



Town of Gawler Proposal - Require jurisdictions to underpin GHG Protocol Standards and Guidance accounting with appropriate legislation/regulatory instruments, to claim association with the GHG Protocol.

Respondent information

Name

Tim Kelly

Organization

Town of Gawler

Email address

Tim.kelly@gawler.sa.gov.au

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Please write either "Yes" (make publicly available) or "No" (do not make publicly available).

Yes

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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.**

Corporate Standard, Scope 2 Guidance, Scope 3 Standard, Scope 3 Calculation Guidance, general/cross-cutting, market-based accounting approaches.

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

Complexity of the Scope 2 Guidance to address:

- Contradictory and competing methods.
- Lack of legal certainty and the legitimacy and integrity of schemes and claims.
- Loopholes that lead to systemic double counting of renewable electricity use and the related zero Scope 2 emissions.
- Loopholes that lead to systemic double counting of abatement associated with carbon offsets.
- Confusion on how the GHG Protocol documents (including Scope 2 Guidance) are interpreted and applied within jurisdictions.

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

The current GHG Protocol Scope 2 Guidance is designed to guide corporate accounting and influence the development of schemes in jurisdictions, noting the GHG Protocol cannot dictate policy within jurisdictions as this is the responsibility of governments and their departments. When governments implement policy in a way that only partially aligns with the protocol, weaknesses and loopholes are exploited leading to systemic double counting, pricing unfairness, free riding, and confusion.

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

This reform proposal seeks to prevent the partial application of the GHG Protocol in jurisdictions where quality criteria which would reduce systemic double counting are not implemented.

The Town of Gawler in its survey responses has already described the problems created where different accounting methods are used at the same time for the same renewable electricity or abatement associated with carbon offsets in the same jurisdiction.

Situations which enable these outcomes to arise can be caused by:

- No clear rules and accounting framework established through legislation.
- Rules and accounting frameworks established in legislation that is incomplete, does not cover all emission scopes and does not legally apply to the whole market.

- Rules and accounting frameworks established in legislation that is incomplete, coupled with other multiple contradictory schemes unsupported by legislation that are all mixing in the same market at the same time.

A solution is for a single economy wide set of GHG accounting rules that apply to the whole market in a jurisdiction with consistent and fair methods for all, whether meeting mandatory reporting obligations or making voluntary claims.

The GHG Protocol has a valuable role in developing standards and accounting frameworks that have integrity to underpin low carbon markets globally. However, the implementation of standards in national and state jurisdictions requires governments to adopt appropriate legislation and regulatory mechanisms locally, in order for markets and claims to be legitimate, systemic double counting prevented and fair pricing structures to be encouraged.

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

Improvements in market based accounting for both renewable electricity and carbon offsets can be achieved by better defining how GHG accounting the methods are implemented in local jurisdictions through legislative instruments.

The GHG Protocol position on this should not seek to micromanage every aspect of GHG Accounting. Its value aligns with the major issues relating to the:

1. Establishment of market-based accounting and ensuring that double counting is prevented.
2. Market based renewable electricity and market based creation and use of carbon offsets being established under legislation or a legislative instrument to implement GHG Protocol methods and guidance locally.
3. Quality criteria to prevent systemic double counting in carbon markets.

Where there is a legislated foundation within a local jurisdiction, standards can be regulated with assurance requirements, and enforcement actions can be applied where necessary.

In the absence of localised legislation then the GHG Protocol standards lack any tangible application and implementation.

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 support the removal of systemic double counting which undermines the relevance of the other GHG Protocol Principles.

In the Town of Gawler response to the Market Based Accounting survey, it was recommended that a 'No Double Counting Principle' be added to the existing principles.

The Town of Gawler, in its advocacy for clear and consistent rules for accredited renewable electricity and carbon offsets, is consistent that these rules be established under legislative instruments.

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 renewable electricity and emissions accounting and carbon offset accounting are about accounting and dealing with indirect emissions. If the accounting is done well, it ensures that acknowledgement of direct Scope 1 emissions is correctly associated with an entity through their contractual connections to the zero emissions associated with renewable electricity generation or carbon offsets.

Market based accounting improvements will ensure that user claims are not double counting renewable electricity generation or abatement associated with carbon offsets. In this regard, the payments for accredited renewable electricity and accredited 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)?

The reforms to establish economy wide GHG accounting rules, including for renewable electricity, carbon offset trading and claims, for mandatory reporting by larger corporations and for voluntary reporting and claims by anyone, will help to remove, and prevent systemic double counting, confusion, pricing unfairness, free riding and lack of integrity. In achieving these outcomes, voluntary markets will grow with confidence.

The establishment of clear economy wide rules across a jurisdiction under legislation will provide significantly greater certainty for investment and business decisions.

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?

Reforms to improve the consistent application of the GHG Protocol in the key areas covering market-based trading and claims for renewable electricity and carbon offsets are entirely feasible in the Protocol guidance documents and in jurisdictions. Improvements to the guidance outlining how to legally establish integrity, would help more jurisdictions follow the GHG Protocol documents and its intent.

Currently, in Australia, in the absence of consolidation under the single National Greenhouse and Energy Reporting Framework, there is a confusing situation where a new accounting method, new certificates and new schemes appear to be created every month. All these voluntary schemes are created without adequate legislative foundation, and all are contradictory to the established legal methods which apply to approximately only 415 Corporations nationally.

By not establishing a single set of accounting rules for all there is systemic double counting, major confusion, and a lack of widespread confidence.

Again, it is acknowledged that the GHG Protocol does not have a direct say on legislation within jurisdictions. However, it can place a requirement that to associate with the GHG Protocol, consistent legislation is required to enable GHG Protocol standards and guidance to work.

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

There may be some resistance by jurisdictions to follow this requirement if it was incorporated into the GHG Protocol documents.

Jurisdictions that do adopt legislative clarity will have a market advantage and consumers within those jurisdictions will benefit.

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

Reforms in the GHG Protocol being supported by appropriate legislation within jurisdictions will better demonstrate integrity and accuracy in climate disclosure programs and initiatives.

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.