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Professor Ian Chubb AC FAA FTSE

Chair

Independent Review of Australian Carbon Credit Units

c/- Department of Climate Change, Energy, the Environment and Water
GPO Box 3090
CANBERRA ACT 2601

Submitted via email: ACCUreview@dcceew.gov.au

Dear Professor Chubb

INDEPENDENT REVIEW OF AUSTRALIAN CARBON CREDIT UNITS

Woodside Energy Group Ltd and the members of its corporate group (Woodside) welcome the opportunity to provide feedback to the Independent Review of Australian Carbon Credit Units (ACCUs) (the Review).

As noted in our April 2022 response to the Climate Change Authority (CCA) consultation paper on its Review of International Offsets, Woodside believes that offset units such as ACCUs play an important role in greenhouse gas (GHG) emissions reduction. At the same time, we recognise that the Government's Emissions Reduction Fund (ERF) Scheme needs to be considered at regular intervals to retain and build confidence in markets. As such, we welcome the Review.

Woodside provides energy that the world needs to heat and cool homes, keep lights on and support industry. On 1 June 2022 Woodside and BHP Petroleum merged to create a leading independent global energy company. The merged portfolio includes assets and interests in a range of locations and regulatory jurisdictions including Australia, US, Trinidad and Tobago, Senegal, Timor-Leste, Canada and Mexico.

Woodside aims to build a low-cost, lower-carbon, profitable, resilient and diversified portfolio towards our aspiration of net zero by 2050 or sooner¹. Woodside's climate strategy involves reducing our net equity Scope 1 and 2 greenhouse gas emissions, with targets of 15% by 2025 and 30% by 2030. We are also targeting investment of US\$5 billion by 2030 in new energy products (such as hydrogen and ammonia) and lower-carbon services (such as CCUS - carbon capture, utilisation and storage) that our customers need as they reduce their emissions². Our 2021 progress towards Scope 1 and 2 targets was recently verified as part of the Clean Energy Regulator's (CER) Corporate Emissions Reduction Transparency (CERT) report, for which we were the only upstream energy company to voluntarily participate in the pilot phase.

Woodside's approach to achieving our net equity Scope 1 and 2 GHG emissions reduction targets is to:

1. Avoid greenhouse gas emissions through the way we design our assets;
2. Reduce greenhouse gas emissions through the way we operate our assets; and
3. Originate and acquire offset units for the remainder, where emissions from within Woodside's business are balanced by reduction or removal of GHG emissions elsewhere.

¹ Target is for net equity Scope 1 and 2 greenhouse gas emissions, relative to a starting base of the gross annual average equity Scope 1 and 2 greenhouse gas emissions over 2016-2020 and may be adjusted (up or down) for potential equity changes in producing or sanctioned assets with an FID prior to 2021.

² Individual investment decisions are subject to Woodside's investment hurdles. Not guidance. Potentially includes both organic and inorganic investment.

Woodside's carbon market experience and approach

Woodside currently holds equity in six operated and non-operated oil and gas facilities that are regulated under the Safeguard Mechanism (SGM)³. Our ACCU portfolio is sourced from a diverse selection of ERF projects using Vegetation, Savanna Burning, and Waste methods under the ERF Scheme. We also acquire offsets from Voluntary Carbon Markets (VCM) internationally for our corporate targets.

Woodside originates offsets and is the registered project proponent of seven ERF projects (using Vegetation methods). Our first origination project was initiated in 2008 in conjunction with Pluto LNG, where we partnered with CO2 Australia on one of Australia's first native tree planting programs for the purpose of carbon farming. Since 2020, we have planted more than 5,200 hectares of land, using the Environmental Planting method under the ERF scheme. These recent plantings are estimated by Woodside to have the potential to sequester about 1,100,000 tonnes of CO₂-e over 25 years.

Our approach to building our offsets portfolio is intended to manage the risk of future changes to the cost, availability and regulatory framework for offsets, by developing a diverse portfolio differentiated by vintage, methodology and geography. We retire offsets annually to meet our net equity Scope 1 and 2 GHG emissions reduction targets.

Woodside recognises that offsets must be scientifically verified and accurately accounted for using robust methodologies. We undertake due diligence in relation to the underlying abatement projects. We also assess the relevant method issued by either the CER or relevant VCM standard in selecting units to retire or surrender to offset our emissions.

With respect to VCM projects, further project-specific information can be made publicly available by the relevant registry. This project-specific information can assist buyers, such as Woodside, and independent ratings agencies, such as Sylvera and BeZero, to assess the GHG abatement integrity of a specific project.

Specific to international VCM projects, Woodside has used offsets accredited by two independent non-government organisations, Verra and Gold Standard. Verra's Verified Carbon Standard (VCS) Program is the world's most widely used voluntary GHG program. Over 1,808 projects have been certified under the Program and close to 1 billion units have been issued through its registry.⁴ Gold Standard was established in 2003 by WWF and other international NGOs with a stated objective of ensuring projects that reduced carbon emissions featured the highest levels of environmental integrity and contributed to sustainable development.⁵

In addition to direct GHG emission reduction activities, offsetting activities have the potential to deliver benefits including: biodiversity and natural capital protection, First Peoples and general local employment, and local content opportunities in regional communities.

In Australia, Woodside has been advised by Nativ Carbon that 35% Indigenous participation was reached on its two most recent planting projects, 10% above target. Woodside also has a collaboration with the Badgebup Aboriginal Corporation, based in Western Australia's Wheatbelt region. Starting in 2019 with seed collection training, the collaboration has since expanded to direct planting contracts and direct partnership of the Merintj Program, which aims to facilitate transfer of cultural knowledge from Elders to young people.

Review feedback and recommendations

Woodside's comments are informed by our perspectives as an operator of SGM facilities, an investor in ERF projects and a purchaser of offsets via carbon markets to meet our regulatory and corporate targets.

The ERF scheme in its current form incorporates many of the common key integrity attributes found in other schemes operating in compliance and voluntary markets⁶.

³ Per [Safeguard facility reported emissions 2020-21 \(cleanenergyregulator.gov.au\)](https://www.cleanenergyregulator.gov.au) list: APU01- Pyrenees AOA Facility, Gippsland Basin Facility, North West Shelf Project, Pluto LNG, Vincent Project Venture, Wheatstone Operations.

⁴ [Verra Search Page https://registry.terra.org/app/search/vcs/bcus](https://registry.terra.org/app/search/vcs/bcus)

⁵ [FAQs | The Gold Standard](#)

⁶ [Explainer-Integrity-in-Australias-Carbon-Market.pdf \(carbonmarketinstitute.org\)](#)

As demand for ACCUs is expected to increase, Woodside considers a targeted and planned approach is optimal to maintain market confidence and stability. Reform proposals could be considered and prioritised for their ability to deliver the following outcomes:

- Supply-side integrity to support public assessment of GHG integrity and ESG performance
- Preparedness for Article 6 of the Paris Agreement
- GHG abatement, and corresponding increase in ACCU issuance, through incentivisation or reducing barriers to entry for ERF projects.

In line with these desired outcomes, we ask that the Review Panel consider the following recommendations:

Recommendation 1 – prioritise the application of international transparency standards to the ERF Scheme

Noting the findings in the CCA's *Review of International Offsets* report (CCA Report) that Gold Standard and Verra were the leading international offset schemes for governance⁷, Woodside supports the application of these existing standards for offset validation.

The below table proposes key elements for public disclosure, using examples from Verra. Public availability of this information would also align with the newly-formed Integrity Council for the Voluntary Carbon Market Core Carbon Principles for Program Governance and Mitigation Activity Information requirements⁸.

Element	Verra examples
Project design, and registration documentation	<ul style="list-style-type: none"> • Project Design Documents prepared by the Project Proponent - which describe the project's GHG emission reduction or removal activities. All information in the project description document is presumed to be available for public review, though commercially sensitive information may be protected, where it can be demonstrated as set out in the VCS Program document Registration and Issuance Process that such information is commercially sensitive. • Information in the project description related to the determination of the baseline scenario, demonstration of additionality, and estimation and monitoring of GHG emission reductions and removals is not considered to be commercially sensitive and must be provided in the public versions of the project description. • Validation Reports, being the independent assessment of the project by a validation/verification body that determines whether the project complies with the VCS Program rules.
Project compliance documentation	<ul style="list-style-type: none"> • Monitoring Reports prepared by the Project Proponent - which describes the data and information related to the monitoring of GHG emission reductions or removals over a specific period. • Verification Reports by a validation/verification body document the periodic ex-post independent assessment of the GHG emission reductions and removals that have occurred as a result of the project during the monitoring period, conducted in accordance with the VCS Program rules.
Unit issuance, retirement and claims documentation	<ul style="list-style-type: none"> • Verra VCS Project Registry sets out the registry of units issuances, and retirements per project • Verra Verified Carbon Unit (VCU) Registry includes public disclosure of: <ul style="list-style-type: none"> ○ the total volume of units issued and retired (and the buffer pool volume) as well as issuance and retirements per project. ○ within unit retirements, the beneficial owner and offset allocation.
Complaints and appeals process	<ul style="list-style-type: none"> • Accessible public complaints and appeals processes relating to project registration and issuances.

⁷ CCA 2022: <https://www.climatechangeauthority.gov.au/sites/default/files/2022-08/Review%20of%20International%20Offsets%20-%20Report%20-%20August%202022.pdf>, accessed online 31 August 2022

⁸ <https://icvcm.org/public-consultation/#key-resources> – "Mitigation activity information: The carbon-crediting program shall provide comprehensive and transparent information on all credited mitigation activities. The information shall be publicly available in electronic format, and scrutiny of mitigation activities shall be accessible to non-specialised audiences. Section 6 of Assessment Framework and section E of Summary for Decision-Makers"

We also recommend that the ANREU adopts the Verra and Gold Registries' practice not to publish the individual account holding details.

Public access to project registration, issuance information and a complaints process can provide additional opportunity for investors, ACCU market purchasers, independent ratings agencies and non-government organisations to form their own views in relation to project integrity. In this way, facilitating a secondary level of oversight of ERF project integrity may assist the regulatory authority.

Recommendation 2 – prioritise delivery of Article 6 through relevant bilateral arrangements and updates to domestic institutional, regulatory and strategic frameworks

At the COP26 United Nations Climate Change Conference, world governments agreed to progress the rules for international carbon offset trading through Article 6 of the Paris Agreement. Woodside welcomes this outcome as a potential step towards broad acceptance of the use of offsets in delivering against climate ambition.

A focus on developing bilateral and multilateral arrangements for the utilisation of international carbon markets has the potential to accelerate rulemaking, simplify trade interactions and bolster overall ambition.

Several of Woodside's key LNG customers and their host countries (Japan through JCM, the Joint Crediting Mechanism, and South Korea) are already utilising the international carbon market to incentivise nearer-term emission reductions. Prioritising Article 6 through relevant bilateral arrangements would be another important way to demonstrate integrity of the ERF framework and give confidence to Australia's trading partners regarding the use of offset units by Australian exporters.

The international trade of offset units through Article 6 will require additional responsibilities such as an assessment of suitable units, bilateral negotiation, accounting of import and exports of units as well as monitoring and compliance. Woodside supports the CCA Report's recommendations to update Australia's institutional and regulatory frameworks for participation in Article 6 and publish a National Carbon Market Strategy that sets out the steps and outlines progress.

Measures to improve transparency and data access as described in Recommendation 1 may also help mitigate the risk that the ACCU market is downgraded upon linkage to international markets.

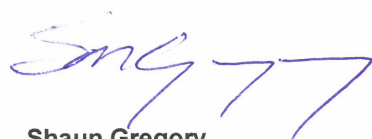
Recommendation 3 –ensure open and transparent stakeholder engagement ahead of implementing any change

Woodside considers that, although resource intensive, co-design approaches bringing together developers, academia and other stakeholders are likely to lead to the most widely used and enduring methods. We commend the increasing emphasis on co-design for open-source methods in the CER's method development processes.

The six Offset Integrity Standards (OIS) provide a stable foundation for developing methods and the Emissions Reduction Assurance Committee applies them consistently. An OIS awareness and education campaign and materials that target current and future proponents may assist in improving the supply of high-integrity ERF projects.

Woodside welcomes the Review Panel's consideration of the matters raised in this response. We would appreciate an opportunity to engage with the Review Panel and provide further detail.

Yours faithfully



Shaun Gregory
Executive Vice President
New Energy