



Reef Credit Standard

Version 1.1

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Version Control

Reef Credit Standard

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1.1	Secretariat	Minor revision to s 1.3 to extend beta phase review date, approved by the Interim Steering Committee on 11 March 2020	11 March 2020	

Contact

Reef Credit Secretariat www.reefcredit.org

Acknowledgements

In 2017, natural resource management not-for-profit organisations, Terrain NRM and NQ Dry Tropics, and environmental markets investor, GreenCollar, established a partnership to guide the development of the Reef Credit Scheme. Supporting this partnership is an Interim Steering Committee comprising the Chief Executive Officers from each of the three organisations.

Interim Steering Committee Members

- Carole Sweatman – Chief Executive Officer, Terrain NRM
- Scott Crawford – Chief Executive Officer, NQ Dry Tropics
- James Schultz -Chief Executive Officer, GreenCollar

The Interim Steering Committee is supported in its work by a Reef Credit Secretariat (Executive Coordinator - Christine Michael). The Reef Credit Secretariat is currently hosted by NQ NRM Alliance Ltd (t/a Corporate Nature).

The role of the Interim Steering Committee will cease once the Reef Credit Scheme has transitioned from Beta phase to fully operational. Governance of the Reef Credit Scheme will then transfer to an independent not-for-profit company established in Queensland. The company will be governed by a skills based Board of Directors, with the day-to-day administration of the Reef Credit Standard delegated to the Reef Credit Secretariat. The Members and Partners of the not-for-profit company will be organisations and agencies that endorse the principles and objectives of the Reef Credit Scheme, Guide and Standard.

The Board and Reef Credit Secretariat will be supported on technical aspects of the Reef Credit Standard and Methodologies by a Technical Advisory Committee.

The Reef Credit Scheme encompasses all elements to deliver water quality improvements through ecosystem service payments, primarily to farmers, in the Great Barrier Reef catchments. Components of the Reef Credit Scheme are:

- Reef Credit Guide
- Reef Credit Methodologies
- Reef Credit Registry
- Reef Credit Standard
- Reef Credit Projects
- Reef Credit Governance

The Queensland Government launched the Reef Credit Scheme in October 2017, as part of two reef water quality projects, the Wet Tropics and Burdekin Major Integrated Projects (MIPS) and aims to operate in all catchments of the Great Barrier Reef. The MIPS, funded by the Queensland Government, and designed by the local community, support the Reef Credit Scheme by providing funding for its establishment and also piloting projects with local farmers in 2017.

The Reef Credit Scheme (including the Standard and Guide) was developed by the Interim Steering Committee. Advice and assistance was provided by the environmental markets and standard development consultants, Winrock International, via the working paper *Reef Credit Scheme Design Options*. A review of existing standards was also conducted to ensure consistency with current good practice. The Interim Steering Committee also engaged with a number of operating water quality market programs, Participants and founders, and standard development organisations. The Interim Steering Committee wishes to gratefully acknowledge the contribution of existing national and international standards to the development of the Reef Credit Standard.

This document may be cited as the Reef Credit Standard Version 1.1 March 2020.

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1. Introduction

1.1 Reef Credit Standard - Objective

1. The objective of the Reef Credit Standard is to ensure that Reef Credit Projects meet stringent environmental, financial and community integrity conditions to effectively contribute to water quality targets described in the Reef 2050 Water Quality Improvement Plan (2018) and any subsequent revisions to the water quality targets.
2. The purpose of the Reef Credit Standard is to establish mandatory minimum rules and requirements for each component of the Reef Credit Scheme as follows:
 - a) developing Reef Credit Methodologies;
 - b) validating, registering, and monitoring Reef Credit Projects;
 - c) quantifying, verifying, crediting, issuing and transferring Reef Credits; and
 - d) Reef Credit governance.

1.2 Interpretation

Definitions of words used in this document are set out in the Reef Credit Definitions attached at Schedule 1.

The Reef Credit Standard should be read in conjunction with the Reef Credit Guide which provides the rationale and principles underlying the Reef Credit Scheme and is an aid to interpreting the Standard.

The Reef Credit Standard is supported by other documents as follows:

- Reef Credit Guide
- Reef Credit Scheme Overview
- Reef Credit Scheme Options Summary

General Communication materials are available on the Reef Credit Website.

1.3 Version and Review

1. This is version 1.1 of the Reef Credit Standard.
2. The Reef Credit Standard version 1.0 applies during the first twelve (12) month phase of the Reef Credit Scheme commencing on the date the Reef Credit version 1.0 is finalised and published on the Reef Credit Scheme website.
3. The Reef Credit Standard version 1.1 will be reviewed within six (6) months of the establishment of the Governing Body to make any necessary amendments.
4. The Reef Credit Standard, and any material updates to it, will be subject to a thirty (30) day public consultation period prior to adoption.
5. The Reef Credit Standard may be periodically reviewed and updated from time to time by the Secretariat for relevance and effectiveness in meeting its objectives. Unless otherwise indicated, Reef Credit Projects will operate under the version of the Standard under which they were approved.

2. Scope and Application

2.1 Scope

The scope of the Reef Credit Scheme covers projects that achieve water quality improvements in Great Barrier Reef catchments arising from:

- a) land management practice change.
- b) ecosystem repair.

2.2 Reef Credit Unit and Conversion Factors

1. A Reef Credit is a quantified and verified amount of Pollutant that has been prevented from entering the Great Barrier Reef lagoon.
2. A Reef Credit is equal to an amount of Pollutant reduction verified during a Monitoring Period and is measured in kilograms.
3. The relative value of Pollutant reduction is set using conversion factors derived from the reef wide catchment pollution reduction targets described in the Reef 2050 Water Quality Improvement Plan (2018). These values will be periodically amended by the Reef Credit Secretariat to reflect changes to the Pollutant reduction targets.
4. The Reef Credit Secretariat will notify Project Proponents of any changes to the relative value of Pollutant reduction targets by means of direct notification and publishing the new values on the Reef Credit Scheme website.
5. Pollutants are converted into Reef Credit units using a conversion factor based on the reef wide pollution reduction targets described in the Reef 2050 Water Quality Improvement Plan (2018).
6. The values used to convert Pollutant reductions to Reef Credits are set out in Schedule 2.

2.3 Voluntary and Compliance Markets

Reef Credits may be used to meet water quality improvement commitments in a voluntary or compliance market subject to, in the case of a compliance market, the relevant regulatory agency or agencies accepting Reef Credits as a means to satisfy the compliance obligation.

3. Project Rules

3.1 General Eligibility Requirements

A Reef Credit Project must meet minimum eligibility requirements as described in Section 3.1 to be validated under the Reef Credit Standard and relevant Reef Credit Methodology.

3.1.1 Minimum standards for Project Proponents

A Reef Credit Project must have a Reef Credit Project Proponent. A Reef Credit Project Proponent must:

- 1 be an Australian resident or body corporate, company, organisation;
- 2 comply with any applicable legislation, regulation or codes of conduct; and
- 3 pass the fit and proper person test. To be a fit and proper person means that the relevant person has not been convicted of an offence against a law of the Commonwealth, State or Territory, where the offence relates to: (i) dishonest conduct; (ii) the conduct of a business; (iii) the environment or the protection of the environment; or (iv) work health and safety.

3.1.2 Approved Reef Credit Methodology

A Reef Credit Project must use a Reef Credit Methodology approved by the Reef Credit Secretariat in accordance with the Reef Credit Standard. Projects shall apply Reef Credit Methodologies in full, including the complete application of any tools or modules referred to by the Reef Credit Methodology. The list of Reef Credit Methodologies is available on the Reef Credit Scheme website.

3.1.3 Positive and Negative List

1. The Reef Credit Secretariat shall maintain a positive list and a negative list of Reef Credit Project activities.
2. The positive list and negative list of Project activities are set out in Schedule 3.
3. The positive list identifies activities that are eligible to participate in the Reef Credit Scheme and the negative list identifies activities that are ineligible.
4. Not all activities listed on the positive list will have a corresponding approved Reef Credit Methodology. To undertake an activity on the positive list that does not currently have a Reef Credit Methodology, a methodology must be first developed and approved for use under the Reef Credit Standard.
5. The positive list and negative list may be expanded in the future by the Reef Credit Secretariat. Any additions to the positive list or negative list must undergo a 30 day public consultation process.
6. The negative list may be expanded in the future using the Reef Credit Secretariat's good practice risk management assessment process.

3.2 Reef Credit Project Requirements

3.2.1 Project Start Date

The Project Start Date is the date on which the Reef Credit Project activities commenced. The earliest possible Reef Credit Project start date is 1 July 2017. Projects cannot be backdated and this start date only applies to Projects commenced under the Reef Credit pilot phase of 1 July 2017 to June 2019.

3.2.2 Crediting Period

All Reef Credit Projects must have a Crediting Period. The Crediting Period which is to be specified in the Reef Credit Methodology shall be a minimum of five (5) years and a maximum of twenty-five (25) years.

At the end of a Project's Crediting Period, the Project may apply for a new Crediting Period, subject to satisfying the Reef Credit Methodology at the start of the new Crediting Period. The Baseline Scenario must be re-assessed in order to renew the Crediting Period.

3.2.3 Project Location and Project site

The Reef Credit Project must be within the boundaries of the Great Barrier Reef catchments as described in the Reef 2050 Water Quality Improvement Plan (2018).

The Reef Credit Project site must be identified by a shape file(s) describing the extent of the Project Area. If the Project has multiple sites, then these must be included in the shape file(s).

3.2.4 Project Description

1. The Reef Credit Project Description includes all the requirements set out in this section 3.2 and defines the Project's Pollutant reduction activities and the expected Pollutant reduction.
2. The Project Proponent shall use the Project Description template.
3. All information in the Project Description shall normally be available to the public, though certain information may be protected where the Reef Credit Secretariat is satisfied that such information is commercially sensitive. The Project Proponent is responsible for requesting the protection of such information.
4. The Project Description shall specify the relevant Reef Credit Methodology under which the Reef Credit project will be undertaken.

3.2.5 Legal Right and Consent Process

1. The Project Proponent must demonstrate it has the legal right to carry out the Project on the Project site, and a lawful and exclusive right to be issued all Reef Credits that may be created as a result of the Project.
2. The Project Proponent must obtain all relevant Consents and other relevant and material regulatory approvals and permits as it reasonably determines are required to undertake the Project.
3. The legal right to carry out the Project on or for the sites or assets included in the Project must exist at the Project Start date. If at any time the legal right to carry out the Project ceases, the Proponent must advise the Secretariat and the Project may be revoked.
4. In the event that the Project Proponent fails to obtain any necessary Consents, approvals or permits and/or fails or ceases to have the legal right to carry out the Project, then the Secretariat may refuse to register or may deregister the Project and may take action against the Project Proponent where a Reversal occurs as a consequence of any such failure.

3.2.6 Other Environmental Credits

1. Project Proponents may not claim credit for the same Pollutant reduction under the Reef Credit Scheme and another program.
2. Projects may generate other forms of environmental credits, such as biodiversity, carbon or renewable energy certificates which must be additional to the Reef Credit.
3. Where Projects are participating in or negotiating to participate in one or more programs to create another form of environmental credit but are not currently doing so, a list of such programs shall be provided to the Reef Credit Secretariat.

3.2.7 Projects with Multiple Activities

1. Reef Credit Projects may include multiple activities where the Reef Credit Methodology applied to the Project allows more than one activity and/or where Projects apply more than one Reef Credit Methodology.
2. Where more than one Reef Credit Methodology is applied to a Project with multiple activities:
 - a. Each Project activity shall be specified separately in the Project Description, referencing the relevant Reef Credit Methodology; and
 - b. All criteria set out in the applied Reef Credit Methodologies in relation to applicability, additionality, determination of baseline scenario and reduction of Pollutant shall be applied separately to each Project activity.

3.2.8 Additionality

The Project must meet the following criteria for additionality:

1. Additionality of the Project activity must be demonstrated according to the approved Reef Credit Methodology.
2. The Project Proponent must show that the Pollutant reductions are not required to be carried out by or under a law of the Commonwealth or Queensland governments.
3. Where a Pollutant reduction has already been funded under a different scheme or program at the same project site, a Reef Credit Project may still be undertaken either concurrently or consecutively, however Reef Credits may only be issued for Pollutant reduction that is additional to that already paid for. The calculation of the baseline must take into account Pollutant reductions already accounted for in programs other than the Reef Credit Scheme.

3.2.9 Safeguards

1. A Project Proponent must identify any potential negative environmental and social impacts and must take reasonable steps to mitigate them.
2. Additional certification standards may be applied to demonstrate social and environmental benefits beyond Pollutant reductions.
3. Project Proponents must take reasonable steps to consult with local stakeholders on the impact of the Project prior to Project Validation and comply with the principles of Free Prior and Informed Consent.
4. Project Proponents must take account of stakeholder feedback in Project design prior to Project Validation.

3.2.10 Permanence

1. Where Pollutant reductions are generated by Reef Credit Projects that carry the Risk of Reversal, adequate safeguards must be in place to ensure Pollutant reductions are maintained for the entire Permanence Period.
2. A Risk of Reversal Buffer will be applied to all Reef Credit Projects for each Monitoring Period when calculating the total Pollutant reduction for that same period, resulting in a **Net Pollutant Reduction Number**. Calculations will be based on the following formula:

Total Pollutant reduction – Risk of Reversal Buffer = Net Pollutant Reduction Number

*N.B Risk of Reversal Buffer will be calculated as a percentage figure in accordance with the **Risk of Reversal Assessment Tool** (represented as either Low, Medium or High Risk)*

e.g. An eligible Reef Credit Project identified as low risk would use a 0% Risk of Reversal Buffer to calculate Net Pollutant Reduction Number. Conversely an eligible Reef Credit

Project identified as high risk would use a 10% Risk of Reversal Buffer to calculate Net Pollutant Reduction Number.

3. The Project Proponent must conduct a Risk of Reversal assessment using the Risk of Reversal Assessment Tool.
4. The Verifier will evaluate whether the Risk of Reversal assessment has been conducted correctly.
5. Reef Credits withheld as a part of the Risk of Reversal Buffer calculation will be maintained by the Reef Credit Secretariat and used to mitigate against future Reversals across the Reef Credit Scheme.
6. In the event of a Reversal, the Project Proponent must quantify the amount of Pollutant reduction reversed and within 60 days of such event notify the Secretariat of:
 - a. the nature of the Reversal;
 - b. the quantity of the amount of Pollutant reduction reversed; and
 - c. actions proposed to remedy the effects of the Reversal.
7. The Secretariat may take action against a Project Proponent for Reversals caused as a consequence of Non-Compliance or actions attributable to or within the control of the Project Proponent.

For example: an unforeseen Natural Disturbance Event, the risk of which had been mitigated by the Project Proponent, causing a Reversal of Pollutant reductions credited under the Reef Credit Scheme would not be considered a Non Compliance Reversal.

3.2.11 Leakage

The Project Proponent must identify and assess any potential sources of leakage in accordance with an approved Reef Credit Methodology.

3.3 Baseline Scenario

The Project Proponent shall calculate Reef Credits generated using an approved Reef Credit Methodology.

1. A Project must have a Baseline Scenario
2. A Project must describe the Project Baseline Scenario in accordance with the requirements of the relevant Reef Credit Methodology and must be reasonably assured during Validation and Verification.
3. In defining the Baseline Scenario, assumptions and values must be chosen that are demonstrably conservative to ensure there is no over estimation of water quality improvements.
4. At the conclusion of the Crediting Period, the Baseline Scenario must be reviewed and updated if the Project is to continue.

3.4 Calculation of Pollutant Reductions

1. The Project Proponent must calculate Pollutant amounts and proposed reductions for each source of Pollutant for both the Project scenario and the Baseline Scenario.
2. The Net Pollutant Reductions to be achieved by the Project must be calculated in kilograms in accordance with the applied Reef Credit Methodology.
3. Pollutant reductions must be converted to Reef Credit units in accordance with the procedure described in Section 2.2

3.5 Monitoring

3.5.1 Monitoring

A Project Proponent must have a system for obtaining and recording all necessary information required for measuring and reporting Pollutant reductions in accordance with an applicable Reef Credit Methodology for the entirety of the Crediting Period.

3.5.2 Record Keeping Requirements

1. Project records must be retained by the Project Proponent during and for seven (7) years after the end of the Crediting Period.
2. The Project Proponent must make available to the Reef Credit Secretariat and Verifiers all Project documentation and Project data as required under the Reef Credit Methodology for which the Reef Credit Project has been registered.

3.5.3 Monitoring Period

1. The Monitoring Period is a period of time over which Pollutant reductions are monitored and calculated. There will be multiple Monitoring Periods during the Crediting Period for a Project.
2. A Monitoring Period may be no shorter than 6 months and no longer than 12 months.
3. The first Monitoring Period commences on the Project Start Date.
4. The end date of a Monitoring Period may be selected by the Project Proponent and must fall between 6 months and 12 months following the start of the Monitoring Period.
5. All subsequent Monitoring Periods commence on the day after the end date of the most recent previous Monitoring Period.

3.5.4 Monitoring Report

1. The Monitoring Report describes all the information and data required for the monitoring of Pollutant reductions in accordance with the relevant Reef Credit Methodology.
2. The Monitoring Report must include the calculation of Pollutant reductions that have occurred within the Monitoring Period in accordance with section 3.5 of the Reef Credit Standard and the relevant Reef Credit Methodology.

3.6 Validation and Registration

A proposed Reef Credit Project must be validated against the Reef Credit Standard and the chosen applicable Reef Credit Methodology to be registered as a Reef Credit Project.

3.6.1 Validation Process

1. The Project Proponent must apply to the Reef Credit Secretariat for Validation of the proposed Project against the requirements of the Reef Credit Standard and applicable Reef Credit Methodology eligibility criteria.
2. The Project Description (which shall include all the requirements set out in section 3.2) must be submitted to the Reef Credit Secretariat for Validation purposes.
3. The associated documentation will be reviewed by the Reef Credit Secretariat for completeness and compliance with the eligibility criteria.
4. The Reef Credit Secretariat will charge a fee to cover administration costs for processing each Project application for Validation as set out in the Reef Credit Fee Schedule.
5. The Reef Credit Secretariat will validate the Project if it has satisfied all Project requirements in accordance with the Reef Credit Standard and Methodology eligibility criteria.

6. If the Project has been validated, the Reef Credit Secretariat will issue a notice of Validation to the Project Proponent and the Project will be listed in the Registry in accordance with Section 3.6.2 Project Registration.
7. Only the Project Proponent may initiate the Validation and registration process.

3.6.2 Registration

A Project that has been validated in accordance with Section 3.6.1 of this Standard will be registered in the Reef Credit Registry.

All registered Projects will be listed on the Reef Credits website and available for the public to search. Summary information, including details of the Project Proponent, Project location, Methodology, and Reef Credits issued in relation to registered Projects will be available from the Reef Credit Secretariat and published on the Reef Credit website subject to any information reasonably being regarded as commercial in confidence.

3.7 Verification and Reef Credit Issuance

A Project that has been registered as a Reef Credit Project may apply to the Reef Credit Secretariat for Verification of a Monitoring Report and issuance of Reef Credits at the end of each Reef Credit Project Monitoring Period. This is a two-step process, Step 1- Verification and then Step 2-Issuance.

Reef Credits will not be issued for Pollutant reductions arising from management actions that have not been verified in accordance with the requirements for Verification under the Reef Credit Standard and applicable Methodologies.

To apply for Reef Credit issuance the Project Proponent must submit to the Reef Credit Secretariat:

- a. An application for the issuance of Reef Credits;
- b. A Monitoring Report covering the period over which Reef Credits are requested to be issued; and
- c. A Verification Report provided by a qualified and independent third-party Verifier approved by the Reef Credit Secretariat.

3.7.1 Verification Process

1. An independent and qualified Verifier shall review the Project and Monitoring Report to assess Pollutant reduction claims against those realised during the Monitoring Period.
2. The Verifier will confirm whether:
 - a. the Reef Credit Standard and Methodology has been followed accurately and completely;
 - b. appropriate documentation is in place;
 - c. the amount of Reef Credits estimated for a Project is accurate;
 - d. the Risk of Reversal assessment has been conducted correctly; and
 - e. If this is the first Monitoring Report for the first Monitoring Period, then the Verifier must also assess all documentation required as part of the Validation process.
3. The Project Proponent must submit the Verification Report to the Reef Credit Secretariat.
4. The Verification Report must contain a summary of Verification activities, an opinion by the Verifier on the Reef Credit estimates, and a log of activities and findings.
5. The Reef Credit Secretariat will review the Verification Report and, if satisfied, the Monitoring Report will be confirmed as verified.
6. The Project Proponent must choose a Verifier from the list of approved Verifiers provided by the Reef Credit Secretariat.
7. The Secretariat will determine whether or not to approve the choice of Verifier.

8. The Project Proponent will enter into a contract directly with the Verifier for their verification services.

3.7.2 Level of Assurance

The Verifier shall select samples of data and information to be verified to provide a reasonable level of assurance and to meet the materiality requirements of the specific Project.

The level of assurance shall be reasonable, with respect to material errors, omissions and misrepresentations, for verification.

A discrepancy between the claimed and realised Pollutant reductions of less than 10% shall be considered immaterial for the purposes of Verification.

If a Verifier's estimate is within the required level of accuracy, the Project Proponent's calculation of Reef Credits in the Monitoring Report will be used to determine Reef Credit quantities.

If the Verifier's estimate exceeds the acceptable degree of discrepancy (10%) between the claimed and realised Pollutant reductions, the Verifier and the Project Proponent may:

- a. agree on the revised Reef Credit quantities recommended by the Verifier; or
- b. refer the issue to the Reef Credit Secretariat's dispute resolution process.

3.7.3 Reef Credit Issuance

The Reef Credit Secretariat will complete a final review of verified Reef Credit estimates and all Project documentation, and if satisfied that relevant requirements are met, will certify the number of Reef Credits to be issued.

1. The Reef Credit Secretariat will notify the Project Proponent of the details and when certification is complete.
2. The Project Proponent may request Reef Credit issuance after Verification and certification are complete.
3. The Reef Credit Secretariat will issue the Reef Credits into the Registry account of the Project Proponent.
4. Reef Credits issued on the Registry are assigned unique serial numbers, so they can be tracked.
5. Project activities will only be credited at the time a source of Pollutant has been verified to be reduced in accordance with a Methodology's baseline requirements.
6. Reef Credits cannot be issued in advance of a Pollutant reduction being achieved and verified.
7. The Reef Credit Secretariat will charge a fee to cover administration costs for each Reef Credit issued as set out in the Fee Schedule.
8. The verified Reef Credits shall be issued upon payment of the issuance fee.

3.8 Tracking and Transfer of Reef Credits

3.8.1 Tracking and Transfer of Reef Credits

1. Reef Credits may be sold by holders of Reef Credits to buyers seeking to obtain Reef Credits.
2. The sale or transfer of each Reef Credit is tracked on the Reef Credit Registry, though the terms or payments of any sales are external to the Registry or Reef Credit Secretariat process.
3. Reef Credits will be moved into the buyer's Registry account after notification of sale, by the Reef Credit holders to the Reef Credit Secretariat.

3.8.2 Reef Credit Retirement

1. A Reef Credit must be retired with the Registry to claim a water quality improvement.
2. A Reef Credit must be retired at the earlier of either:
 - a) the making of a claim for the water quality improvement associated with that Reef Credit; or
 - b) twelve (12) months from the date of transfer of the Reef Credit.
3. Reef Credits issued may be sold only once.
4. Once Reef Credits are retired, the Registry will move the retired Reef Credits into a retirement account that can be reported on but not accessed for further transfer.

3.8.3 Reef Credit Vintaging

A Reef Credit will remain valid for three (3) years after the date of the Verification Report for which the Reef Credit was issued.

4. Methodology Requirements

4.1 General

1. Approved Methodologies that may be applied under the Reef Credit Standard are available through the Reef Credit Secretariat.
2. Methodology developers must first apply for approval of new Methodologies through the Reef Credit Secretariat and must comply with the requirements of the Reef Credit Standard, and any other applicable rules and principles set out in the Reef Credit Guide.
3. All new Reef Credit Methodologies applying for approval under the Reef Credit Scheme will be subject to scientific peer review and public consultation.
4. Reef Credit Methodologies may use direct measurement and/or modelling approaches to estimate Pollutant reduction.
5. Reef Credit Methodologies must be founded on a comparative assessment of the Business As Usual scenario and the alternatives to determine the Baseline Scenario. This must include an assessment of the barriers to implementation of the proposed Methodology activities.
6. Reef Credit Methodologies must be consistent with the principles of the Reef Credit Scheme as described in the Reef Credit Guide and the rules as described in the Reef Credit Standard including clearly stating the assumptions, parameters and procedures involved in calculation of Pollutant reduction.
7. Methodologies must take into account any uncertainty and make an appropriate confidence deduction (correction factor).
8. Where Methodologies use models to determine Pollutant reduction the following principles must be adhered to:
 - a. Models should be publicly available from a reputable and recognised source such as Paddock to Reef;
 - b. Model parameters should be determined based upon studies by appropriately qualified experts;
 - c. Models should be peer reviewed and tested by appropriately qualified organisations or experts;
 - d. Where known and quantified, sources of model uncertainty should be identified and taken into consideration;
 - e. Models should apply conservative factors to discount for uncertainty;
 - f. Where models use discount or other default factors in the calculation of Pollutant reduction the data used to establish the factor must be provided; and
 - g. Models must be relevant to the location and parameters needed for the relevant Methodology.
9. Reef Credit Methodologies may use any combination of a Project (such as project specific history), activity (such as activities on a positive list) or performance (such as projects that meet or exceed an industry baseline) to determine baseline and additionality.
10. Reef Credit Methodologies must include sufficient information to allow readers to reach the same conclusion on the effectiveness of the Methodology as the validation and verification bodies in the Methodology approval process.
11. Only methodologies that comply with the Reef Credit Standard and the Guide and have been approved by the Reef Credit Secretariat may be used for a Reef Credit Project.

4.2 Applicability Conditions

The Reef Credit Methodology must describe the conditions under which the Methodology can (and cannot) be applied.

4.3 Additionality

The Reef Credit Methodology shall establish procedures for the demonstration and assessment of additionality based upon the general requirements set out below.

1. Methodologies shall use a Performance Benchmark or activity level standard to determine additionality. Methods developed under the Reef Credit Scheme shall meet these requirements by doing one of the following:
 - a. Referencing and requiring the use of an appropriate additionality tool that has been approved under the Reef Credit Scheme; or
 - b. Develop a full and detailed procedure for demonstrating and assessing additionality directly within the Methodology; or
 - c. Using a separate tool, which shall be approved via the Methodology approval process.
2. Methodologies may adopt any of the following approaches to the assessment of additionality:
 - a. Implementation barriers (investment barrier, technology barrier or institutional barriers)
 - b. Common Practice; or
 - c. Performance Benchmark

4.4 Project Boundary

The Project boundary must be described and identified using geospatial mapping, and water quality improvements shall be calculated in accordance with the Methodology applied to the Project.

The Methodology will establish criteria and procedures for describing the Project boundary and identifying and assessing Pollutant reduction relevant to the Project Baseline Scenario and Project scenarios.

4.5 Baseline Scenario

1. The Baseline Scenario for the Project must be determined in accordance with the requirements set out in the Methodology applied to the Project, and the choice of Baseline Scenario must be reasonable.
2. Methodologies shall establish criteria and procedures for identifying Baseline Scenarios and determining the most plausible scenario, taking into account the following:
 - a. The identified Pollutant sources, sinks and reservoirs;
 - b. Data availability, reliability and limitations;
 - c. Existing and alternative project types, activities and technologies providing equivalent type and level of activity of products or services to the Project;
 - d. Other relevant information concerning present or future conditions, such as legislative, technical, economic, socio cultural, environmental, geographic, site specific and temporal assumptions or projections.
3. Methodologies for determining the Baseline Scenario shall describe as far as is possible, the technologies and measures that represent the most plausible baseline.

4.6 Quantification of Pollutant Reductions

1. The Reef Credit Methodology shall establish criteria and procedures for quantifying Pollutant loads separately for the Project and Baseline Scenario.
2. The Methodology will provide a procedure for quantifying the Pollutant reduction by determining the net change in Pollutant loads through deduction of the Baseline Scenario from the Project scenario.

3. For the purposes of 4.6.1 the Methodology must identify all sources and sinks of the relevant Pollutant source within the Project area and must either
 - a. provide a mechanism for quantifying changes within each source or sink; or
 - b. if a source or sink is excluded from the procedures for quantification provide explanation as to why it is conservative to do so.

4.7 Project Leakage

The Methodology must include procedures for identifying the risk of Project Leakage and provide a method for accounting in the calculation of Reef Credits the deduction as a result of project Leakage.

4.8 Approval of new Reef Credit Methodologies

1. The Reef Credit Methodology development process is set out below.
2. Methodologies may be written in accordance with the Methodology development template for any activity that will lead to Pollutant reduction that is not on the negative list.
3. Methodology applications may be rejected by the Reef Credit Secretariat at its discretion if the Methodology is not considered to be consistent with the Reef Credit Guide principles.
4. New Methodologies will be subjected to scientific peer review followed by a thirty (30) day public consultation process.
5. Peer reviewers will be appointed by the Secretariat to ensure methodologies are theoretically rigorous, scientifically robust and practically workable. The peer review process is set out in Schedule 5.
6. At the end of the public consultation process, the Methodology developer will need to respond to the peer reviewers and public consultation before making a final application to the Reef Credit Secretariat for Methodology approval.
7. The Reef Credit Secretariat can utilise the Reef Credit Technical Advisory Committee to provide specialist input to this process.
8. Methodologies that successfully complete this process will be made available to all prospective Project Proponents.

4.9 Revising Reef Credit Methodologies

1. Reef Credit Methodologies may be periodically reviewed or revised at the request of the Reef Credit Secretariat.
2. The Reef Credit Secretariat will consider requests for review or revision of Reef Credit Methodologies and, if appropriate, will initiate the process.

5. Registry

The Reef Credit Registry is administered by the Reef Credit Secretariat. Project Proponents and prospective purchasers of Reef Credits must apply to the Secretariat to open an account with the Registry.

The Reef Credit Secretariat is responsible for:

- a. registration of Reef Credit Projects;
- b. Reef Credit issuance, including ensuring Reef Credits issued are in accordance with the Reef Credit Standard;
- c. holding, transferring and retiring Reef Credits;
- d. providing Reef Credit custodial services;
- e. maintaining records of Reef Credit legal ownership.

Reef Credit Project information is available via the Reef Credit website subject to commercial in confidence considerations.

A unique Reef Credit serial number will be assigned to each Reef Credit.

6. Requirements for Approved Verifiers

1. Verifiers must be accredited by the Reef Credit Secretariat before they are eligible to conduct Verification activities.
2. To become accredited, the Verifier must apply to the Reef Credit Secretariat by completing the Verifier accreditation template.
3. The Verifier must meet the eligibility requirements set out in this section in order to be approved by the Reef Credit Secretariat.
4. A Verifier must demonstrate their ability to professionally assess a Reef Credit Project without conflicts of interest, as defined in the conflict of interest code.
5. Verifiers must work in a credible, independent, non-discriminatory, and transparent manner, complying with applicable laws.
6. Verifiers must disclose any pre-existing relationship between themselves and the Project Proponent or purchaser.
7. Verifiers must provide a completed conflict of interest form to the Reef Credit Secretariat before verification activities can proceed.
8. Verifiers must not provide verification services to a Project Proponent for more than five consecutive Monitoring Periods.
9. If a Verifier violates any of these conditions, the Reef Credit Secretariat, at its discretion, may disqualify an accredited Verifier for a period of up to five (5) years.
10. All Verification costs shall be borne by the Project Proponent.
11. Verifiers must have experience and qualifications commensurate with the technical, integrity, independence and operational requirements of Australian environmental markets.

Experience relevant to the mechanism would include 5 years or more of audit team leadership in existing or previous environmental market mechanisms in carbon, biodiversity or water quality including UNFCCC CDM, VCS, CCBA, NGER audits, CFI/ERF audits, NSW GGAS or equivalent mechanisms regulated by state, territory and federal departments.

12. Verifiers must be accredited either by:

- a. The Clean Energy Regulator as a Category 2 (Team Leader) Greenhouse and Energy Auditor.
- b. An organisation accredited by the Joint Accreditation System of Australia and New Zealand Environment Scheme.

7. Non-Compliance

A Project Proponent must report any actual or anticipated Non-compliance with a requirement under the Reef Credit Standard within thirty (30) days of detection.

The Reef Credit Secretariat and Technical Advisory Committee will investigate any reported Non-compliance.

If the reported Non-compliance is of a serious nature, the Project Proponent's account on the Registry may be suspended while the issue is investigated.

If the Non-compliance is found to have occurred and is not remedied or capable of being remedied within a reasonable period of time, the Reef Credit Secretariat may, in its discretion cancel the Project.

8. Dispute Resolution

The Reef Credit Secretariat maintains and publishes a dispute resolution processes to log, review and address disputes in a timely and transparent manner. During the development of the formal documented process, all issues or complaints can be lodge via the webpage, www.reefcredit.org.

9. Governance

Governance structure

An independent not-for-profit company, established in Queensland under the *Corporations Act 2001* (Cth) as a company limited by guarantee, will administer the Reef Credit Scheme. The company will be governed by a skills based Board of Directors, with the day-to-day administration of the Reef Credit Standard delegated to the Reef Credit Secretariat (staff). A governance diagram is provided in the Reef Credit Scheme Guide.

Board of Directors

The role of the Board is to provide strategic, risk and compliance, and financial oversight to the Reef Credit Scheme, manage the development and ongoing maintenance of the Reef Credit Standard, and provide supervision of the Reef Credit Secretariat.

Secretariat

The Secretariat, overseen by the Board, carries out operational activities in relation to the administration of the main functions of the Standard. The Reef Credit Secretariat manages the validation, registration, verification, and issuance processes under the Reef Credit Standard. The Reef Credit Secretariat's role and responsibility includes overseeing verification bodies authorised under the Scheme and ensuring the integrity of the Registry system.

Members and Partners

The Members and Partners of the not-for-profit company will be organisations and agencies that endorse the principles and objectives of the Reef Credit Scheme, Guide and Standard. Partnership is offered to organisations that are unable to become members due to legal or other constraints.

Technical Advisory Committee

The Board may establish a Technical Advisory Committee to complement the skills of the Board and Reef Credit Secretariat on technical aspects of the Reef Credit Standard and Methodologies.

The Technical Advisory Committee will be composed of specialists that provide independent expertise on the methodology approval and modification process, selection of peer reviewers, compliance matters and related issues.

Schedule 1 – Reef Credit Definitions

Additionality – a requirement that a project activity delivers water pollutant reductions over and above what would have occurred without the Reef Credit project.

Beta Phase – The first twelve months of the Reef Credit Scheme operation.

Baseline Scenario – the conditions that would have been expected to exist in the absence of a Project and against which any future ecological benefits or impacts can be measured.

Business As Usual – water pollutant reductions that would have occurred notwithstanding the implementation of a Reef Credit Project.

Common Practice – the extent to which a Pollutant reduction activity has already been adopted in the relevant sector and region.

Consents – means the approval of those persons or organisations with a legal interest in the Project Area and may include landowners, lessors, lessees, banks or mortgagees, state and territory Crown Lands Ministers, and if the Project Area is on native title land, any registered native title bodies corporate.

Crediting Period – the time period for which pollutant run-off reductions generated by the Project are eligible for issuance as Reef Credits.

DIN – means dissolved inorganic nitrogen.

Governing Body – the independent not-for-profit company responsible for overseeing the Reef Credit Scheme.

Great Barrier Reef catchment area – is the land adjacent to the Great Barrier Reef from which all surface runoff and groundwater flow through a system of creeks, rivers, aquifers and lakes or other bodies of water into the sea.

Great Barrier Reef lagoon – the shallow coastal sea between the mainland adjacent to the Great Barrier Reef and outer reefs, and the area separating individual reefs.

Land management plan – documented proposal for implementing Project activities for the duration of the Project Period.

Leakage – the displacement of activities that harm water quality from one location to another.

Methodology – a specific set of criteria and procedures following scientific good practice, which apply to specific Project activities, for identifying the Project boundary, determining the Baseline Scenario, demonstrating additionality, quantifying Net Pollutant Reductions and/or removals, and specifying the monitoring procedures.

Methodology developer – an individual or organisation that writes and develops a methodology that is subject to the methodology approval process.

Monitoring – the process of assessing the implementation and activities of the Project and assessing whether a Project is meeting its targets.

Monitoring Period - is the period of time during which Pollutant reductions are monitored and calculated.

Monitoring Plan – describes how monitoring will be conducted over the life of the Reef Credit Project to ensure Project success.

Monitoring Report – the report prepared in accordance with section 3.5 and submitted the Reef Credit Secretariat at the end of each Monitoring Period for the purpose of Verification.

Natural Disturbance Event – in relation to an eligible Project means any of the following events, where the event could not reasonably be prevented by the Project Proponent for the Project,

including flood, drought, bushfire, cyclone, pest attack, disease or any other event specified by the Reef Credit Secretariat from time to time.

Net Pollutant Reduction Number – Pollutant reductions created by a Project activity, minus the Baseline Scenario and any deductions for Leakage and any Risk of Reversal Buffer contribution.

Non-compliance – a failure to comply with a requirement under the Reef Credit Standard that:

- a) continues over a lengthy period of time;
- b) is repeated or of a systemic nature;
- c) affects a significant area;
- d) causes significant damage.

Paddock to Reef – the integrated monitoring, modelling and reporting programme jointly funded by the Australian and Queensland governments to measure progress towards the Reef Water Quality Protection Plan 2013 (Reef Plan) targets through annual report cards.

Participant – a landholder that is participating in the Reef Credit Project by developing and implementing a land management plan.

Performance Benchmark - a benchmark established by reference to what are the usual and accepted amounts of Pollutant reduction generated by a similar practice in the relevant industry, against which the performance of individual Projects is assessed for the purpose of determining additionality and/or the crediting baseline.

Permanence – refers to whether the net benefit of a Pollutant removal will remain fixed for a long period, or whether the process may soon be reversed.

Permanence Period – means 50 years or some other period as defined in the Methodology where there is a risk of reversal.

Person – an individual, body corporate or executive officer of a body corporate.

Pollutant – means any pollutant with a load-based target under the Water Quality Improvement Plan (2017-2022) as amended from time to time.

Project – activities or actions implemented for which validation by the Reef Credit Secretariat is sought.

Project Area – the area over which Project activities are being implemented.

Project Description – the document that describes the Project's Pollutant reduction activities.

Project Application – the documentation submitted to the Reef Credit Secretariat to register a Project under the Reef Credit Standard.

Project Boundary – project boundary includes a Project's physical boundary or implementation area, the pollution sources, and the Project duration.

Project Design Document – the key Project document that includes all information concerning project design and how it conforms to the Reef Credit Standard requirements and containing information on the project's objectives, Participants and governance, activities, processes and anticipated impacts.

Project End Date – a minimum of 5 years to a maximum of 25 years after Project commencement and must be defined at Project application.

Project Proponent – the individual or organisation that has overall control and responsibility for the Project and to whom Reef Credits may be issued.

Project Start Date – the date on which the Project began activities, but cannot be a date earlier than 1 July 2017.

Reef Credit – a quantified and verified amount of Pollutant that has been prevented from entering the Great Barrier Reef lagoon.

Reef Credit Project – a Project registered by the Reef Credit Secretariat and listed on the Reef Credit Project Registry.

Reef Credit Project database – the database that records all Reef Credit Projects providing Reef Credit Project information to the public.

Reef Credit Rules – the rules and requirements set out in the Reef Credit Guide, Reef Credit Standard and the other Reef Credit documents.

Reef Credit Scheme - the overarching scheme or framework under which Reef Credits and Reef Credit Projects operate now or in the future (comprising but not limited to the Reef Credit Standard, Reef Credit Rules, Reef Credit Methodologies and the Reef Credit Secretariat).

Reef Credit Secretariat – the administrative office responsible for the administration of Reef Credit Scheme.

Reef Credit website – www.reefcredit.org.

Reef 2050 Plan – is the overarching framework for protecting and managing the Reef until 2050 and was released by the Australian and Queensland governments in March 2015.

Reef 2050 Water Quality Improvement Plan Water Quality Targets – are targets set under the Reef 2050 Water Quality Improvement Plan (2017-2022) as amended from time to time.

Registry – the secure electronic platform operated by the Reef Credit Secretariat which is used to receive, transfer and retire Reef Credits using unique serial number tracking to ensure transparency, traceability and integrity for all Reef Credits.

Registry System – the system established by the Reef Credit Secretariat, comprised of the Reef Credit project database and the Reef Credit Registry, to provide Project Proponents with the ability to list and register projects, and issue, transfer, hold and retire Reef Credits.

Retirement – the permanent removal of a Reef Credit from circulation in the Registry system which represents a reduction or removal of Pollutant.

Reversal - a reduction in the level of Verified Pollutant reductions from an eligible Reef Credit Project for which Reef Credits have been issued during the Permanence Period.

Risk of Reversal – the possibility that Pollutant removals or reductions may not be permanent because a project has exposure to risk factors, including unintentional reversals (e.g. flood) or intentional reversals (e.g. landowners or Project Proponents choosing to discontinue project activities).

Risk of Reversal Buffer – applies to all eligible Reef Credit Projects during a Monitoring Period when applying for issuance of Reef Credits. The purpose of the Risk of Reversal Buffer is to mitigate the potential impact of verified Pollutant reversals across the Reef Credit Scheme. The Risk of Reversal Buffer is calculated using the Risk of Reversal Assessment Tool and is reflected as a percentage discount applied to the Net Pollutant Reduction Number in accordance with a risk rating of low, medium or high for an eligible Reef Credit Project.

Risk of Reversal Assessment Tool – calculates the risk of a Reversal of verified Pollutant reductions during the Permanence Period for eligible Reef Credit Projects. The Risk of Reversal Assessment Tool assigns a Risk of Reversal rating (Low, Medium or High) based on a set of criteria outlined in **Schedule 4** applied to the eligible Reef Credit Project.

Stakeholder – an individual, group or body that has a legitimate stake or interest in the Project and is either participating in or likely to be directly or indirectly affected or influenced by the Project.

Technical Advisory Committee – an independent committee of experts appointed by the Board to provide advice in relation to technical processes administered by the Reef Credit Secretariat.

Validation – the initial assessment of a Project against the requirements of the Reef Credit Standard and approved Methodology.

Verifier – an accredited and independent person or organisation approved by the Reef Credit Secretariat to verify Pollutant reductions and assess Methodologies within the requirements of the Reef Credit Standard.

Verification – the independent assessment by a qualified and impartial third party of the Pollutant reductions and/ removals for a specific Monitoring Period.

Verification Report – the written report of the Verifier prepared in accordance with the Reef Credit Rules.

Vintage – the date on which the Pollutant reduction or removal was verified.

Voluntary market – a market for voluntary Reef Credits that has been certified through voluntary certification processes.

Schedule 2 – Conversion Factors

Pollutant	Target	Load reduction by 2025 (t/kt) per year	Conversion Factor (t)
Dissolved inorganic nitrogen (DIN)	60%	3594 t	1
Fine Sediment (TSS)	25%	1935 kt	538
Particulate nitrogen (PN)	20%	3351 t	Not currently available
Particulate phosphorous (PP)	[22%]	[1646 t]	Not currently available
Pesticide	Not a load based target	Not a load based target	Not currently available

Calculated load reductions required to meet the proposed end-of-catchment load reductions by 2025. Calculated from the 2012-2013 anthropogenic baseline Report Card 2015 Source Catchment model outputs. Reductions are expressed as anthropogenic load reductions.

The conversion factor is calculated by dividing the non-DIN pollutant load reduction (e.g. 1,935,000 t FSS) by the DIN load reduction (3,594 t) = 538 t. The DIN amount or concentration is used as the base unit of measure or reference to create proportional equivalence or relative value (rather than functional equivalence) between pollutants in relation to the targets.

Schedule 3 – Positive List and Negative List

Positive list (eligible activities)

Gully restoration

Wetland restoration

Fertiliser management

Grazing management

Negative list (ineligible activities)

Without limitation, the Reef Credit Scheme excludes Projects that:

- involve planting native species that are not endemic to the bioregion (according to the Queensland flora census), unless it can be demonstrated that they are already widely accepted in the surrounding geographic area, or
- degrade the condition of native ecosystems, or
- generate pollution (including but not limited to Pollutants) at any time to provide an inflated baseline for their subsequent removal, or;
- pose significant risk to native flora, native fauna or native regional ecosystems.

Schedule 4 – Risk of Reversal Assessment Tool

Assessment Question	Possible Answer	Response
1. Is the eligible Project the subject of a Permanence Period?	Yes/No	If no, questions 2-5 do not apply. Risk of reversal buffer is 0%.
2. Is it <u>possible</u> that a reversal of Pollutant reduction would occur as a result of a change in Management activities?	Yes/No	If yes, determine the probability, Low/Medium or High , in accordance with relevant methodology. If no, risk of reversal buffer is 0%.
3. It is <u>likely</u> that a reversal of Pollutant reduction would occur as a result of a change in Management activities?	Low/Medium or High	See risk of Reversal Buffer % Deduction Table
4. Is it <u>possible</u> that a reversal of Pollutant reduction could occur as a result of natural disturbance events?	Yes/No	If yes, determine the probability, Low/Medium or High , in accordance with relevant methodology. If no, risk of reversal buffer is 0%.
5. Is it <u>likely</u> that a reversal of Pollutant reduction could occur as a result of natural disturbance events?	Low/Medium or High	See risk of Reversal Buffer % Deduction Table

Risk of Reversal Buffer % Deduction

Risk Rating	Risk of Reversal Buffer % Deduction
Low Risk of Reversal	0%
Medium Risk of Reversal	5%
High Risk of Reversal	10%

Schedule 5 – Peer Review Process

