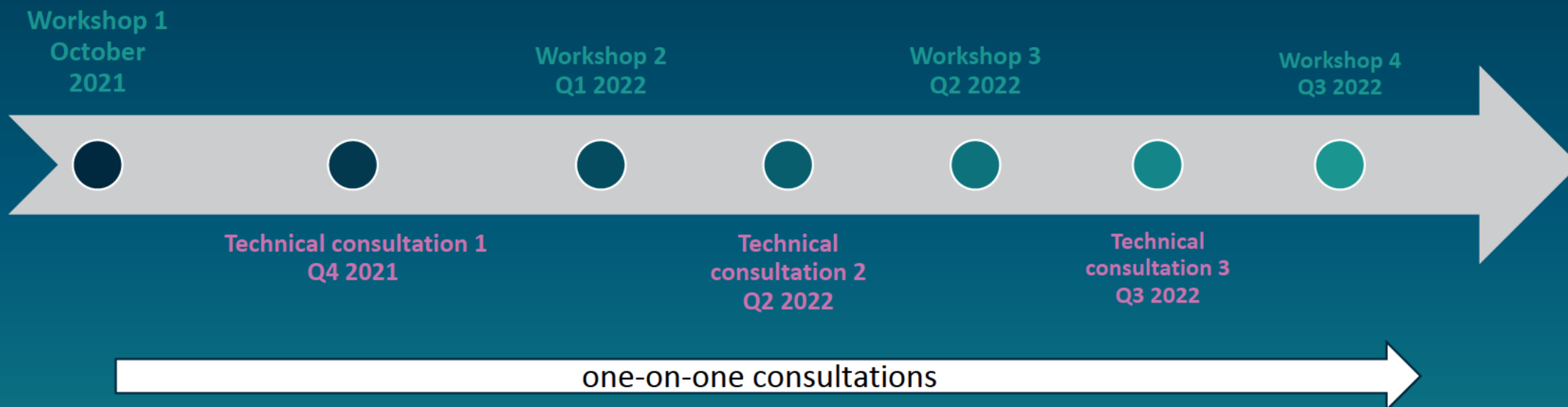
Leakage should be assessed, treated, and monitored with necessary deductions

No fraudulent creations or transactions

Item 4: Workshops approach and timeframes

- Consultations over 12 months (Oct 2021 – Sept 2022)
- Larger workshops every 3 months to build scheme design/guidelines
- Smaller technical consultations and one-on-one's in between larger workshops
- Two tracks of consultation: industry/stakeholders and Govt-to-Govt
- Public consultation on scheme guidelines second half of 2022
- Minister for Industry, Energy and Emissions Reduction will approving guidelines after public consultation

Item 4: Workshops approach and timeframes



Item 4: workshops approach and timeframes

- **Scheme guidelines** covering key elements
 - Workshop 2: Project eligibility and scheme integrity
 - Workshop 2: Social and environmental safeguards
 - Workshop 3: Gateway mechanism (validation of unit issuance)
 - Workshop 3: Pathway of units into Australia and corresponding adjustments
 - Workshop 4: Preferred models for co-investment

Item 4: workshops approach and timeframes

Technical consultations likely on:

- Interactions between IPCOS and voluntary standards (e.g. project registration, implementation, monitoring, verification, crediting)
- Applying for project funding and mechanisms for funding
- Australian National Registry of Emissions Units modifications

Govt-to-Govt consultations on:

- Host country priorities for capacity building and abatement opportunities
- Article 6.2 agreements
 - ITMOs and Corresponding Adjustments

Item 5: Next steps

- COP 26
- Take on board your input and feedback
- Locking in first technical workshop
- Bring group back together for next workshop in Q1 2022
- Team contact details:
 - climatepartnerships@industry.gov.au
 - s22 [redacted]@industry.gov.au
 - s22 [redacted]@industry.gov.au
 - s22 [redacted]@industry.gov.au
 - s22 [redacted]@industry.gov.au



IPCOS introductory webinar | workshop one summary report

Introductory Webinar

An introductory webinar to the Indo-Pacific Carbon Offsets Scheme (IPCOS) was held via Zoom online videoconference on Tuesday 19th October 2021. 51 attendees joined, from a total of 61 invitees. Refer to Appendix 1 for the full list of webinar attendees.

The following items have been made available separately for use by the DISER team, including internal use and sharing as relevant:

- Webinar recording, available to [view and download here](#), using password: *IPCOS2021*; and
- Full webinar slides, including both DISER and CMI presentations.

Webinar Agenda

1:00pm	Welcome Housekeeping Acknowledgement of Country	s22
1:05pm	Opening Comments	David Higgins
1:15pm	Private Sector Investment in Nature-Based Solutions	s22
1:35pm	IPCOS Presentation	s22
1:45pm	Facilitated Q&A with DISER Team & Next Steps	s22
2:15pm	CLOSE	

Presenters and Panellists

Department of Industry, Science, Energy and Resources:

- David Higgins
- Katie Eberle
- s22
- s22
- s22

Carbon Market Institute:

- s22
- s22

Webinar Attendee Questions

- Will partners be expected to be private sector only or could you also look to partners with NGOs, other government development agencies, etc.?
- What is the timeline for implementation of IPCOS?
- When will the co-investment facility be ready to deploy capital into the pilot projects? Is the Department thinking 2022, 2023 or later?
- Will IPCOS purely pursue nature-based solutions or will other project types (e.g. renewable energy) be considered?
- What level of analysis has been done and has been planned for sovereign risk management specifically in relation to (i) permanence and (ii) return on investment for international investors?



IPCOS introductory webinar | workshop one summary report

- Has there been any consultation with European development banks on how they approached providing risk capital and climate finance, and capacity building who have over a decade of experience building similar frameworks in Asia etc.
- Verification of 'co-benefits' can be done under the SDG reporting framework
- Verification of 'co-benefits' can be done under the CBVF which has been recognised by the Australian Human Rights Commission as best practise and Queensland Government
- What will the considerations be for inside and outside scope of NDCs, noting 6.2 may potentially be only for inside scope and the scale of abatement in this context?
- Noting the aim for delivering high integrity mitigation outcomes, how will the challenge of permanence be bridged in the land sector – noting a 5 year scheme commitment initially?
- Is there any planning being done in relation to infrastructure to help scale the market and standardise the market access?
- Is the aim to support the ACCUs market for compliance with the safeguarding mechanism or purely for voluntary use?
- How will IPCOS interact with Australia's NDC commitments, given Art 6.2 is government to government?
- What role do you envisage for corporates in capacity building in the region – are there specific areas in particular that you think would be useful for us to focus on?
- Adding to the commentary on sources of verification for co-benefits, Accounting for Nature has a licensed, verified and third party audited scheme in place which has also been backed by the Queensland Government. This system will provide certainty around projects creating biodiversity gains. Investment with no verifiable biodiversity gain does not equal a nature-based solution.
- There are a number of funds in the region looking for feasible projects, with investors looking for opportunities including impact investors. Will this facility be taking a different approach to increase the feasibility apart from just financial de-risking?



IPCOS introductory webinar | workshop one summary report

Design Workshop

Following the introductory webinar, a smaller group was invited to participate in a subsequent workshop, also facilitated through Zoom on the 19th October 2021. 36 participants joined, from a total of 36 invitees (noting that not all attendees remained in the session for the full meeting). Refer to Appendix 2 for the full list of workshop attendees.

Workshop Agenda

2:30pm	Welcome Housekeeping	s22
2:35pm	High Level User Journey Discussion	s22
3:15pm	Scheme Design Principles Discussion	s22
4:00pm	Technical Consultation Process & Timeline Discussion	s22
4:45pm	Final Comments & Next Steps	s22
5:00pm	CLOSE	

Summary of Workshop Discussion

High Level User Journey Discussion

Interaction and Alignment with International Voluntary Standards

- Questions and discussion centered around the possible and anticipated interplay between IPCOS and international voluntary offset standards, such as Verra, Gold Standard, Plan Vivo and others. This included interaction DISER has had with, and interest from, such standard setting bodies to date.
- It was noted that these organisations are currently developing and/or evolving their policies and positions with relation to Article 6.2 eligibility, and that it will be important to ensure that IPCOS is aligned to, or at least not in tension with, these policies. The scheme design process will require continued consultation with such standard setting organisations, which are keen to remain engaged.
- It was also queried what the requirements will be for these standard setting organisations to ensure that they can be eligible under IPCOS, and how the interplay between multiple registries will be treated. Options tabled at this stage include creating a direct link between relevant registries, or ensuring cancellation of units in the relevant registry at the appropriate point in time.

Corresponding Adjustments and External Registries

- The prospect of double counting is pervasive, and all stakeholders seem to be in agreement that the treatment of corresponding adjustments will be crucial to the scheme's integrity. DISER noted that the capacity building element of the scheme design will include management of registry development and linkages to prevent double counting. As IPCOS-eligible credits will have corresponding adjustments, future consultations will need to delve into how these credits are tagged within the relevant registries to show that they have corresponding adjustments.
- It was articulated that this is important not only for scheme integrity, but also to provide clarity and assurance to corporate purchasers about the nature of their offsetting claims. Credit purchasers already grapple with this issue, hence ensuring simplicity in this aspect of the scheme will be essential in order to encourage demand uptake. For this reason it will be important to engage with demand side market participants further in future IPCOS consultations and workshops.



- Verra is currently working to develop technical integration of registries, with the rules for this expected to be finalised in early 2022. It was indicated that the Verra registry will include an additional indication of whether any given project has/can have corresponding adjustments.
- Gold Standard is also working with the Swedish Energy Agency on acquisitions under Article 6.2. It was not clear whether this includes establishing a framework, policy, or processes for corresponding adjustments – future consultations involving Gold Standard should seek to uncover more detail on this. In any case, it was stated that Gold Standard is working towards supporting schemes such as IPCOS. Gold Standard also currently has a consultation open on [Operationalising Article 6 and Enabling Responsible Claims](#).

Alignment with other Government Programs

- Participants were interested to know how the IPCOS design process could leverage other government programs and funding opportunities. This includes various DFAT private sector funding initiatives, and the Australian Non-Government Organisations Cooperation Program.
- It was questioned whether the early stages of the scheme design process could also see the provision of funding to support investment readiness through project feasibility, methodology identification, methodology development, and so on.

Integrity and Co-benefits

- There is indication that there is strong stakeholder support for the scheme's focus on integrity and the integration of co-benefits. It was noted that the host government countries DISER is currently in discussions with are also strong proponents for this.
- Regarding project assurance, the draft user journey indicates that the Australian Government would provide this (additional to the assurance already integrated into the relevant offsetting standard) – however it was pointed out that if the scheme is to ensure capacity building and a peer-to-peer knowledge sharing approach, this should be undertaken jointly by Australian and partner countries.
- More detail on integrity and co-benefits is provided in the Scheme Design Principles section below.

Host Countries and Guiding Investment

- Stakeholders are eager to learn of which host countries have been identified by the Australian Government, as this will enable them to target their project applications accordingly. It was indicated that more detail on this will be provided in the coming months.
- It was also suggested that DISER and IPCOS guide project developers as to the specific requirements of the host countries. For private investment to flow, it will be necessary to provide certainty and clarity, particularly with relation to sovereign risk and land tenure complexities for land sector projects.

Scheme Design Principles

Principle 1: Transparent and Inclusive Governance

- Workshop participants encouraged for there to be significant inclusion of a diverse range of non-government and private sector actors throughout the scheme design process, including establishment and administration of scheme governance frameworks that include private sector participation. Ultimately integrating this approach early on is expected to be beneficial in allowing for the Australian Government to phase-out its involvement over time.
- It was suggested that future workshops integrate a bottom-up approach at relevant stages – allowing for the perspectives of certain actors/groups to be spotlighted and drawn out.
- This will necessarily include representatives from various standard setting bodies as well. To further explore how IPCOS will ensure parity and alignment between the domestic ERF and IPCOS, it may also be valuable to conduct a workshop or group consultation with these bodies, the Clean Energy Regulator and Climate Active (both as a group and individually).



Principle 2: Aligned with the Paris Agreement and Sustainable Development Goals (SDGs)

- There is significant support for the scheme's focus on co-benefit outcomes additional to carbon outputs. Interest in carbon projects with co-benefits is growing, although there is no clear market consensus on how co-benefits should be treated. This includes not only the framework for measuring, verifying, and reporting on co-benefits, but also how they are monetised (if at all), and how this interacts with the carbon credit valuation. Use of SDGs as the only measure of success was debated.
- Leveraging the existing frameworks of Verra, Gold Standard, Plan Vivo and others was generally seen as efficient and logical. However, not all stakeholders saw the adoption of these frameworks as best practice, instead advocating for more localised consideration of co-benefits. A balance will need to be struck between aligning with one (or more) framework(s) that is already in use, globally applicable and recognised (e.g. SDVista), and creating a more localised approach to the treatment of co-benefits.
- This global/local tension will require significant further exploration in the upcoming consultations and workshops, to ensure a more integrated, less binary- approach. One view is that this Principle 2 is too limiting, should be expanded to consider other co-benefits not identified in the SDGs, should be more flexible as interest in co-benefits changes over time, and should allow for a more localised approach backed by (if not created by) local people.
- Conversely, representatives of the international carbon offsetting standard bodies have pointed out that their existing SDG-aligned co-benefits frameworks are not as prescriptive as they are often perceived to be. For example, the Gold Standard for the Global Goals framework (GS GG) requires co-benefits to be treated in a context specific way, involves local community engagement, enables local stakeholders to play a leading role in project development, allows for or ensures the provision of local expert opinion, and allows for locals to verify the co-benefit outcomes, further building local capacity.
- Verra's SDVista also allows for context specific treatment of co-benefits based on a project's type, the region and country in which it is undertaken. Further detail on this should be sought in subsequent IPCOS design discussions. It was also highlighted that it will be essential for IPCOS design to begin with the eligibility of methodologies rather than the application of co-benefits framework(s).
- In addition, such a strong focus on co-benefits leads to a cross-over between what is considered a 'carbon project' and what is considered an 'international development project'. It has been suggested that DISER should engage with other bodies operating in the international development sector ranging from local on-ground NGOs to regional bodies and multi-lateral development banks. This will allow for development best practices to be integrated into the scheme design. It is assumed however that this is already being considered through DISER's engagement with DFAT.
- It will be necessary to explore to what extent the scheme design process should engage with international development experts, and to what extent such voices need to be brought into the IPCOS design workshops facilitated by CMI. Importantly, and central to the concepts of creating co-benefits, ensuring inclusivity and promoting capacity building, the application of a co-benefit standard(s) will need to integrate local knowledge and expertise.

Principle 3: Responsibility and Cooperation Amongst Parties

- There was limited discussion on this principle, but in general support for scheme design process to ensure shared responsibility and cooperation, and to draw on existing expertise in both Australia and host countries. The approach to the co-investment facility is supported in that it is aligned with this principle as well.
- Further detail will be required regarding responsibility and cooperation, including but not limited to responsibility for project integrity and ensuring no double counting.



Principle 4: High Integrity Offsets

- Further to the points made with relation to Principle 1 and 2, using a peer-to-peer strengths-based approach to all aspects of the scheme and project development is favourable and likely to bolster scheme integrity. The scheme will need to reflect community interests in order to be of high integrity and credibility – as well as to have high impact. It has been suggested that the IPCOS design process further engage with host/partner countries to seek to understand their own localised framings of social, environmental, cultural and other benefits and safeguards.
- It was highlighted that within carbon markets the discussion around co-benefits is often centred on ‘no net harm’, and that this should also be extended to focus on creating positive outcomes rather than just preventing negative ones.
- Workshop participants suggested that more detail be drawn out for Principle 4.

Consultation Process and Timeframes

Workshop 3

- Before progressing on IPCOS’s treatment of corresponding adjustments, it will be necessary to await the finalisation of Article 6 negotiations, and the subsequent alignment of all voluntary standards to the final agreement on Article 6.
- It is logical to discuss the added layer of verification in Workshop 3 following on from Workshop 2 – it will be beneficial to explore the environmental and social safeguards topic first.

Other inclusions

- It will be necessary to discuss MRV at some point, noting that it would be suitable to leverage existing voluntary standards. It will be essential to build in a sufficient level of flexibility at the meta level to allow for an independent body to take over the facility at a later date.



Appendix 1: Registered Webinar Attendees

s22

Organisation
Clean Energy Regulator
Sustineo
EY
Carbon & Clean Energy Solutions
HSBC
Pollination
Jarden
Tasman Environmental Markets
Carbon Market Institute
The Australian National University
Norton Rose Fulbright
Director
Origin
APPEA
Department of Foreign Affairs and Trade
Aboriginal Carbon Foundation
Corporate Carbon
Comhar Group Pty Ltd
Climate Friendly
IETA
IETA
New Forests
Fiji Ministry of Economy
Ministry of Economy
BHP
Department of Foreign Affairs and Trade
Woodside Energy Ltd.
Baker McKenzie
DISER
Ministry of Economy



s22

Clean Energy Regulator
KPMG
SustainCERT
Carbon Growth Partners
Verra
South Pole
Woodside
Dept of Industry, Science, Energy & Resources
ClimateWorks
CCA
PNG Office of Climate Change and Development
AIGN
CO2 Australila
Climate Change Authority
bp Australia
CBL Markets
Point Advisory
We Act Pty Ltd
Mullion Group
ANZ
Market Advisory Group



Appendix 2: Registered Workshop Attendees

s22

Organisation
Clean Energy Regulator
Sustineo
Carbon & Clean Energy Solutions
Tasman Environmental Markets
Carbon Market Institute
Carbon Market Institute
The Australian National University
Norton Rose Fulbright
Director
DISER
Department of Foreign Affairs and Trade
DISER
Aboriginal Carbon Foundation
Corporate Carbon
Comhar Group Pty Ltd
DISER
Carbon Market Institute
The Nature Conservancy
Ministry of Economy
Department of Foreign Affairs and Trade
Baker McKenzie
DISER
Ministry of Economy
Clean Energy Regulator



s22

Carbon Growth Partners
Verra
DISER
PNG Office of Climate Change and Development
bp Australia
DISER
CBL Markets
Point Advisory
We Act Pty Ltd
Mullion Group
DISER
Market Advisory Group



AGENDA

Tuesday 19th October 2021
 1:00pm – 5:00pm (AEST)
 via ZOOM

Introductory Webinar	
1:00pm	Welcome & Opening Comments CMI PRESENTATION Private Sector Investment in Nature-Based Solutions DISER PRESENTATION Indo-Pacific Carbon Offsets Scheme Q&A Session Next Steps
2:15pm	CLOSE

15 MINUTE BREAK

Scheme Design Workshop	
2:30pm	Welcome Housekeeping
2:35pm	High Level User Journey Discussion
3:15pm	Scheme Design Principles Discussion
4:00pm	Technical Consultation Process & Timeline Discussion
4:45pm	Final Comments & Next Steps
5:00pm	CLOSE

General Notes:

- Webinar will be recorded.
- Workshop will be run under chatham house rule.

Webinar and Workshops are accessed by separate zoom links provided to you via separate calendar invites. Please contact [s22](mailto:s22@carbonmarketinstitute.org) [@carbonmarketinstitute.org](mailto:s22@carbonmarketinstitute.org) if you haven't received one or both calendar items.



Attendees

s22

Organisation
Clean Energy Regulator
Sustineo
Carbon & Clean Energy Solutions
Tasman Environmental Markets
Carbon Market Institute
Carbon Market Institute
The Australian National University
Norton Rose Fulbright
Pollination Group
Department of Industry, Science, Energy & Resources
Department of Industry, Science, Energy & Resources
Department of Industry, Science, Energy & Resources
Department of Industry, Science, Energy & Resources
Aboriginal Carbon Foundation
Corporate Carbon
Comhar Group
Department of Industry, Science, Energy & Resources
Carbon Market Institute
The Nature Conservancy
Fiji Ministry of Economy
Department of Foreign Affairs and Trade
Baker McKenzie
Department of Industry, Science, Energy & Resources
Fiji Ministry of Economy
Clean Energy Regulator
Carbon Growth Partners
Verra
Department of Industry, Science, Energy & Resources



s22

PNG Office of Climate Change & Development
BP Australia
Department of Industry, Science, Energy & Resources
CBL Markets
Point Advisory
We Act
Mullion Group
Department of Industry, Science, Energy & Resources
Market Advisory Group