Department of Climate Change, Energy, the Environment and Water

Guide to carbon offsets for general government sector agencies

Net Zero Government Operations Policy

December 2025

Acknowledgment of Country

Department of Climate Change, Energy, the Environment and Water acknowledges the traditional custodians of the land and pays respect to Elders past, present and future.

We recognise Australian Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships to place and their rich contribution to society.

Artist and designer Nikita Ridgeway from Aboriginal design agency – Boss Lady Creative Designs, created the People and Community symbol.

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Contents

Introduction

NSW has legislated long-term objectives to achieve net zero greenhouse gas emissions by 2050 and make our state more resilient to a changing climate. The *Climate Change (Net Zero Future) Act 2023* mandates the NSW Government to pursue best practice in addressing climate change.

The NSW Government sector is responsible for about 3% of NSW's greenhouse gas emissions, with around half of that coming from the general government sector.[1] The Net Zero Government Operations (NZGO) Policy encourages general government sector agencies with 100 or more staff to reduce their emissions. This involves reducing Scope 1[2] and Scope 2[3] greenhouse gas emissions by 50% by 2030 (on 2018-19 levels) and 70% by 2035, and to net zero by 2050. Under the NZGO Policy, agencies must have long-term net zero transition plans in place and must report on these plans annually. When they develop and implement their transition plans, agencies should consider whether and when it is appropriate for them to use carbon offsets.

This guide is the first high-level iteration of a carbon offsets policy for general government sector agencies as required under Action 3 of the NZGO Policy. It is intended to assist agencies that wish to purchase and retire carbon credits to offset their residual emissions as part of their net zero transition plan. The use of carbon offsets is voluntary for general government sector agencies, but agencies should consider the guide if they choose to use offsets when transitioning to net zero emissions.

The guide also foreshadows a central carbon offsets management system for general government agencies. The NSW Department of Climate Change, Energy, the Environment and Water (DCCEEW) and NSW Treasury will develop options for such a system and consult agencies on its design and functions in 2026.

Agencies are encouraged to use the Greenhouse gas emissions accounting and reporting guidelines for carbon accounting methodologies including boundary setting, baselining, data collection, emissions calculations and for detailed reporting guidance. The accounting and reporting guidelines also cover arrangements for offsetting Scope 2 emissions (purchase of renewable electricity).

Finally, this document excludes guidance to agencies wishing to pursue carbon removals on their own land ('insetting'). It also does not provide specific guidance on how to offset Scope 3[4]

[1] General Government Sector agencies conduct policy, regulatory and service delivery functions (see NSW 2025-26 Budget Papers, Budget Paper No.4, p. (i), for principal departments and agency arrangements, https://www.budget.nsw.gov.au/sites/default/files/2025-06/bp4-agency-financial-statements-nsw-budget-2025-26.pdf).
[2] Direct greenhouse gas emissions from sources that are owned or controlled by agencies.
[3] Indirect greenhouse gas emissions from the generation of purchased electricity.
[4] Indirect greenhouse gas emissions in an agency's value chain, including upstream and downstream emissions.

emissions, as the NZGO Policy only addresses this emissions category from mid-2027. See the Appendix for related areas excluded from the guide.

State owned corporations are not formally covered by the NZGO Policy or this offsets guide. However, they may elect to adopt arrangements consistent with this guide. They may also opt into the central carbon offsets management system if and once established.

This guide will be reviewed within 18 months and then aligned with future reviews of the NZGO Policy. Reviews will be informed by agencies' insights from developing and implementing net zero transition plans.

An overview of the guide: the key steps

The following overview summarises the key steps and associated principles for agencies in deciding whether and how they should use carbon offsets as part of their net zero transition planning.

Steps and principles

Step 1: Use the emissions mitigation hierarchy to guide all net zero transition planning
The NZGO Policy requires agencies to reduce their Scope 1 and 2 emissions and develop a net zero transition plan to guide this. Agencies should consider the **emissions mitigation hierarchy** and reduce their emissions as far as reasonably practicable before purchasing carbon offsets to offset any hard-to-abate residual emissions. Agencies should consider the costs and benefits of the potential use of offsets as part of their transition planning, including the opportunity cost of any purchase decision.

Step 2: Consider the following when deciding to purchase carbon offsets
Where agencies elect to purchase offsets in line with their transition plan, they are encouraged to only procure Australian Carbon Credit Units (ACCUs), preferably those generated from projects located within NSW. For the purposes of this document, NSW-preferred ACCUs are called 'Tier 1 Offsets'.[5]

When selecting carbon offsets, agencies should assess ease of procurement and value for money. For example, there are a range of non-carbon co-benefits associated with ACCUs. These include social, cultural, economic and/or environmental benefits which can add value to an agency's investment in carbon offsets. By selecting carbon offsets associated with projects

[5] During consultations to develop the guide, some agencies stated they have existing portfolios of carbon offsets verified by Climate Active and accepted by the Australian Government. The experience of these agencies, and further consultations, will help in the design and development of a central management system for carbon offsets.

that include appropriate co-benefits, agencies may be able to achieve multiple policy objectives and goals.

Step 3: Ensure consistency with TPP20-08 Internal Audit and Risk Management Policy for the General Government Sector

The Internal Audit and Risk Management Policy is a mandatory policy prepared by NSW Treasury. The policy assists general government sector agencies to fulfil their legislative obligations under the *Government Sector Finance Act 2018* by outlining minimum standards for risk management, internal audit and Audit and Risk Committees.

Carbon credits and offsetting

What is a carbon credit

A carbon credit is a unit generated from a project that either stores or avoids the release of a certain quantity of greenhouse gas.[6] In Australia, the primary carbon credit unit is the Australian Carbon Credit Unit (ACCU). One ACCU represents one tonne of carbon dioxide equivalent (tCO_2-e) that would have otherwise been released into or stayed in the atmosphere.[7]

The ACCU Scheme was established by the Australian Government under the *Carbon Credits (Carbon Farming Initiative) Act 2011* and is regulated by the Clean Energy Regulator. It supports projects that avoid the release of greenhouse gas emissions or remove and sequester carbon from the atmosphere. Eligible ACCU Scheme projects include:

- changing the way vegetation is managed to store more carbon
- changing land management practices to avoid the release of greenhouse gas emissions
- installing new technology or upgrading equipment to reduce energy use or methane emissions.[8]

Figure 1 (next page) illustrates the 6-stage lifecycle of carbon offsets from design and registration of the carbon credit-generating project to purchasing and retiring the carbon offset.[9] In Australia, the Clean Energy Regulator oversees and regulates the project methodology, registration, monitoring, reporting and verification, and credit issuance for the ACCU Scheme. ACCUs can be bought, sold and retired by various parties, including state and territory governments.

[6] The Carbon Market Institute, Carbon Markets: An Overview, Fact Sheet 2, accessed 15 September 2025: https://carbonmarketinstitute.org/app/uploads/2021/06/CMI_Fact_Sheet_2_Carbon-Markets-101.pdf.
[7] The Clean Energy Regulator, About ACCUs, accessed 15 September 2025: https://cer.gov.au/schemes/australian-carbon-credit-unit-scheme/australian-carbon-credit-units.
[8] More information on the ACCU Scheme is available at the Australian Department of Climate Change, Energy, the Environment and Water's website, accessed 15 September 2025: https://www.dcceew.gov.au/climate-change/emissions-reduction/accu-scheme.
[9] Climate Change Authority (2022), Review of International Offsets report, accessed 15 September 2025: https://www.climatechangeauthority.gov.au/publications/2022-review-international-offsets.

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Figure 1 The lifecycle of a carbon offset[10] (Climate Change Authority, 2022)

Emissions reduction versus carbon sequestration

Offsets are generated through two methods: **emissions reduction** and **carbon sequestration.** Both methods lead to a lower concentration of greenhouse gases in the atmosphere. Figure 2 (following page) provides an overview of how offsets can be generated.

Emissions reduction offsets

Emissions reduction offsets involve preventing the release of greenhouse gases into the atmosphere. This is typically achieved through projects or activities that directly reduce emissions from their source. These can be further broken into 2 types:

1. **Emissions reduction offsets generated without carbon storage** (Figure 2, Type 1) include projects that avoid emissions and have an immediate effect. Examples include improving

[10] Climate Change Authority (2022), Review of International Offsets.

energy efficiency in buildings or industries, capturing methane from mining or agriculture without storage by destroying the methane as it is released, converting it to electricity, or separating it for other uses, diverting organic waste from going to landfill and savanna burning to reduce the severity of fires later in the dry season. Deploying renewable energy, such as wind and solar, to replace fossil fuel generation is accounted for separately (see Greenhouse gas emissions accounting and reporting guidelines).

2. **Emissions reduction offsets generated with carbon storage** (Figure 2, Types 2 & 3) include projects that physically store carbon. Examples include reducing or avoiding clearing of native vegetation or harvesting of plantation forests, changing agricultural practices to retain already stored carbon, and carbon capture and storage for industrial point sources and fossil fuel power stations.

Carbon sequestration offsets

Carbon sequestration offsets are generated from capturing CO_2 directly from the atmosphere and storing it, which decreases the concentration of CO_2 in the atmosphere. This can be achieved through:

1. **Biological sequestration processes** (Figure 2, Type 4) that absorb CO_2, such as environmental planting and soil carbon sequestration projects.
2. **Engineering sequestration solutions** (Figure 2, Type 5) which use human engineering practices such as direct air capture (using mechanical systems to filter CO_2 from the air), enhanced weathering (accelerating natural processes that absorb CO_2) and bioenergy with carbon capture and storage. Many carbon capture technologies are still in early stages of development and deployment.

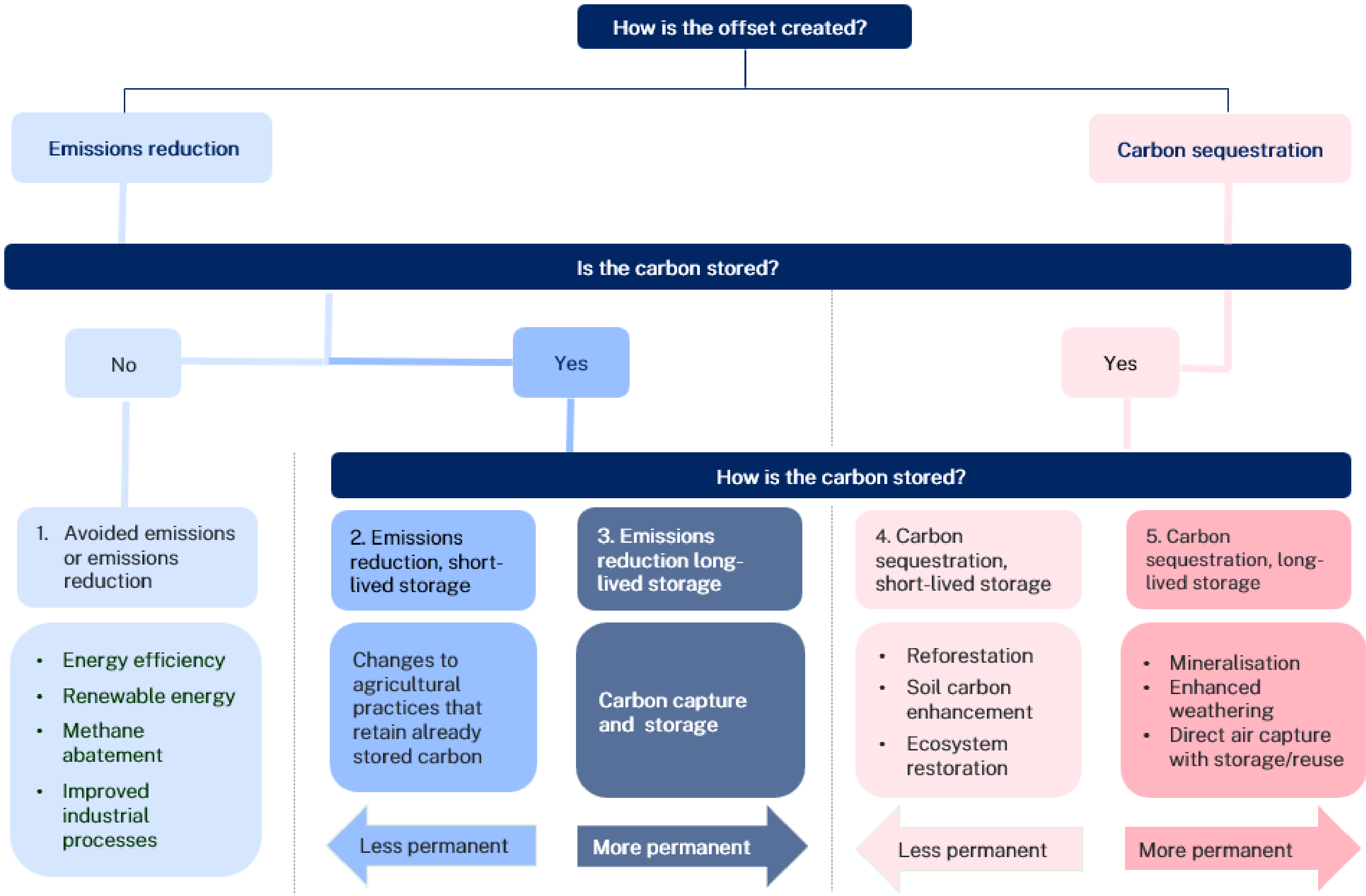

Figure 2 Generation of offsets: emission reduction and carbon sequestration[11]

[11] Adapted from the Oxford Principles for Net Zero Aligned Carbon Offsetting (revised 2024) www.smithschool.ox.ac.uk/sites/default/files/2024-02/Oxford-Principles-for-Net-Zero-Aligned-Carbon-Offsetting-revised-2024.pdf.

Issues to consider before purchasing carbon offsets

The emissions mitigation hierarchy

Under Action 2 of the NZGO Policy, general government sector agencies are developing and implementing net zero transition plans, which identify how they plan to reduce their Scope 1 and Scope 2 emissions. Net zero transition plans must include emissions reduction targets for Scope 1 and 2 emissions. They must also include cost-effective energy efficiency opportunities, along with targets for reducing energy use (as a minimum).

This guide encourages agencies to follow the **emissions mitigation hierarchy (Figure 3)** in their net zero transition plans and reduce their emissions as far as reasonably practicable before purchasing offsets.

The emissions mitigation hierarchy is a structured approach to managing carbon emissions. It consists of a series of steps designed to achieve the best outcomes in terms of emissions abatement. The hierarchy prioritises actions to minimise greenhouse gas emissions through the steps of preventing, reducing, substituting and offsetting.

The hierarchy involves steps to be taken in descending order by focusing on comprehensively exploring and implementing options at each step before descending to the next. This approach encourages agencies to address emissions that they have influence over.

Offsetting is the lowest step on the hierarchy and should only be considered after mitigation opportunities have been fully assessed and exhausted. Offsetting should only be used to address hard-to-abate emissions that would be prohibitively expensive to reduce by other means.

Steps in the mitigation hierarchy

1. **Prevent**

   The first and most effective step in reducing an agency's carbon footprint is to prevent emissions. This could involve questioning whether an emission-producing activity is necessary or finding alternative ways to achieve the same goal without producing emissions. By adopting strategies that favour low-emission products and services, carbon emissions can be avoided to begin with. For example, considering and incorporating design elements like passive ventilation, natural lighting and insulation in a new building could prevent emissions from occurring during operations.

2. Reduce

The next step involves reducing the absolute emissions footprint within an agency's **operational boundary**. This requires identifying major sources of emissions and developing a strategy to reduce them. This often involves improving energy efficiency, optimising processes, or using less carbon-intensive materials. This could include implementing energy efficiency measures, such as replacing inefficient air conditioning systems and upgrading lighting.

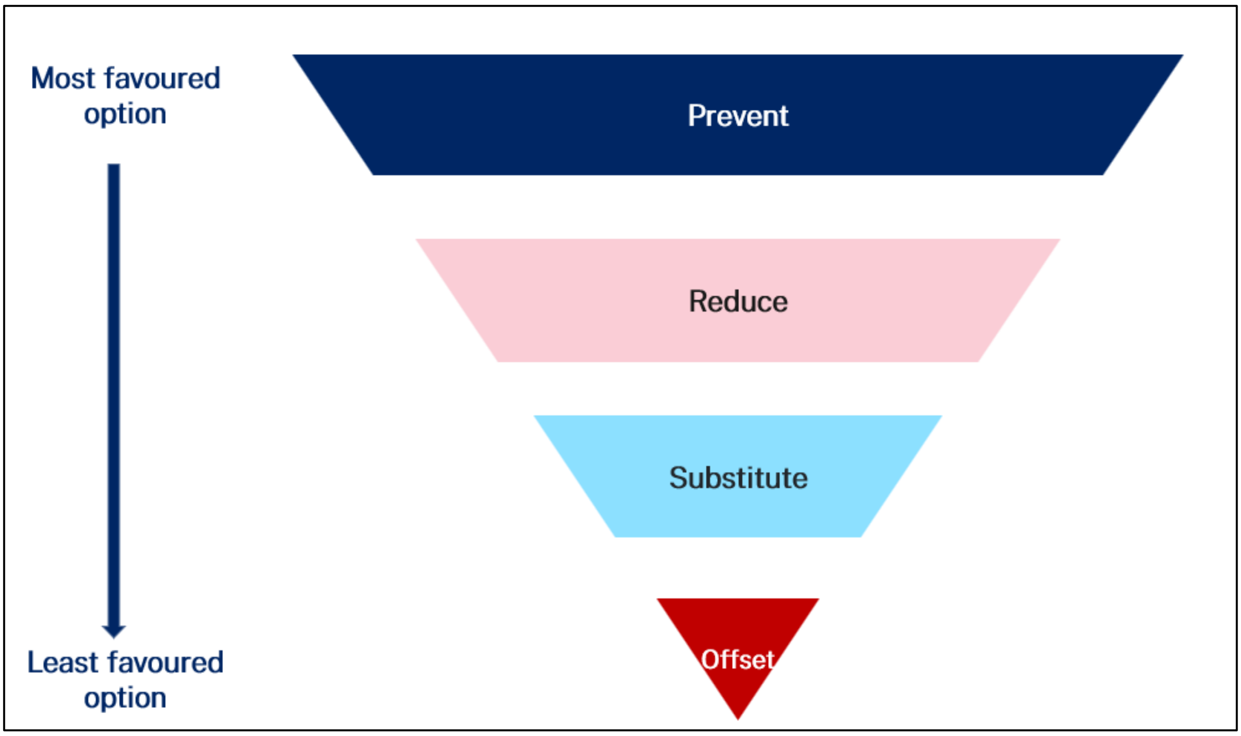

Figure 3 The emissions mitigation hierarchy[12]

3. Substitute

This step involves substituting high-carbon energy sources or materials for lower-carbon alternatives. For example, switching from fossil fuels to renewable energy sources, or using recycled materials instead of fossil-derived virgin materials in manufacturing. Switching to renewable energy sources, such as solar or wind power, or investing in on-site renewable energy systems like solar panels, can significantly reduce emissions.

4. Offset

Agencies which have done everything reasonably possible to avoid and reduce emissions from operations may then consider purchasing carbon credits to offset any residual operational emissions. In this document, carbon offsets are referred to as:

[12] Based on BDO Australia https://www.bdo.com.au/en-au/insights/esg-sustainability/what-your-business-needs-to-consider-when-making-an-emissions-reduction-plan with some slight changes to terminology.

- **Tier 1 Offsets**: ACCUs from projects within NSW
- **Tier 2 Offsets**: ACCUs from projects in other Australian states/territories.

ACCUs generated in NSW (Tier 1 Offsets) are preferred as they count towards our emissions reduction targets.[13] Purchasing ACCUs generated in NSW has the added benefit of funds being invested in NSW and delivering a range of co-benefits for the state. Unless there is a clear reason for it, agencies are discouraged to purchase offsets that are not ACCUs or are generated outside of Australia. This is because of the inherent integrity risks, particularly whether such offsets represent real, additional and permanent abatement.

Agencies will be responsible for ensuring all internal audit and risk management practices comply with legislative obligations under the *Government Sector Finance Act 2018*. Also, agencies will need to disclose the type of offsets purchased, the selection process and the verification processes in their net zero transition annual reporting. Some of these responsibilities may be taken on by a carbon offsets central management unit if and once it is established (see Management system section below).

Agencies purchasing ACCUs will need to register for a Unit and Certificate Registry account with the Clean Energy Regulator.[14] They should confirm that all appropriate parties involved in the offset process (carbon project developers, agents, aggregators, advisers) are signatories to and/or comply with the current Australian Carbon Industry Code of Conduct.[15]

Co-benefits and value for money

ACCU projects can have additional benefits beyond emissions avoidance and sequestration. The additional benefits are often referred to as non-carbon benefits or co-benefits. These can include improving outcomes for biodiversity and ecosystem function, soil health, water quality and use, and farm productivity and profitability.[16] Table 1 Descriptions and examples of potential co-benefits of offsetting activities lists examples of co-benefits.[17]

Purchasing carbon credits with co-benefits that align with other NSW Government policies and strategic objectives is preferable unless paying the associated price is deemed unjustifiable.

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[13] This is true as long as there is no formal mechanism to account for inter-jurisdictional transfers of ACCUs and potentially other carbon credits (nationally and/or internationally).

[14] From 9 November 2025, ACCUs have transferred across to the new Unit and Certificate Registry, which has replaced the Australian National Registry of Emissions Units.

[15] The Australian Carbon Industry (ACI) Code of Conduct is a formal document that aims to define industry best practice for carbon project developers, agents, aggregators and advisers and represents the minimum standards that all signatories agree to meet. The ACI Code of Conduct ensures that this market operates effectively and ethically.

[16] Climate Change Authority (2023) '2023 Review of the Carbon Credits (Carbon Farming Initiative) Act 2011, '2023 Review of the Carbon Credits Act 2011 - publication.pdf, p.49.

[17] Descriptions and examples of projects draw on the CSIRO's article Carbon farming co-benefits a review of concepts, policy and potential in Australian landscapes, published in *The Rangeland Journal* on 2 September 2024.

Whether a price premium is justifiable should be assessed through metrics available from the relevant policy area (for example, the price of biodiversity credits or the scale of employment opportunity for Aboriginal communities or primary industries).

ACCU projects that are owned by First Nations people provide a range of social, cultural and environmental benefits. These include fostering employment and economic opportunities, building technical skills and legal and economic expertise. They also support the transfer of traditional knowledge, enabling First Nations people to fulfill cultural obligations to care for Country, and generate financial benefits for local communities.[18,19]

There are some aspects to consider with co-benefits. Carbon offsets with significant co-benefits can be more expensive to generate and tend to attract a higher price in the market. Also, non-carbon benefits can be difficult to measure and verify.[20]

Finally, carbon offsetting projects can also have unintended adverse impacts, which need to be considered by agencies before purchasing carbon offsets. Such impacts can include:

- potential competition between sequestration projects and agriculture, industry and local communities for land
- potential conflict with adaptation activities, for example impacts on biodiversity from land-based mitigation projects, which can increase an ecosystem's susceptibility to the impacts of climate change.[21]

The cost of carbon credits in voluntary markets[22] depends on a range of factors including supply and demand (also reflected in origin, for example from NSW), project quality, verification standards and associated co-benefits. This has meant that ACCU prices have fluctuated significantly due to changes in policy (for example, Safeguard Mechanism reforms, government climate targets), market demand (for example, compliance demand versus voluntary demand) and international influences (for example, global offset prices). Peak ACCU prices neared \$55/tCO_2-e in early 2022 and then stabilised in the \$35-\$40/tCO_2-e range in 2024 and 2025.[23]

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[18] As above, p.53.

[19] Note also the NSW Government's Carbon on Country: A guide for NSW Aboriginal landholders and managers (September 2023).

[20] Climate Change Authority, 2023 Review of the Carbon Credits (Carbon Farming Initiative) Act 2011.

[21] Ravindranath, N. (2007). Mitigation and adaptation synergy in forest sector. Mitigation and Adaptation Strategies for Global Change, 12, 843-853, https://doi.org/10.1007/s11027-007-9102-9, as quoted in Climate Change Authority (2022), Review of International Offsets. The Climate Change Authority also quotes concerns about potential trade-offs with land rights, biodiversity, food security, and local community livelihoods.

[22] EY Consulting Essential and still evolving: the global voluntary carbon market outlook 2024 www.ey.com/content/dam/ey-unified-site/ey-com/en-au/noindex/ey-the-global-voluntary-carbon-market-outlook-2024-final-23oct.pdf.

[23] Clean Energy Regulator Quarterly Carbon Market Report September Quarter 2024 https://cer.gov.au/markets/reports-and-data/quarterly-carbon-market-reports/quarterly-carbon-market-report-september-quarter-2024/australian-carbon-credit-units-accus.

Table 1 Descriptions and examples of potential co-benefits of offsetting activities

Co-Benefit	Description	Examples of projects
Environmental	Environmental co-benefits include improvements to the natural environment other than the carbon benefits. This may include improvements to soil, water quality or quantity, or local biodiversity. Land-based emissions abatement methods like human induced regeneration and avoided deforestation (for example, on marginal agricultural land) tend to have lower input and transaction costs and hence generate lower price ACCUs. On the other hand, environmental plantings methods generally incur higher costs, but also higher co-benefits, especially when plantings are mixed species in ecologically strategic locations.	A project that protects native vegetation not only sequesters carbon from the atmosphere, it also provides protection and habitat for native animal species, increasing the area's biodiversity. The NSW Government's Primary Industries Productivity and Abatement Programs (known as 'PIPAP') are designed to deliver co-benefits. • Living Carbon or the High Impact Partnerships for environmental (and economic) co-benefits • Low Carbon Landscapes has potential to deliver across the full range including resilience – see Opportunities for NSW landholders | NSW Climate and Energy Action Two Australian Government schemes have attempted to combine carbon and biodiversity benefits: • Carbon + Biodiversity ACCU pilots • Enhanced remnant vegetation ACCU pilots. The Nature Repair Market enables suitable projects to generate and trade biodiversity certificates in addition to ACCUs.
Economic	Economic co-benefits include increasing employment opportunities and regional economic investment and improving local livelihoods.	An afforestation project supports local jobs, such as forest management, planting, monitoring and maintenance. These projects generate stable income streams for local communities. Another example is providing feedstock for the low carbon liquid fuel industry (for example, biogenic fuel, CO_2 feedstock for syngas or e-fuel).

Cultural	Cultural co-benefits include strengthening or supporting local and Indigenous knowledge and practices.	The Primary Industries Productivity and Abatement Program Carbon on Country delivers cultural co-benefits. Aboriginal communities are also engaged in and/or have potential to benefit from other types of carbon projects. These include environmental plantings provided they are appropriately designed and delivered with cultural outcomes in mind.
Social	Social co-benefits include improved education, health, opportunities and community resilience. In terms of social co-benefits, financial viability (from diversification of revenue streams) encourages younger generations to return to rural and remote living and increases on country job opportunities.[24]	Victoria's Bush Bank Program provides funding of $77 million (of which $30.9 million is for private land) for environmental plantings that restore native habitats and specific species. It also provides supplementary income from ACCUs.[25]

Agency responsibilities

The Climate Change Authority is required to review the *Carbon Credits (Carbon Farming Initiative) Act 2011*, which supports the ACCU Scheme, every 3 years to ensure the scheme is operating as intended. However, agencies will still need to ensure that their internal risk management practices comply with Treasury's Internal Audit and Risk Management Policy for the General Government Sector.

When considering the procurement of offsets, agencies should consider the following factors in their due diligence processes and risk assessment and management practices:

1. Price and availability of offsets

The price of carbon offsets can vary throughout the year and the same carbon credit can be offered by 2 potential suppliers at 2 potential price points (some brokers will charge higher rates to sell the same credit). Running competitive procurement processes involving multiple suppliers will help mitigate this risk. There are several sources of information on potential

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[24] Independent Review of Australian Carbon Credit Units, Final Report, December 2022, Final Report Recommendations and Key Findings | December 2022, p.29.
[25] Carbon farming co-benefits a review of concepts, policy and potential in Australian landscapes, CSIRO, 2 September 2024, p. 12.

suppliers including ACCU Project Registers, the Carbon Market Institute marketplace and other government agencies (for example, Taronga Zoo). The price for carbon offsets can also be lowered by entering into longer term contracts with suppliers which will hedge both price and delivery risk.

2. Transaction costs and delivery risk

The Australian Financial Markets Association (AFMA) helps reduce transaction costs and delivery risk by providing a standard contract for the purchase of carbon offsets. This contract is commonly used in the marketplace. DCCEEW can assist with relaying experiences other agencies have made with using and amending the AFMA standard contract, and with securing concessions for tendering types and timeframes.

3. Proponent and project risk

Searches of the Clean Energy Regulator's website, or a search for reputable online materials, will help identify any risks associated with the sellers of the carbon offsets.

In addition to the general requirements of the Procurement Policy Framework, due diligence should also consider:

- whether there is a native title claim or determination over the site
- the eligible interest holders of the project site
- what, if any, consultation has been undertaken with First Nations People about the project
- what economic benefits has the project delivered for First Nations People.

4. Environmental integrity risk

Agencies should conduct their own due diligence to understand the methodologies and assurance processes behind the carbon credits they intend to procure, ensuring they genuinely store or avoid the release of greenhouse gas in the long term. Online searches of methods under carbon offsets schemes will readily identify methods or projects which produce carbon offsets to which an agency may assign a risk weighting. Similarly, if the product disclosure statement claims co-benefits, agencies should also review the certification and verification processes.

The Government Sector Finance Act 2018 and purchasing offsets

The purchase of an offset is not considered to be an 'investment' under Part 6 of the *Government Sector Finance Act 2018* because the primary reason for the purchase is to fulfil a policy objective. In this case, the policy objective (or the intent of the purchase) is for an agency to offset their emissions. It is not to make a return on the purchase of a carbon credit. Also, since carbon credits purchased for offsetting purposes will be retired, they are unlikely to be sold for a profit. As the purchase of an offset in these circumstances is not an 'investment', it does not need the approval of the Treasurer under Part 6 of the Act.

Management system

During consultation, most agencies advised that they would support a central management system for carbon offsets, rather than each agency being responsible for procuring and managing their offsets.

A centralised approach to managing offsets may have several advantages, including:

- better alignment with whole-of-government objectives
- greater expertise and more efficient resourcing of offsets management and ability to establish a hub of market-specific expertise
- greater potential to use economies of scale in offsets procurement (while also considering cumulative market impacts)
- greater accountability in whole-of-government reporting on offsets management
- streamlining of procurement processes (for example, tendering requirements).

DCCEEW and Treasury will develop options for a central management system for carbon offsets in consultation with general government agencies. The aim is to have a final central management system ready for implementation during financial year 2026–27. This timing aligns with the scheduled review of the NZGO Policy.

Several agencies have net zero plans in place with objectives to be at net zero for their Scope 1 and 2 emissions as early as 2030, well before the whole-of-government target of 2050. Hence, any arrangements for central management will need to be confirmed well before 2030.

Larger agencies with a substantial demand for offsets may be given the option to opt out of a central management system under clearly defined eligibility criteria around capability, risk management and governance. Likewise, state owned corporations (not formally included under the NZGO Policy) may be given the option to opt in to a central management system to share in the potential advantages identified above.

Smaller agencies that wish to procure offsets in the shorter term are welcome to contact DCCEEW to explore procurement options. This could involve leveraging the procurement model under the NSW Vehicle Emissions Offset Scheme for which a contracted carbon credit provider procures and surrenders ACCUs from NSW-based projects.

Under any central management system, broker agencies must hold a Unit and Certificate Registry (Clean Energy Regulator) account to facilitate the ownership, transfer and management of ACCUs.

Appendix: Exclusions from this policy

Carbon 'insetting'

Carbon 'insetting' focuses on implementing sustainability practices within an organisation's own operations or supply chain to directly reduce its carbon footprint. For example, a company might plant trees on land it owns, which is considered 'insetting' as the project has occurred within the organisation's own value chain.

A policy position on the use of government land for agency carbon 'insetting' requires wider consultation and negotiation. In the meantime, agencies with surplus land could consider Action 6 of the NZGO Policy:

> NZGO Policy Action 6: Agencies must consider opportunities to host grid-scale renewables on suitable government land.

To support NSW's transition to a cheap, clean and reliable electricity system, agencies must explore whether surplus land is suitable for the development of renewable energy generation, storage and transmission infrastructure.

Land can be characterised as surplus if it is not required to meet current or future operational needs or is costly to operate and maintain without any financial benefit.

Under Premier's Memorandum 2024-08 Government Property Framework, agencies are required to actively review their portfolios and advise Property and Development NSW of properties that are unused or underutilised. This enables the NSW Government to make whole-of-government decisions on the future use of these assets to support the state's objectives.

Case studies

The following case studies are included for interest only. None of these case studies involve NSW general government sector agencies.

Case study 1: Taronga Zoo Emissions Reduction Fund Project

Project description (including co-benefits)

The project is an Emissions Reduction Fund project which involves environmental plantings (with koala and endangered woodland restoration co-benefits).

Project aim

Taronga's aim is to use the offsets for Climate Active/Task Force on Climate-related Financial Disclosures reporting (once the project is generating ACCUs). It will take about 4 or 5 years to produce substantial volume.

Experience

Taronga has been offsetting through Climate Active since 2017–18.

Timeframes

Taronga purchased its third site for carbon credit generation in December 2024 and is currently in the middle of its current carbon offset purchasing process (to buy 2 years of ACCUs from environmental plantings projects).

Case study 2: Hunter Water Carbon Project

Project description

The project involves carbon farming/sequestration by plantings of native tree species spread over 3 sites, covering a total land area of 163 hectares, over which 266,000 stems were planted. The project will be implemented over a period of 25 years, with a permanence period of 100 years. The project is estimated to generate an average of 3,000 ACCUs per year, with most ACCUs generated in the first 10 years, with sequestration tapering off after that.

Key challenges:

- Having difficulty engaging suitable consultants.
- Gaps in record keeping and software updates created significant extra work.
- Developing a Permanence Plan.

Lessons learnt:

- Not all neighbours were keen on the projects (reduced grazing land and scenic values).
- Survival rate of plantings was variable, but good overall (>90%) at 2 of 3 sites.
- Hard to keep an eye on things at more remote sites.
- Underestimated the paperwork required to get the project registered.
- Underestimated the amount of maintenance required to maintain surveillance.

Scope 3 emissions

The offsets policy does not specifically address offsetting of Scope 3 emissions. They will be addressed under NZGO Policy Action 20:

> NZGO Policy Action 20: By 30 June 2027, agencies must identify their biggest scope 3 emissions sources and actions to address them.

They are not addressed because agencies are not yet required to report on the management and treatment of Scope 3 emissions in their net zero transition plans.

There are inherent challenges in identifying the boundaries of, and addressing, Scope 3 emissions without guidance.[26] Also, there are associated challenges with data availability. Despite these challenges, agencies could start considering possible approaches to abatement of Scope 3 emissions, particularly around green procurement.

The offsets policy will be updated to address Scope 3 emissions when the annual reporting of net zero transition plans matures to include the treatment of Scope 3 emissions.

[26] The *Greenhouse gas emissions accounting and reporting guidelines* indicate that further guidance for the operational boundary of Scope 3 is likely to be prepared before Scope 3 reporting is required (p.70).

For more information

www.energy.nsw.gov.au