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Dear Sir/Madam

**RE: Proposed Climate Change and Greenhouse Emissions Reduction
(Miscellaneous) Amendment Bill 2024.**

Thank you for providing the opportunity to comment on the Draft Amendment Bill to update South Australia's *Climate Change and Greenhouse Gas Emissions Reduction Act 2007*. It is understood that the legislation is a framework act, not a regulatory act which means that it provides a platform for setting targets and creating policies, plans and programs for climate adaptation and mitigation rather than regulation or enforcement.

The Town of Gawler has declared a climate emergency and is committed to taking action on climate change for its own operations and to support and enable our community to take action. The Town of Gawler has established an ambitious Climate Emergency Action Plan which includes a range of aspirational goals including for Council to achieve net zero emissions by 2030, achieve 100% renewable electricity use and support and enable our community to achieve the same outcomes.

Whilst we welcome the update of the legislation, we have concerns that it is not underpinned by an adequate greenhouse gas and electricity accounting framework to achieve net zero emissions. Transitioning to renewable electricity use for our buildings, infrastructure and transport is the biggest challenge. The focus on *renewable electricity generation only* in the Draft Amendment Bill sends a confusing message to Councils, businesses and communities seeking to buy accredited renewable electricity to claim use as zero emissions.

For the legislation to be effective in establishing the state framework for real climate action, we recommend that the net zero goal be supported by an appropriate greenhouse gas accounting framework. We also seek clarification of South Australia's renewable electricity use (defined using the market-based method as well as the location-based method) and the role of Councils and community consumers in purchasing accredited renewable electricity to increase renewable electricity use towards 100%.

Please find attached the Town of Gawler submission to this letter on the Proposed *Climate Change and Greenhouse Emissions Reduction (Miscellaneous) Amendment Bill 2024*.

Once again, I thank you for the opportunity to provide feedback on this important area of legislation.

Yours faithfully



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Town of Gawler Submission on the Proposed *Climate Change and Greenhouse Emissions Reduction (Miscellaneous) Amendment Bill 2024*

Amendment of section 4—Interpretation

The net zero emissions definition requires clarification to indicate appropriate market-based accounting.

Carbon Offsets - Abatement and Trading

Noting that Australian Carbon Credit Units (ACCUs) are market-based instruments, there is also a need to manage sales and purchases of ACCUs and the related abatement claims. The draft Amendment Bill in its current form would see South Australia claim all abatement associated with creating ACCUs in the state, regardless of whether ACCUs are sold across state borders. The bill also allows for purchased offsets to be counted as abatement (negative emissions) from outside state borders. For integrity, debit and credit rules are required for offset abatement to be traded and claimed. Where South Australia sells ACCUs across borders then there is a need to add emissions to the state account. When South Australia buys Carbon offsets from outside the state then it could deduct these emissions from the state account.

The use of carbon offsets is already an area of concern where low integrity credits have been identified. It is therefore vital that at a state level, there are high standards of integrity and clear debit and credit rules established to prevent double counting of abatement.

Definitions

Recommendation 1: It is recommended that the following definitions be added to or amended in the proposed Bill to provide greater clarity on South Australia's net zero journey:

Amendments to proposed definitions

The edits to the proposed amendment are shown in red underlined text:

net greenhouse gas emissions means greenhouse gas emissions after—

(a) determining the amount of total greenhouse gas emissions attributable to the State acknowledging Scope 1, 2 and significant Scope 3 emissions, including any removals of greenhouse gas emissions from the atmosphere due to activities within the State; and

(b) deducting from the amount described in paragraph (a), any emissions offsets from outside of the State; and

(c) adding to the amount described in in paragraph (a), any emissions offsets created in the State and sold to entities outside of the State.

It is recommended that references to Australian jurisdictions be amended to clarify the differences between the Commonwealth jurisdiction and the sub-national jurisdictions. This change is recommended because there are key differences between the reporting requirements of Australia as a nation, compared with sub-national jurisdictions seeking to make net zero claims. The following clarification is suggested:

~~Australian jurisdictions means the jurisdictions comprising — (a) the Commonwealth¶~~
~~Australian sub-national jurisdictions mean; the jurisdictions comprising or (b) each of the States or Territories;¶~~

Subsequent changes to Part 2 Section (5) (b) and Part 3, Division 1, Section 6, (3) (B) (i) to delete **Australian jurisdictions** and replace with **Australian sub-national jurisdictions**.

New definitions required.

The following definitions should be added to improve clarity and understanding of the State's journey to achieve net zero emissions using appropriate greenhouse gas and electricity accounting frameworks:

Scope 1 emissions means direct greenhouse gas emissions to atmosphere or emission sinks from activities such as tree planting.

Scope 2 emissions means indirect emissions relating to transferred energy such as electricity, heat, or steam.

Scope 3 emissions means indirect emissions associated with upstream products and services or downstream use of products. Scope 3 emissions are beyond the direct operational control of an entity but can be acknowledged and influenced.

Renewable electricity use (market-based) means renewable electricity use based on market-based allocation of use, via nationally approved certificates or on-site large-scale generation and use of renewable electricity, provided that certificates have not been created or sold to the market.

Renewable electricity use (location-based) means a physical accounting method that refers to renewable electricity generated in South Australia being consumed in South Australia with some adjustment for interstate flows of electricity. This method is suitable for providing context, comparisons, and dual reporting of emissions under the GHG Protocol Scope 2 guidance.

Feedback relating to Part 2—Targets, Sections 5.3 and 5.4

These sections deal with the Minister determining the accounting frameworks and the advice required to inform the Minister.

Recommendation 2: As per the text below, marked in red and underlined, revise Section 5.4 to make clear reference to seeking a greenhouse gas accounting and reporting framework that is appropriate for South Australia as a sub-national jurisdiction to apply, and appropriate accounting and reporting standards for public centre enterprises as organisations, to apply.

- (3) The Minister may, in connection with the operation of subsections (1) and (2) for the purposes of any other provision of this Act—
- (a) determine the method for calculating greenhouse gas emissions for the purposes of setting relevant 1990 levels (the baseline), and then determine a figure that represents that baseline;
 - (b) determine the method for calculating any reduction in greenhouse gas emissions;
 - (c) set sector-based targets and additional interim targets;
 - (d) set specific baselines for particular areas of activity (as components of the overall baseline);
 - (e) make other determinations that assist in measuring greenhouse gas emissions within the State.
- (4) The Minister must, in acting under subsection (3)—
- (a) seek to acknowledge action taken since 1990 to achieve reductions in greenhouse gas emissions; and
 - (b) seek to obtain the advice of relevant experts and to take into account relevant methodologies and principles that apply within other Australian jurisdictions; and
 - (c) seek to provide consistency with best national and international practices with respect to setting the baseline and determining a method for calculating reductions in greenhouse gas emissions or the use of renewable electricity as appropriate for South Australia, a sub-national jurisdiction seeking to achieve net zero emissions.
 - (d) seek to define appropriate standards of greenhouse gas accounting and frameworks for public sector entities when reporting on emissions reduction and renewable electricity use.

The following discussion is provided to support the case for further change to the Draft Amendment Bill Section 5.4, shown above.

Use of an appropriate greenhouse gas and electricity accounting framework

The Draft Amendment Bill is not clear in defining the accounting principles and frameworks that will be used to guide South Australia's emissions reductions. It also importantly does not

prescribe that any accounting framework selected must be appropriate for South Australia as a sub-national jurisdiction, to achieve a state net zero goal.

The Bill appears to rely heavily on continued location-based accounting for South Australia's net greenhouse gas emissions based on a state segment of the National Greenhouse Inventory, but then enabling the use of offsets purchased from outside the state to be used as deductions which is a market-based method.

Accounting frameworks have evolved and are continuing to change towards market-based accounting for renewable electricity and net zero claims. Unless clarity is provided that this Bill will be guided primarily by market-based accounting principles to achieve net zero emissions, it will not provide a credible result or lead action to reduce emissions.

As a State which is just one part of the National Electricity Grid, South Australia should be accounting for its electricity using the *Greenhouse Gas Protocol for Cities* which is designed for both cities and sub national jurisdictions, noting the Federal Government has not yet established an equivalent document for Australian States and Territories. Such an approach is critical to account for interstate trades of renewable electricity certificates (Large Scale Certificates (LGCs) Small Tradable Certificates (STCs), Guarantee of Origin (GoO) certificates) and Australian Carbon Credit Unit (ACCU) carbon offsets. Claims for 'Net Zero' involve market-based accounting for electricity and carbon abatement, with location-based accounting then to be used only for context, comparison, and dual reporting.

For several years, the Town of Gawler has been advocating for clear and consistent legislated rules for renewable electricity and abatement claimed through carbon offsets. We regard this as essential for market clarity and fair pricing. With further amendments and improvements, the proposed Bill provides the opportunity to minimise uncertainty relating to voluntary action, renewable electricity use and abatement claimed through offsets.

Electricity Accounting and Claims

The explanatory text describes that South Australia's renewable electricity use target was achieved in 2014 and that therefore the renewable electricity use target will be removed. The logic behind this claim utilises location-based accounting which goes along the lines of renewable electricity was produced in South Australia and therefore it must have been consumed within South Australia.

Businesses and consumers making claims for renewable electricity use cannot make location-based renewable claims without risking being accused of Greenwashing and liable to attract the attention of the Australian Competition and Consumer Commission.

For example:

- South Australia should not be claiming renewable electricity use for the accredited renewable electricity that has been sold to the Australian Capital Territory for their 100% renewable target.
- South Australia should not be claiming renewable electricity use for the Renewable certificates paid for by other consumers across Australia for their mandatory needs or voluntary choices.

The way that the State Government has claimed that South Australia achieved its 20% Renewables target is no longer an acceptable claim in a net zero emissions context.

South Australia's renewable electricity generation may be above 70% but South Australia's renewable electricity use from the grid that can be utilised for a net zero claim, is less than 31% as shown in Table 1:

Table 1: South Australia's renewable Electricity Use percentage estimates in 2023

Location-based accounting	Market-based accounting
Based on generation and use located in South Australia with some adjustment for interstate electricity flows	Based on who pays for the renewable electricity
GRID and OFF GRID combined ~ 71% (2023)	GRID Mandatory Renewable Power 18.48% Percentage Mandatory Small Tradable 11.27% Percentage (53% of 21.26) Additional voluntary renewable electricity purchases (based on REC <1% Registry Data) Sub total <31%
	OFF GRID Small scale systems (47% of 21.26%) Large scale systems (Data not 10% available) Sub Total 10%
Total ~71%	~40%

With market-based accounting showing that renewable electricity use from the grid is less than 31%, the State Government should be focussing on how it can make accredited renewable electricity more accessible, cheaper, and fairer for households and businesses.

Large industries seeking to market Renewable Hydrogen, Green Steel or other green products will not be able to claim renewable use in association with South Australia's renewable generation, so there is a clear need for state led targets and action relating to renewable electricity use. This is because location-based accounting allows the achievements of those that pay for additional renewable electricity to be counted by those that **do not pay** for additional renewable electricity and it does not support additional renewable electricity above that which is already required by legislation or bought by renewable customers. In a low carbon market, location-based accounting is suitable for some context and dual reporting under the GHG Protocol but is not suitable for primary claims.

The adjustment required for South Australia as a sub-national jurisdiction is the same as they are for a business. That is that South Australia may claim the renewables it produces and

consumes within the state but must make an adjustment for the renewable electricity sold as certificates (LGCs or GoO Renewable Certificates) to consumers outside the state.

For Councils, there is a high level of confusion and mixed views about whether they should continue to buy accredited renewable electricity or accept the messaging of the State Government that South Australia will be 100% renewables by 2027 so there is no need for further action. This is not the Town of Gawler response, although the situation strongly reinforces the need for clarity from the State Government on how it sees consumers interacting in South Australia's renewable and low carbon future.

[Amendment of Targets, Section 5.1](#)

Noting the discussion above, it appears premature for South Australia's renewable electricity use target to be removed. For real action on climate change, it is more important to assist South Australians in their purchasing of accredited renewable electricity or on-site generation and use of renewable electricity compared with legislating a generation target that is likely to be achieved in 2027. With South Australia's market-based renewable electricity use at less than 31% from the grid, this is an area that requires attention, particularly because public renewable electricity use claims increasingly require market-based accounting.

Recommendation 3: South Australia's Renewable Electricity Use target should not be removed. Instead, it should be updated to describe a market-based goal for renewable electricity use in South Australia.

Recommendation 4: A **100% Renewable Electricity Use Target** should be defined under this legislation for accredited renewable electricity purchased via the grid. This will encourage government agencies to assist in addressing the barriers that consumers face when buying accredited renewable electricity.

Recommendation 5: The market-based 100% Renewable Electricity Use Target should include the mandatory renewables that consumers have already paid for.

Recommendation 6: The role of consumers in supporting additional renewable electricity generation (above the National mandatory target) and achieving market-based renewable electricity use, should be acknowledged in the Explanatory Guide.

[Amendment of Targets, Section 5.4](#)

The following additional changes are suggested to the proposed amendment of Section 5.4 to ensure that expert advice is relevant to greenhouse gas and renewable electricity accounting:

(5) Section 5(4) — delete subsection (4) and substitute: ¶
(4) The Minister must, insofar as may be relevant, in acting under subsections (2a), (2b)(c) and (3) — ¶
(a) seek to acknowledge action taken since 2005 to achieve 30 reductions in greenhouse gas emissions; and ¶
(b) seek to obtain the advice of relevant experts; and ¶
(c) seek to take into account relevant methodologies and principles that apply within other Australian <u>sub-national</u> jurisdictions; and ¶
(d) seek to provide consistency with best national and international <u>greenhouse gas and electricity accounting</u> practices with respect to the setting of targets, the setting of the baseline and determining a method for calculating reductions in greenhouse gas emissions or and the generation or and use of renewable electricity, insofar as may be reasonably practicable and insofar as these may be relevant to <u>this State South Australia as a sub-national jurisdiction seeking to achieve net zero emissions.</u> ¶

Emission Scopes

National Inventory reporting for the United Nations Framework Convention on Climate Change requires only Scope 1 emissions to be calculated and reported which is appropriate at that national level.

However, sub-national jurisdictions are not countries and share in electricity grids and mandatory schemes funded by consumers across Australia. For this reason, it is appropriate to use the GHG Protocol for Cities (which covers both cities and regions) in the preparation of greenhouse gas accounting and net zero targets.

The difference in reporting is shown in Table 2 below:

Table 2: Differences between accounting methods

Emission Scopes	National Greenhouse Gas Inventory Emissions – SA Sub-set	GHG Protocol for Cities and Proposed Climate Active Program (2024)	
	Uses location-based reporting only, which is not suitable for <i>net zero</i> claims	Location-based reporting is used for context, comparisons, and dual reporting but not for <i>net zero</i> claims.	Climate Active proposed that market-based reporting only, be used to make <i>net zero</i> claims and provides for the use of offsets.
Scope 1	Scope 1 emissions and sinks	Scope 1	Scope 1

14B—Plans prepared by public sector entities

The proposal to enable the Minister to require plans prepared by public sector entities is welcomed to provide the framework for best practice planning, target setting and reporting.

Conclusion

As a Council, the Town of Gawler is committed to taking climate action as well as supporting enabling our community including business and households to contribute to real action in reducing emissions and adapting to impacts of climate change. As a framework act and not a regulatory act it is vital that for mitigation, this legislation provide state clarity on the role of voluntary action to support the State's *net zero* and renewable electricity transition.

The Legislation could be improved significantly by clarifying support for voluntary action, restoring the renewable electricity use target and committing to market-based accounting.

The Town of Gawler considers the State Government as a vital partner to assist in advocating for the reforms in accounting and voluntary mechanisms to provide clear, consistent, and fair rules to enable all South Australians to participate in achieving net zero.