Explanatory Note to Amendment sheet 7586
Carbon Farming Initiative Amendment Bill 2014
Strategic Reserve
(Circulated by authority of Senator Xenophon)

The provisions set out amendments to the *Carbon Credits (Carbon Farming Initiative) Act 2011* (CFI Act) and the *Australian National Registry of Emissions Units Act 2011* (ANREU Act) that provide powers for the Commonwealth to establish a strategic reserve of emissions units. The purpose of the strategic reserve is to purchase international emissions units to help Australia meet its international climate change targets.

**Division 1—Strategic reserve of emissions units**

*Carbon Credits (Carbon Farming Initiative) Act 2011*

- The provisions establish a power for the Clean Energy Regulator (the Regulator) to enter into contracts to purchase strategic reserve units on behalf of the Commonwealth [Item 399C, part section 284B].
  - Strategic reserve units are units issued in accordance with the Kyoto Protocol (*Kyoto units*). Certain types of Kyoto units may be excluded from the strategic reserve if they are listed in legislative rules [Item 399B, section 5 and Item 399C, section 284B].
- The Regulator may only purchase strategic reserve units if they are directed by the Minister [Item 399C, section 284B]. In giving such a direction, the Minister must have regard to:
  - Australia’s obligations under international climate change agreements;
  - Australia’s undertakings concerning the reduction of greenhouse gas emissions that Australia has given under international climate change agreements;
  - the total amount of carbon abatement contracted by the Government under the Emissions Reduction Fund;
  - Australia’s current and future climate change targets; and
  - ensuring the value for money of funds expended under the strategic reserve.
- The Regulator may not spend more than $500 million in purchasing strategic reserve units [Item 399C, section 284B(5)].
- Legislative rules can set out requirements for the technical operation of the Reserve, including the treatment of units in the Registry to provide for consistency with Australia’s international obligations, including international accounting frameworks [Item 399C, section 284D].
- The Regulator must publish in its annual report the total number of strategic reserve units that were purchased or sold by the Commonwealth and other information specified in legislative rules [Item 399C, section 284G].
Division 2—Consequential amendments

*Australian National Registry of Emissions Units Act 2011*

- The Bill provides a power to the Commonwealth to open an account in a foreign registry to facilitate the purchase of international units [Items 399D-399E, section 4 and section 86A].