

22 May 2024

Town of Gawler Administration Centre

43 High Street

Gawler East SA 5118

PO Box 130

Gawler SA 5118

Phone: (08) 8522 9211

council@gawler.sa.gov.au

gawler.sa.gov.au

National Greenhouse Accounts

Department of Climate Change, Energy, the Environment
and Water

Emailed: nationalgreenhouseaccounts@dcceew.gov.au

Dear National Greenhouse Accounts Team

RE:2024 Proposed Amendments to the National Greenhouse and Energy Reporting (NGER) Determination

Thank you for providing the opportunity to provide feedback on the 2024 NGER Determination Proposed Amendments.

The Town of Gawler is pleased to provide this submission on the 2024 Proposed Amendments to the NGER Determination noting that, due to the four-week consultation period, this submission is provided as an Administration Response and does not reflect an endorsed position of Council.

About the Town of Gawler

The Town of Gawler was the first council in South Australia to declare a Climate Emergency and has now inspired 15 other South Australian councils to declare a climate emergency and take action. Council has established a Climate Emergency Action Plan to lead in its reduction of emissions towards net zero and to enable households and businesses in our community to also take strong action towards achieving net zero emissions. However, councils and communities receive mixed messages and conflicting guidance relating to renewable electricity and carbon offset products, services, and claims.

Since 2020, the Town of Gawler has strongly advocated for clear and consistent rules for renewable electricity and carbon offsets so that there can be confidence in these products, fair pricing structures and meaningful guidance for customer claims to help prevent greenwashing and double counting.

The Town of Gawler is not a large corporation covered by mandatory reporting obligations, nor does it have responsibilities under the Safeguard Mechanism. However, we understand the overlap between the NGER Determination and the and the National Greenhouse Accounts (NGA) Factors documents which is referred to by participants across the whole economy including NGER liable Corporations, despite not being a legislative instrument of the NGER Framework. We also understand that the Department of Climate Change, Energy, the Environment and Water (DCCEEW) does not consult on the NGA Factors document because it considers that consultation relating to the NGER Determination also covers the NGA Factors engagement.

Decisions made under the NGER determination and the NGA Factors directly or indirectly impacts on councils and their communities and as such, the Town of Gawler administration believes that it is important to provide feedback on the proposed amendments and identify issues associated with the NGER Determination and related documents.

Current guidance from DCCEEW and the Clean Energy Regulator does not provide consistent rules and definitions to support an orderly transition to market-based accounting, which is necessary to support producers, traders, and consumers in carbon markets:

- Renewable electricity use via the grid is not legally defined. Both market-based methods and location-based methods are being used to claim progress towards net zero emissions and renewable electricity use which results in confusion, double counting, and free riding.
- Market-based methods and location-based methods are justified on the basis that they are different methods for different purposes, but these different purposes are yet to be clarified.
- Large-scale Generation Certificates (LGCs) are not legally defined as incorporating the attributes of renewable electricity use, while Australian Carbon Credit Units are not legally defined as incorporating a negative emissions attribute. These uncertainties in the foundation of market-based instruments create ambiguity and mean that *renewable electricity use* and *offset project abatement* can be claimed on-site as well as sold via the certificates and claimed by third party consumers.
- For councils and ordinary consumers, the mandatory renewable electricity that consumers have paid for (being the Renewable Power Percentage (~20%) and 53% of the Small Tradable Percentage (~10%)), is not disclosed to consumers as default and claimable renewable electricity. This means that customers paying for 100% GreenPower or 100% voluntary LGCs, are actually paying for 130% renewable electricity.
- Consumers are not appropriately informed that voluntary renewable electricity that they pay for is not yet legally allocated to them, nor are they advised that voluntary renewable electricity is not additional to Australia's Nationally Determined Contribution target.

Council staff welcome the news that market-based accounting will become mandatory over the next few years and hope that the legal framework and accounting practices are improved to create clarity and fairness for Australian low carbon markets function as a whole.

Proposal for State and Territory specific Residual Mix Factors

DCCEEW has proposed the following method to calculate state and territory location specific Residual Mix Factors:

$$RMF = M / (N - (LGC \times 1000))$$

In this equation

M relates to generation emissions within the state or territory without recognition that the emissions outcomes have been paid for by consumers across Australia through their mandatory payments and buying GreenPower and LGCs. Such an approach equates to location-based accounting and cannot be used for market-based accounting if integrity is to be assured. The National Generation Emissions value of **M** should be the starting point as used in Climate Active.

N relates to the electricity sent out to the grid. As this submission recommends that **M** should be based on national generation then **N** should also be the national component of electricity sent out to the grid for this method.

LGCs represent the *creation* of Large-scale Certificates in the proposed method but these should represent *surrendered* LGCs - either those voluntarily surrendered or those surrendered for mandatory retirement. This only works on a national basis

because LGCs created in one state or territory are very often surrendered (consumed) in other states and/or territories.

The Town of Gawler Administration does not support the creation of state and territory location-based Residual Mix Factors.

Mandatory renewable electricity is the result of a National Policy (being the Renewable Energy (Electricity) Act 2000) and voluntary purchases made across Australia and as such, it is not appropriate that state generation emissions are used as the starting point. It is also the case that even off grid power stations can create and sell LGCs. On this basis, it is appropriate that **only** a National Residual Mix Factor is used to underpin market-based accounting.

The GHG Protocol created the concept of Residual Mix Factors to exclude the impact of diluting grid emissions by renewable electricity that has been purchased and claimed by others such as GreenPower customers. Recognition that mandatory renewables are claimed on a national basis is already established through by DCCEEW through Climate Active and the Corporate Emissions Reduction Transparency (CERT) reporting scheme where participants can claim the mandatory Renewable Power Percentage. It is hoped that the 53% of the STP will also be recognised as claimable.

Risks created by location specific state and territory Residual Mix Factors

The use of location-based Residual Mix Factors for each state and territory creates the following problems:

- The value of emissions abatement will be distorted and not reflect the amount of renewable electricity purchased.
- Whilst this may appear to benefit some states, it actually creates additional problems for projects and purchasing renewable electricity in states with higher renewable generation. For example: Buying accredited renewable electricity or building new infrastructure in South Australia will apparently abate fewer emissions compared with buying or building renewables in other states like New South Wales. This creates a non-market distortion of the business case for behind the meter renewable electricity projects and to buy accredited renewable electricity.
- When offsetting, for the same amount of electricity consumed, emissions will be cheaper to offset in some states and territories and more expensive in other states and territories.
- Financial contributions of customers that have paid for renewables on a national basis will be disregarded and disrespected, allowing the electricity emissions in some states to appear much lower compared with other states and territories.
- Consumers in some states like South Australia will increasingly question why they should buy accredited renewable electricity if the intensity factor provided by DCCEEW is disproportionately low.
- More complexity is added for an outcome that has less integrity and will be more confusing.
- Market based claims prepared under this method may not be respected or trusted because the proposed Residual Mix Factors will not properly reflect the intent of Residual Mix Factors.

Improved method to calculate a National Residual Mix Factor for use in market-based accounting.

Recommendation

1. It is recommended that the Residual Mix Factors for market-based accounting be based on a national jurisdiction input data as follows:

$$RMF_{\text{National}} = M_{\text{National}} / (N_{\text{National}} - ((RPP_{\text{National}} + (53\% \times STP_{\text{National}}) + \text{Voluntary Renewables}_{\text{National}}) \times 1000))$$

This method would deliver an outcome where the generation emissions of states and territories are recognised as being paid for by all Australian consumers, other than those corporations claiming exemption. In addition, all the claimable and voluntary renewables **are removed** from diluting the Residual Mix Factor so that these are not double counted and market-based accounting could proceed with integrity, fairness and consistency across the different states and territories.

Other clarifications sought for clear and consistent accounting rules for all market participants

Recommendations

2. The NGA Factors document should be integrated into the NGER Determination so that it can apply as a legislative instrument to guide both mandatory reporting and general market applications and consumer claims.
3. The NGER Determination and NGA Factors document should clarify that Large Scale Certificates incorporate the attributes of renewable electricity use at zero emissions in the market-based method.
4. The NGER Determination and NGA Factors should clarify that Australian Carbon Credit Units incorporate a negative emissions attribute and establish *debit and credit rules* to apply when trading this abatement attribute from site to consumer and across sectors.
5. Both the NGER Determination and the NGA Factors should describe the **Default Renewable Percentage** that consumers are entitled to claim before adding any voluntary renewables to equal 100% That is, the Renewable Power Percentage plus 53% of the Small Tradeable Percentage Australia wide.
Notes:
 - Consumers in the Australian Capital Territory that purchase their electricity under a territory wide Power Purchase Agreement already have the additional renewables purchased on their behalf and this can be disclosed on their bills.
 - Corporations claiming Renewable Energy Target Exempt Activities should be precluded from claiming the Default Renewable Percentage.
6. The annual **Default Renewable Percentage** should be communicated to the Clean Energy Regulator and retailers so that this information is clearly displayed on electricity bills Australia wide and consumers buying accredited renewable electricity do not get charged 130% when trying to achieve 100% renewable electricity use.

7. Location based accounting for electricity should not be used as the basis for net zero claims or renewable electricity use. Location based accounting serves a purpose for dual reporting and context.

Once again thank you for the opportunity to provide feedback on the Amendments Proposed to the National Greenhouse and Energy Reporting (NGER) Determination. We would be more than happy to discuss any aspect of this submission with the National Greenhouse Accounts Team in more detail.

Should you have any queries regarding the information provided, please contact Tim Kelly, Environment & Sustainability Officer on telephone 8522 0143.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Andrew Goodsell', is positioned above the printed name.

Andrew Goodsell
A/Chief Executive Officer

Telephone: 8522 9221
Email: Andrew.Goodsell@gawler.sa.gov.au