



To: Climate Active; Department of Climate Change, Energy, the Environment and Water

Via: Online Platform

18 September 2026

Dear Climate Active Team,

Climate Friendly welcomes the opportunity to provide feedback on the future direction of the Climate Active Program.

Climate Active has played an important public-interest role in Australia by filling the gap between mandatory climate policy and voluntary market action. It has provided a recognised Australian framework for organisations, products, services, events, precincts and buildings to measure emissions, reduce them where possible, address residual emissions, and have their actions assessed against a government-backed standard.

We recognise the need for reform and modernisation to ensure the framework remains aligned with evolving domestic and international expectations. This includes moving beyond compensatory language associated with "carbon neutrality" and towards transparent disclosure of absolute emissions, decarbonisation performance, transition planning and the role of contributory actions, including the use of carbon credits to address residual emissions. We also understand the Australian Government does not propose to continue issuing certifications directly. However, replacing Climate Active with an auditable, government-maintained standard is critical to preserving an important component of Australia's climate action architecture.

A reformed Climate Active framework would play a distinct and complementary role to mandatory climate disclosure requirements such as AASB S2. Mandatory disclosure frameworks specify what entities must report, with reporting primarily directed towards investors, regulators and government. They do not provide a recognised framework for substantiating voluntary climate-related claims and do not cover all organisations and supply chains due to the cascading role out and coverage thresholds. By contrast, a strengthened government-backed Climate Active standard could provide businesses and consumers with greater confidence in the integrity of climate claims, support genuine emissions reduction and ensure organisations appropriately characterise and communicate their climate actions.

As Australia seeks to achieve the higher end of its Nationally Determined Contribution and progress towards net zero, voluntary climate action remains an important complement to regulatory measures. Voluntary action often supports projects that deliver broader environmental, social and economic outcomes, including nature repair, First Nations participation and economic development, regional resilience, biodiversity enhancement and other public benefits.

There is also a growing need for a clear, government-backed framework that helps organisations navigate increasing legal and reputational risks associated with climate-related claims. Demand for credible voluntary climate action has not disappeared. Customers, investors, supply chains and procurement processes are increasingly seeking evidence of emissions reduction efforts and environmental performance. At the same time, concerns regarding greenwashing have made many organisations more cautious about communicating climate action without clear standards, guidance and assurance pathways. In the absence of a recognised standard, organisations may be discouraged from taking voluntary action or communicating legitimate climate

initiatives because they lack a clear framework against which to measure, substantiate and disclose their efforts. Equally, the absence of a government-backed standard risks a proliferation of private and inconsistent frameworks, creating market fragmentation, increasing compliance costs and making it more difficult for consumers, investors and supply chains to compare claims with confidence.

This is particularly important given that a large proportion of Australia's emissions sit outside the Safeguard Mechanism and other direct compliance obligations. Climate Active has an important role in encouraging voluntary action across these sectors and supporting supply-chain decarbonisation. Prior to the Government's proposal to close the program, Climate Active had grown to more than 700 certifications across more than 500 participating businesses, demonstrating ongoing market demand for a nationally recognised voluntary climate action framework. It is particularly valuable for consumer-facing products and services, including agricultural and food supply chains, where credible climate claims can help Australians support decarbonisation through purchasing decisions.

For these reasons, Climate Friendly strongly encourages the Government to proceed with Option 2 and replace Climate Active with an updated, government-maintained and auditable standard. Our submission outlines how this could be achieved in a way that strengthens voluntary climate action, improves the integrity of climate-related claims and reduces the administrative burden on Government relative to the current program.

We would welcome the opportunity to discuss our submission further and contribute to the development of the next generation of Australia's voluntary climate action framework.

Kind regards,

Skye Glenday

CEO
Climate Friendly

Summary of Recommendations

Recommendation 1: Proceed with Option 2 and establish a single, Government maintained national voluntary framework that links corporate disclosure requirements, cross-sector and sector-specific emissions accounting, and rules for credible climate-related claims.

Recommendation 2: The reformed Climate Active framework should continue to support assurance or certification claims, where the third party auditor rather than Government certifies claims. This would reduce administrative burden on Government.

Recommendation 3: Retain and update Climate Active methodologies, calculators, reporting templates and technical guidance. The framework should specify common requirements for organisational and product boundaries, emissions and removals, renewable electricity, transition plans, verification and public reporting, while recognising compliant sector-specific tools.

Recommendation 4: Separate and define the following accounting and reporting categories:

- Physical greenhouse gas inventory accounting, covering emissions and removals within the reporting boundary independently of credit transactions;
- Project or intervention accounting, measuring the effect of a defined action against a counterfactual baseline;
- Credited and non-credited abatement; and
- The generation, transfer, retirement and use of carbon credits, including use as inset or offset credits.

Recommendation 5: Replace compensatory (i.e. reduce-then-offset 'carbon-neutral' claims) with an auditable claims framework based on disclosure of absolute emissions, emissions reduction performance, and transition plans. Carbon credit use and other contribution or compensation actions should be reported separately.

Recommendation 6: The framework should permit transparent, evidence-based disclosure of additional environmental, First Nations, social and regional outcomes without treating those outcomes as compensation for greenhouse gas emissions.

Detailed Responses

Impact of closure

Question 1: *How will the closure of Climate Active certification affect your organisation's climate action plans?*

Response: Climate Friendly's commitment to climate action, emissions measurement and emissions reduction will continue irrespective of Climate Active certification.

The principal impact would be the loss of a common Australian framework for organisations that report, reduce and address residual emissions voluntarily. Climate Active plays a distinct and complimentary role to mandatory greenhouse gas disclosure requirements such as those under the AASB standard. Closure without a replacement auditable standard would result in inconsistent accounting and claims, particularly among organisations without specialist internal capability. Without a common framework, businesses making sustainability claims through their supply chains may inadvertently make incorrect or insufficiently substantiated statements, increasing exposure to greenwashing allegations. This would discourage voluntary climate action by increasing the risks of taking a public leadership position on climate active.

Future of the Climate Active program

Question 2: *Should Government either: 1) Close the Climate Active program; or 2) Close the Climate Active program but the Department of Climate Change, Energy, the Environment and Water (the department) retain some voluntary standards and select guidance. Which option do you support?*

Recommendation 1: *Proceed with Option 2 and establish a single, Government maintained national voluntary framework that links corporate disclosure requirements, cross-sector and sector-specific emissions accounting, and rules for credible climate-related claims.*

Rationale: Government should reinvigorate Climate Active as a coherent national framework, not preserve Climate Active documents as a static archive.

Climate Active provides a valuable role in incentivising voluntary climate action in businesses responsible for 69% of Australian emissions that are not covered by the safeguard mechanism. Market needs addressed by Climate Active include:

- Providing a certification pathway for communicating voluntary climate claims to consumers / supply chain. This role is distinct from the AASB standard, which has no associated certification, and is targeted towards a corporate or Government audience. Figure 1 shows the existing landscape of accounting frameworks and guides in Australia; and
- Supporting businesses to manage the legal and reputational risks associated with making climate-related claims in the market by pointing to clear, Government-backed rules.

Risks associated with shutting down Climate Active with no replacement include:

- Proliferation of private climate certification standards, leading to market confusion and potentially double-accounting;
- Increase in climate litigation, if well-intentioned businesses make claims about the emissions profile of their products or services, without support from Government-based rules and a certification scheme. This

risk is particularly high in the agriculture sector, where there is growing demand for low-emissions products; and

- Reduced voluntary climate action, due to lack of protections and supporting frameworks for leadership in voluntary climate action.

The current climate data reporting ecosystem and the opportunity for a retained Climate Active framework is summarised below.

Figure 1 The current climate-related accounting, reporting and market-claims ecosystem

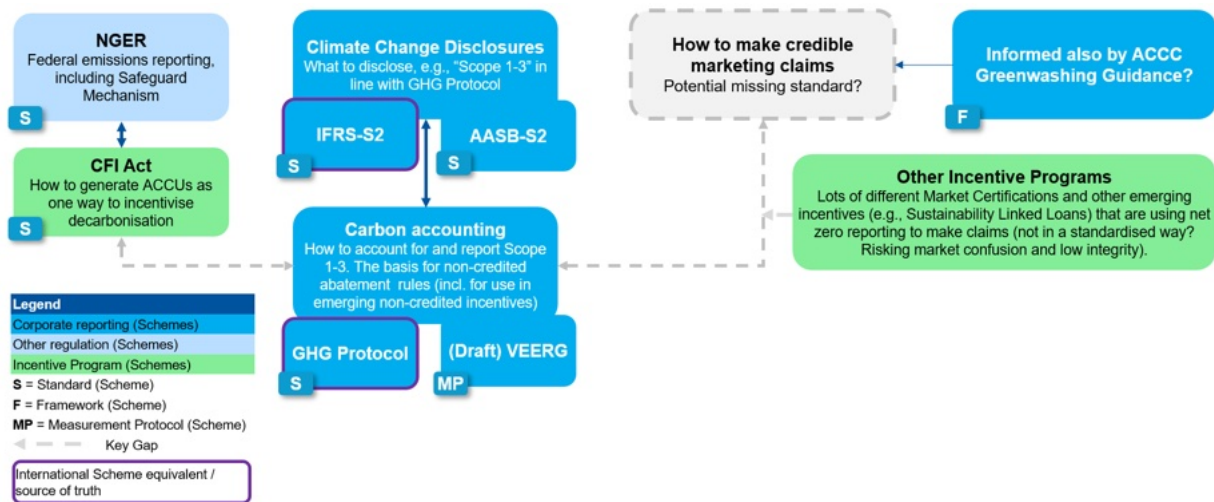


Figure 2: Proposed Australian voluntary climate action framework architecture

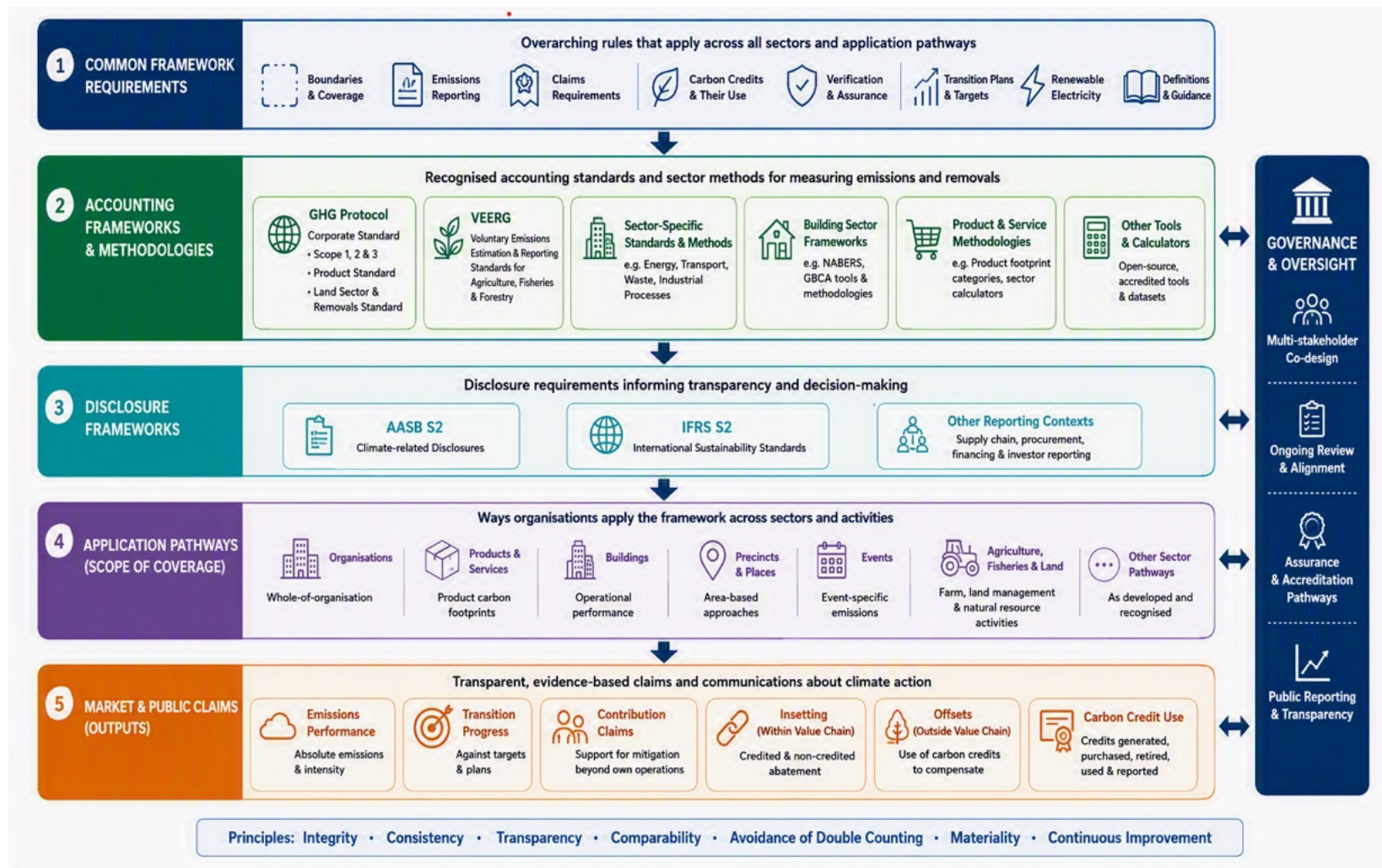


Figure 2 shows how common accounting, disclosure and claims requirements could connect sector-specific methods and pathways within a single national framework. This would preserve coverage across organisations, products and services, buildings, precincts, events, and agriculture and land activities, while supporting consistent and auditable climate claims.

Feedback on standards, tools and guidance

Question: *Do you have feedback on standards, tools and guidance*

Response: We recommend the Climate Active framework be modernised, with priority short term as follows:

- The claims component should not recreate the former carbon-neutral model, due to the greenwashing risks associated with approach. Rather, it should disaggregate reporting of absolute emissions and reductions; with carbon credit use and other contributory claims associated with managing residual emissions via offsetting actions reported separately. This should be accompanied by the establishment of net-zero targets and decarbonisation plans;
- The framework should be reviewed and made complimentary to the AASB S2, such that Climate Active provides the ability to certify claims made in AASB S2 reports.

Medium term reforms might include:

- Defining sector specific emissions intensity benchmarks and minimum performance standards;
- Develop a NABERS style rating framework for reporting emissions performance. This could include a two dimensional framework which differentiates decarbonisation actions and reporting on absolute emissions (including tier of reporting) from additional reporting on contributory actions.
- Develop further guidelines on how inseting within a supply chain should be treated within the reformed Climate Active framework (as opposed to contributory claims via offsetting emissions from sectors outside an organisations supply chain).
- Develop further guidelines on contributory claims for “beyond carbon” claims, including but not limited to social, community, cultural, reconciliation, environmental and nature repair claims.

More specific details on our recommendations for Climate Active are provided in Annex 1, which is a consolidated extract from our submission to the Australian Government’s development of the Voluntary GHG Emissions Estimation and Reporting Guidelines (VEERG) for Agriculture, Fisheries and Forestry.

Role of Climate Active for the building sector

Question 6: *What are your views on NABERS and GBCA undertaking certification for buildings?*

Climate Friendly supports NABERS and GBCA continuing certification pathways for buildings.

These pathways should be recognised within the overarching national framework and use common principles for boundaries, emissions accounting, renewable electricity, verification and claims. This model demonstrates how Government can maintain the overarching rules and recognise sector-specific pathways, while appropriately qualified organisations administer certification or assurance. Common requirements should prevent inconsistent accounting and claims between buildings and other sectors.

Transition issues

Question 7: *Are there transition issues that Government should account for?*

Transition arrangements should:

- provide sufficient time to update contracts, communications and reporting materials;
- manage existing contractual references to Climate Active certification;
- clarify treatment of historical certifications and legacy marketing materials;
- preserve public access to historical standards, methodologies and technical guidance;
- identify recognised successor standards and sector pathways; and
- publish the timetable for developing the national voluntary framework.

Importantly, valuable technical guidance should remain publicly accessible following closure of certification.

Other comments

Climate Friendly recommends that DCCEE co-design the framework with reporting entities, small and medium-sized businesses, sector bodies, assurance and certification practitioners, carbon-market participants, First Nations representatives, project proponents and civil society (including consumer representatives).

Initial work should:

- map the standards and tools needed to preserve coverage across all sectors and certification categories previously served by Climate Active;
- distinguish common framework requirements from sector-specific accounting methods;
- identify the organisations capable of administering recognised assurance or certification pathways;
- establish governance for maintaining the framework and reviewing alignment with Australian and international standards; and
- develop rules for separately reporting climate outcomes and additional First Nations, nature, community and regional outcomes.

Annex 1: Recommendations for reform of the Climate Active program.

Consolidated extract from Climate Friendly's submission to the Australian Government's development of the Voluntary GHG Emissions Estimation and Reporting Guidelines (VEERG) for Agriculture, Fisheries and Forestry (AFF).

Climate Friendly recommends retaining and modernising:

- organisational, product and service boundary guidance;
- emissions accounting methodologies and calculators;
- renewable electricity accounting guidance
- verification and assurance frameworks
- emissions reduction planning guidance
- disclosure templates and reporting tools
- guidance on carbon credits and climate-related claims

These components should operate within a common architecture that accommodates sector-specific methods rather than requiring one calculator for every sector. Government should identify the complete set of accounting methods and recognised schemes needed to retain coverage across organisations, products and services, events, precincts and buildings.

The framework should distinguish:

Physical inventory accounting

This should report all emissions and removals occurring within the defined boundary before adjustments for credit transactions. Reporting templates should identify the relevant emission source or carbon pool and avoid double counting where intervention outcomes overlap with inventory stock changes.

Project or intervention accounting

This should separately quantify the impact of a specific action relative to a counterfactual baseline. It may include both credited abatement, calculated under an approved crediting method, and non-credited abatement.

Carbon credit reporting

Carbon credit reporting should be separate from the physical GHG inventory because the timing of physical abatement may differ from credit issuance, transfer and retirement. Reporting should identify credits generated, purchased, sold, held and retired; whether the credit represents a reduction or removal; and whether its final use is as an inset or offset.

Insets and offsets

Guidance should define inset and offset credits by reference to the reporting entity's value chain and explain the treatment of transfers between entities, retirement, reporting boundaries and double counting. The framework should not use "carbon credit" and "offset" interchangeably.

Claims

Claims should be based on disclosed absolute emissions, reduction performance and progress against a transition plan. Contribution actions should be disclosed separately and should not imply that the organisation's physical emissions have been eliminated.

Where organisations disclose additional outcomes associated with carbon-market participation, such as First Nations, cultural, biodiversity, nature-repair, community or regional outcomes, the framework should require the outcomes to be:

- separately identified from the quantified climate claim;
- supported by evidence appropriate to the outcome;
- attributed without double counting; and
- expressed in terms that do not imply emissions reductions or removals unless these have been separately quantified.

Government should support the framework with common definitions, worked examples, standard templates and open-source tools. This would reduce duplicated accounting effort and make the framework usable by organisations without dedicated sustainability teams.