



Town of Gawler Proposal – Establish a high level ‘No Double Counting Principle’ for all GHG Protocol Standards and Guidance documents.

Respondent information

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With attribution

Proposal and supporting information.

1. Which standard or guidance does the proposal relate to (Corporate Standard, Scope 2 Guidance, Scope 3 Standard, Scope 3 Calculation Guidance, general/cross-cutting, market-based accounting approaches, or other)? If other, please specify.

Scope 2, general/cross cutting, market based accounting

2. What is the GHG accounting and reporting topic the proposal seeks to address?

Systemic double counting of renewable electricity and related zero Scope 2 emissions, and the systemic double counting of abatements associated with carbon offsets.

3. What is the potential problem(s) or limitation(s) of the current standard or guidance which necessitates this proposal?

The current GHG Protocol suite of documents is designed to guide corporate accounting and influence the development of schemes in jurisdictions, noting that the GHG Protocol cannot dictate policy within jurisdictions as this is the responsibility of governments and their departments. When governments implement policy and schemes in a way that only partially aligns with the protocol then design quality criteria are not met and systemic double counting can be the result.

Some of the issues experienced have also been described within the Town of Gawler Survey responses.

The current principles described in relation to GHG Protocol documents include RELEVANCE, COMPLETENESS, CONSISTENCY, TRANSPARENCY and ACCURACY.

This reform proposal seeks to close the loopholes that result in systemic double counting - without a no double counting principle, double counting will occur and be systemic in nature.

Systemic double counting occurs in relation to renewable electricity when the attributes of 'renewable electricity use' and 'zero emissions' are claimed more than once. This outcome has occurred where jurisdictions:

- support both market based claims and location based claims for the same renewable electricity within the same market by two or more consumers.
- do not adequately prepare a Residual Mix Factor and ensure that consumers that are not buying renewable electricity, report and make claims using the Residual Mix Factor.

RENEWABLE ELECTRICITY

Where double counting occurs:

- The RELEVANCE principle is nullified because the emissions reported by the company are not serving the needs of users internal and external to the company.

- The COMPLETENESS principle is nullified because if it is made up of double counted claims, it is irrelevant if it is complete or not because the impact of double counting remains.
- The CONSISTENCY principle is voided where two or more different end users are using different methods to claim use of the same renewable electricity and zero Scope 2 emissions.
- The TRANSPARENCY principle is dishonoured when systemic double counting occurs and is not disclosed to consumers and stakeholders.
- The ACCURACY principle is meaningless when there are two or more end users accurately double counting the same renewable electricity use and zero Scope 2 emissions.

CARBON OFFSETS

Where double counting occurs due to the project owner claiming abatement on site, and a carbon offset consumer claiming the same abatement offsite:

- The RELEVANCE principle is nullified because the emissions abatement is being claimed by two entities.
- The COMPLETENESS principle is nullified because if it is made up of double counted claims, it is irrelevant if it is complete or not because the double counting remains.
- The CONSISTENCY principle is voided where two or more different end users are using different methods to claim use of the same abatement.
- The TRANSPARENCY principle is dishonoured when systemic double counting occurs and is not disclosed to consumers and stakeholders.
- The ACCURACY principle is meaningless when there are two or more end users accurately double counting the abatement.

4. Describe the proposed change(s) or additional guidance.

Recommendation

The proposal is for the GHG Protocol to establish an overarching 'No Double Counting Principle' to apply to all GHG Protocol guidance documents.

This would mean that:

- abatement from carbon offsetting projects must not be claimed by both the project owner and a customer who buys the offsets. To achieve this, carbon offsets would be defined as negative Scope 3 emissions and debit and credit rules would apply.
- market based accounting would apply to renewable electricity such that those buying renewable electricity could claim use of renewable electricity at zero emissions whilst those not buying renewable electricity could only make claims in relation to use of Residual Mix Factor.
- Owners of on site renewable electricity systems would be prevented from creating and selling tradable renewable electricity certificates for the renewables consumed on site.
- The GHG Protocol would encourage and guide prevention and correction of other situations which may result in systemic double counting

5. Please explain how the proposal aligns with the GHG Protocol decision-making criteria and hierarchy (A, B, C, D below), while providing justification/evidence where possible.

A. GHG Protocol accounting and reporting approaches shall meet the GHG Protocol accounting and reporting principles (see Annex for definitions):

- Accuracy, Completeness, Consistency, Relevance, Transparency
- Additional principles for land sector activities and CO₂ removals: Conservativeness, Permanence, and Comparability if relevant

The proposal will complement the existing five principles and serve to improve the integrity of policies, schemes and claims to improve the integrity of renewable electricity and low carbon markets in general.

In Australia, systemic double counting has come about despite referencing the GHG Protocol in government documents. For example:

- Systemic double counting occurs where all renewable electricity sent out to the grid is allocated across all consumers using location based emission factors under the National Greenhouse and Energy Reporting Determination and National Greenhouse Accounts which are used as the default emission values on all electricity bills and in Government policy and analysis. At the same time market based schemes and claims are made without adequate legal foundation and appropriate safeguards to prevent double counting or align with the Scope 2 Guidance quality criteria. Australia's renewable electricity certificates being Large Scale Certificates (LGCs) do not legally integrate the attributes of renewable electricity use as zero Scope 2 emissions.
- Systemic double counting occurs where all small scale and household renewable electricity is allocated to the grid and claimed as dilution through the location based and Residual Mix Emission Factors as well as being claimed on site by small scale system owners.
- All large scale (>100 kW) renewable electricity system owners that produce and consume renewable electricity behind the meter are legally supported to claim the use of renewable electricity at zero emissions. However, they are also able to create and sell LGCs for the electricity already consumed on site, so resulting in an additional form of 100% double counting.
- Systemic double counting occurs with carbon offsets where abatement project owners can claim abatement on site whilst selling carbon offsets to other parties who can also claim the abatement. There are no debit and credit rules for the abatement and Australia's Carbon Credit Units do not legally integrate any attributes.

B. GHG Protocol accounting and reporting approaches shall align with the latest climate science and global climate goals (i.e., keeping global warming below 1.5°C). To support this objective (non-exhaustive list):

- Direct emissions reported in a company's inventory should correspond to emissions to the atmosphere. Reductions in direct emissions reported in a company's inventory should correspond to reductions in emissions to the atmosphere.

- Indirect emissions reported in a company's inventory should in the aggregate correspond to emissions to the atmosphere. Reductions in indirect emissions reported in a company's inventory should in the aggregate correspond to reductions in emissions to the atmosphere.

Scope 2 and Scope 3 emissions accounting are about accounting and dealing with indirect emissions. If the accounting is done well then this ensures acknowledgement of direct Scope 1 emissions is correctly associated with an entity through their contractual connections. The zero emissions associated with renewable electricity and carbon offsets as negative emissions are part of Scope 2 and Scope 3 accounting methods.

Market based accounting improvements will ensure that claims are not double counting renewable electricity or carbon abatement from projects twice. In this regard, the payments for accredited renewable electricity and carbon offsets correspond with the prevention or removal of Scope 1 emissions.

C. GHG Protocol accounting frameworks should support ambitious climate goals and actions in the private and public sector.

- Would this proposal enable organizations to pursue more effective GHG mitigation/decarbonization efforts as compared to the existing standards and guidance? If so, how?
- Would this proposal better inform decision making by reporting organizations and their stakeholders (e.g. related to climate-related financial risks and other relevant information associated with GHG emissions reporting)?

A 'No Double Counting Principle' will support the integrity and community acceptance of market-based accounting frameworks and whole of economy participation.

D. GHG Protocol accounting frameworks which meet the above criteria should be feasible. (For aspects of accounting frameworks that meet the above criteria but are difficult to implement, GHG Protocol should provide additional guidance and tools to support implementation.)

- What specific information, data or calculation methods are required to implement this proposal (e.g., in the case of scope 2, data granularity, grid data, consumption data, emission information, etc.)? Would new data/methods be needed? Are current data/methods available? How would this be implemented in practice?
- Would this proposal accommodate and be accessible to all organizations globally who seek to account for and report their GHG emissions? Are there potential challenges which would need to be further addressed to implement this proposal globally? What would be the potential solutions?

A 'No Double Counting Principle' is entirely feasible.

6. Consistent with the hierarchy provided above, are there potential drawbacks or challenges to adopting this proposal? If so, what are they?

The resistance to a no double counting principle in Australia's schemes appears to be caused by the impact in those who are receiving a free ride in reduced emissions. That the GHG Protocol does not include this principle means there is no driver to establish such a principle in local jurisdictions.

7. Would the proposal improve alignment with other climate disclosure rules, programs and initiatives or lead to lack of alignment? Please describe.

A 'No Double Counting Principle' can lead the way for such a principle to be established in other climate disclosure programs and initiatives, such as those being proposed by the IFRS Foundation on Climate Related Disclosures.

8. Please attach or reference supporting evidence, research, analysis, or other information to support the proposal, including any active research or ongoing evaluations. If relevant, please also explain how the effectiveness of the proposal can be evaluated and tracked over time.

This should not be necessary beyond the examples that have already been provided. However further information is available on request.

9. If applicable, describe the process or stakeholders/groups consulted as part of developing this proposal.

In June 2021, the at the Australian Local Government Association National General Assembly, the following motion was passed:

The National General Assembly calls on the Federal Government to amend the National Greenhouse and Energy Reporting (NGER) Framework to establish a legal definition of what is required to buy renewable electricity via the electricity grid and claim 100% renewable electricity use and zero emissions. This will establish market based accounting for renewable electricity that is consistent with the internationally respected Greenhouse Gas Protocol Scope 2 Accounting Guidelines. It will create a single nationally consistent method that applies to electricity and renewable electricity consumption and prevent double counting for all customers including for councils, households, and small to medium businesses seeking legally assured, clearly defined and fairly priced renewable electricity.

In 2022 the National General Assembly passed an extended resolution which also covered carbon offsets:

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That this National General Assembly, building on the 2021 National General Assembly resolution and progress to date towards clear and transparent rules for renewable electricity, calls for formal engagement with the Federal Government and Department of Industry, Science Resources and Energy

to accelerate reforms for nationally legislated market-based greenhouse accounting and rules for renewable electricity and carbon offsets to be established in Australia.

Since 2019, the Town of Gawler has engaged in numerous consultation processes that cover renewable electricity and carbon offsets and has engaged with key Government Agencies including regulators. The Town of Gawler has also played a key role in seeking renewable electricity procurement options through the Electricity Working Group of South Australian Councils.

10. If applicable, provide any additional information not covered in the questions above.

Additional information on any aspect can be provided upon request.