

# Sustainability

## Carbon markets enter a new phase

**The Clean Energy Regulator (CER) has published its latest quarterly carbon market report for Q4 2024.** The report offers a look at the dynamics influencing Australia's carbon market, particularly in terms of how the Safeguard Mechanism is impacting demand for Australian Carbon Credit Units (ACCUs).

The Safeguard Mechanism is a core pillar of Australia's climate policy and essentially applies a declining cap to very large industrial emitters. If these Safeguard facilities do not achieve the required reductions through direct abatement, they must manage their excess emissions, which can be done by purchasing an equivalent amount of ACCUs.

Australia's carbon market has been transitioning towards Safeguard facilities being the main source of demand for ACCUs, instead of government and the voluntary private sector, following reforms to the scheme in 2023.

**With the vast majority of carbon credit supply generated from land-based projects, the performance of carbon markets can influence how landholders choose to manage eligible carbon removals.**

The CER's report found high levels of activity in the ACCU market in 2024. Holdings by Safeguard facilities have grown significantly in anticipation of the first compliance deadline under the reformed scheme of 1 April 2025, as well as expected obligations in future years. Around 60% of ACCU holdings are estimated by the CER to be held by Safeguard-related entities.

The report also found that 153 of the 215 covered facilities had emissions higher than their baselines. **For many Safeguard facilities, direct emissions reductions can be capital intensive or face technological challenges so it can be more cost effective, particularly in the short term, to purchase offsets from the market.**

The building of ACCU reserves has been supported by strong supply, with 18.8 million ACCUs issued in 2024 and the CER expecting 2025 issuances of 19m to 24m. In terms of demand, the CER estimates that 9.4 Mt CO<sub>2</sub>e of excess emissions will require management for the 2023-24 reporting year.

**Over the longer term, as implementation of the Safeguard Mechanism progresses, factors like growing compliance costs and a lack of new ACCU project methods could lead to a more limited supply.**

### What to watch:

- **The Science Based Targets initiative (SBTi) has launched a second version of its Corporate Net-Zero Standard for consultation** – The draft highlights potential changes in the requirements to set credible emissions reduction targets, including a focus on action, rather than ambition, and new options for addressing scope 3 emissions reductions.



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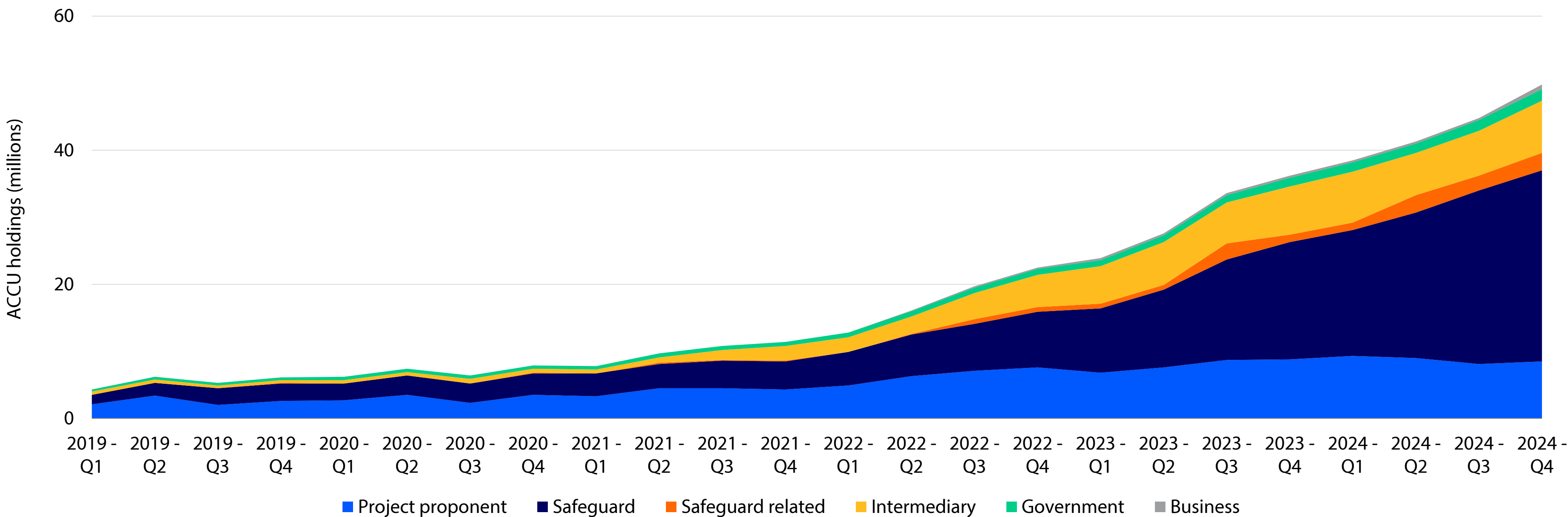
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Strong ACCU supply meets emerging demand from Safeguard facilities

Industrial emitters build ACCU holdings to prepare for compliance obligations under the Safeguard Mechanism



Source: Clean Energy Regulator, RaboResearch 2025