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Australian Government
Clean Energy Regulator

Gawler



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To the Clean Energy Regulator

RE: CONSULTATION: Corporate Emissions Reporting Transparency Scheme

Thank you for the opportunity to provide feedback on this important area of policy.

The Town of Gawler has declared a climate emergency and is committed to taking action towards a safe climate that does not exceed 1.5 degrees of global warming, to avoid ever increasing and unacceptable impacts from climate change. We are preparing a Climate Emergency Action Plan (CEAP) to guide future our activities. Our CEAP is focussing on three areas:

1. Town of Gawler operations;
2. Enabling and influencing communities to respond to the climate emergency; and
3. Leadership and advocacy.

The renewable electricity transition is identified as the most significant way for Council and our community to contribute to reducing emissions.

For the Town of Gawler to lead communities, we are of the view that the accredited renewable electricity frameworks need to be reformed as a high priority. This is so that consumers who wish to follow our lead and use renewable electricity but cannot generate enough on site renewables to cover their consumption, can purchase accredited renewables that are assured in law, clearly defined and fairly priced.

Current pricing structures are linked to the Renewable Energy Target mechanism and use Large Scale Certificates (LGCs) which add extra cost and an unfair burden to renewable end-use customers. Under the current structures for small to medium customers, renewables are charged as a premium above all other electricity. Accredited renewable electricity does not therefore reflect the falling production cost of renewable electricity generation.

In addition, the current lack of legal foundation to guide how and when renewable electricity use can be claimed, results in variable and speculative advice across government departments, government agencies, programs and service providers, causing risk and uncertainty for end users to make claims.

For Gawler Council operations, we are exploring the best way to achieve 100% renewable electricity use, but we need to be able to assure exactly what defines 100%. Our consultation response advocates for market wide reforms to underpin all aspects of renewable electricity markets so that certainty, assurance and affordable pricing structures can be achieved for

council operations and for community participants who choose to buy and use renewable electricity from the grid.

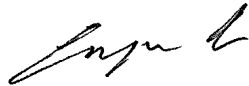
We advocate that reforms are made to the National Greenhouse and Energy Reporting Framework which the Clean Energy Regulator acknowledges as the legislated accounting framework for Australia's Climate Change laws and schemes. We strongly support the introduction of a market based method for all customers market wide, rather than just for NGER liable corporations and Climate Active carbon neutral participants, for the benefit of both renewable electricity and carbon offset customers.

Please find attached to this letter the Town of Gawler's Submission on the Corporate Emissions Reporting Transparency scheme.

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

I ask that if you have any further questions to please contact Councils Environment and Sustainability Officer, Mr Tim Kelly on (08 8522 0143) or via email at Tim.Kelly@Gawler.sa.gov.au

Yours faithfully



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Attached

24 March 2021

Australian Government
Clean Energy Regulator

Email: CER-RETandEnergySection@cleanenergyregulator.gov.au.

RE: Proposed Corporate Emissions Reporting Transparency Scheme

Thank you for providing the opportunity to provide feedback on the Consultation Paper – Corporate Emissions Reporting Transparency (CERT) proposal.

The Town of Gawler Declared a Climate Emergency in January 2019 and is progressing a range of actions to reduce emissions and preparing its Climate Emergency Action Plan. The Council's operational emissions are approximately 2,000 tonnes CO₂-e per annum and represent approximately 1% of the broader community emissions profile for Gawler which has been estimated at approximately 200,000 tonnes CO₂-e.

Our draft Climate Emergency Action Plan seeks to:

- Support community to reduce their emissions
- Lead by example to reduce Council operational emissions and adapt to climate change impacts
- Engage with communities and advocate where necessary.

ABOUT THIS SUBMISSION

With regard to the Corporate Emissions Reporting Transparency (CERT) proposal, the Town of Gawler feels that it is necessary to extend the scope of this proposal to the whole market, and underpin the concept with legally established market based renewable electricity and carbon offset claim methods to be fully integrated into the National Greenhouse and Energy Reporting (NGER) Framework. The submission is prepared not only in the interests of Council's operational needs, but also for our people in community, households and small to medium businesses that are seeking to buy assured renewable electricity and carbon offsets, at an affordable price.

This feedback is technical in nature and is regarded as important for establishing and maintaining the useability, transparency and integrity of Australia's clean energy and carbon offset markets.

We welcome the recognition by the Clean Energy Regulator that shareholders, supply-chain partners and the public want increased transparency in tracking progress towards meeting greenhouse reduction targets. However, the scheme as proposed is not established in climate change law, being the National Greenhouse and Energy Reporting Framework and it is not proposed as a consistent set of market creation, allocation, trading and claims rules that are available for all consumers.

Instead it proposes a special set of reporting guidelines for NGER liable corporations in addition to the recent special set of guidelines for Climate Active Carbon Neutral participants whilst all other customers have no legal clarity or federal government scheme support to economy wide purchases of accredited renewable electricity or carbon offsets.

CURRENT SITUATION

Renewable Electricity

The National Greenhouse and Energy Reporting Framework requires Corporations reporting electricity emissions, to use the following physical accounting method as per the NGER Determination and NGER Technical Guidelines 2017-18 pg. 529:

$$EFG\ scope2_i' = \frac{\text{Combustion emissions from electricity consumed from the grid in state } i (CE - C_i')}{\text{Electricity sent out consumed from the grid in state } i (ESO - C_i')}$$

And,

There is no other method for this section

The NGER scheme applies to approximately 415 corporations that trigger the NGER reporting thresholds. Whilst related documents such as the National Greenhouse Accounts (NGA) Factors provide emissions factors, these do not legally apply for market based end user claims in the broader economy.

Large Scale Renewable Electricity Certificates (LGCs) used by many consumers and small to medium businesses to underpin end use claims, do not legally or formerly include tradable attributes of renewable electricity use or zero scope 2 emissions.

In the absence of a clear set of legal rules, market participants, scheme creators and consultants have established many different methods to make renewable electricity claims which contradict the NGER legislation. These include but are not limited to:

- Purchasing of accredited GreenPower or Large Scale Certificates (LGCs), surrendered to the Clean Energy regulator
- Being close to a Renewable Energy Facility
- A purchasing agreement with a renewable generator but without LGCs
- A purchasing agreement with a renewable generator to buy LGCs, but without electricity
- Claiming the renewable generation in a state first and making up the difference in GreenPower or LGCs
- Claiming the mandatory Renewable Power Percentage first and making up the difference in GreenPower or LGCs
- Establishing behind the meter or in front of the meter renewables (>100 KW size) and claiming use whilst selling LGCs to third parties.

There is no legal definition of what comprises a claim of 100% renewable electricity use from the grid. GreenPower still requires its 100% renewable customers to purchase 100% accredited renewables (underpinned with LGC voluntary surrender) in addition to the national Mandatory Renewable Power Percentage (~20%). This results in GreenPower customers being expected to pay for approximately 120% renewables to claim 100%. In 2020, Climate Active relaxed requirement for its participants to recognise the mandatory contributions but it remains unclear what might define 100% renewables use for the CERT and across the whole end use consumer market.

The Town of Gawler is considering its next electricity procurement options and the need to support communities seeking to purchase accredited renewable electricity at a fair price. The State Government has advised that within a few years, South Australia will produce more than 100% renewable electricity. However, it is also recognised that on a National basis, renewable electricity generation is approximately just 25% and consumers from across Australia have also paid for South Australia's renewables through their RET obligations. Whilst renewable electricity remains legally undefined, it is not possible to make informed purchasing decisions and confident claims. It is plausible, even probable that under the current conventions, South Australian customers will be able to claim zero scope 2 emissions via the NGER/NGA physical accounting grid factors but not be able to claim renewable electricity use.

For Councils looking towards negotiating their next electricity contracts which collectively make up approximately 6% of South Australia's electricity consumption, the issue of what defines renewable electricity use and zero scope 2 emissions must be resolved to enable sensible and credible renewable electricity proposals to be sought from the market. It is essential that the legal ambiguity around what is required to make a 100% renewable energy end use claim at zero scope 2 emissions, is resolved for all customers.

Establishing new schemes such as the CERT scheme is not substitute for legal reform of the NGER Framework to establish a market wide method to account for, trade and claim renewable electricity use and zero scope 2 emissions.

Carbon Offsets

Australian Carbon Credit Units (ACCUs) are established as the main currency for carbon offsetting in Australia, in addition to being purchased by Government to support businesses reduce emissions under the Carbon Farming Initiative and Emissions Reduction Guarantee.

ACCUs are not established in a way that includes emissions reductions as tradable attributes meaning that in some situations, those creating and selling ACCUs may continue to claim emissions reductions whilst third parties may also claim emissions reductions for the same activity.

Unlike the financial sector, there are no established debit and credit rules for carbon offsetting. There is no requirement to deduct scope 3 emissions avoidance from a seller's account and credit the scope 3 emissions reduction to a customer's account. This results in confusion and ethical dilemmas for businesses and individuals seeking to make investments in areas such as energy efficiency and process improvements that may be eligible to create and sell ACCUs. Organisations are not properly guided in whether their ACCUs should be sold whilst still claiming the emissions reduction, knowing that third parties may also claim the same emissions reduction via the offset?

The issue of double counting of emissions reductions from certified overseas certificates (Certified Emissions Reductions (CERs), Verified Carbon Units (VCUs) and Voluntary Emissions Reduction units (VERs) is also not fully integrated with carbon accounting.

COMMENTS ON THE DISCUSSION PAPER PROPOSALS

RE: *The CERT will be underpinned by the National Greenhouse and Energy Reporting scheme.*

This statement is not correct as the National Greenhouse and Energy Reporting Scheme and its legal instruments of the NGER Determination and the NGER Technical guidelines do not support the concepts of the CERT. NGER uses location based accounting and contractual based claims are associated with market based accounting. Changes are required to be made to the NGER scheme to enable market based accounting, trades and voluntary consumer claims to be valid in law.

RE: *Eligible corporations will be able to opt-in to show how their emissions and electricity consumption is covered by the surrender of eligible units, regardless of whether such surrenders are voluntary or required under state, territory or commonwealth laws. This will provide consistency and transparency across reporters.*

Under the GHG Protocol Scope 2 Guidelines, Individual companies are not permitted to opt in and out of the market based method in its entirety, and are required to report using the residual grid mix factor as a minimum requirement. The GHG Protocol Scope 2 guidance recognises that jurisdictions may adopt either location based accounting (as per Australia's current climate change law) or market based accounting. This CERT proposal in its current form does not align with the GHG Protocol Scope 2 Guidelines which describe how market based accounting could be adopted in jurisdictions to prevent double counting of emissions reductions.

Where market based accounting is established, there is a separation of voluntary renewables from the grid factors used by those not seeking to make market based claims. Chapter 4 Scope 2 accounting methods Pg. 27 of the GHG Protocol Scope 2 guidance describes that:

The emissions from all untracked and unclaimed energy comprise a residual mix emission factor. Consumers who do not make specified purchases or who do not have access to supplier data should use the residual mix emission factor to calculate their market-based total.

This means that the residual mix factor is part of calculating a market based total. The CERT is not proposing to use the residual mix factor at all which will result in major question over the credibility and integrity of the scheme.

Dual reporting is recommended for those customers that seek to make market based claims, ensuring that all consumers report via the residual mix factor first, but customers that also opt-in to report their market based claims can do so through dual reporting. The GHG Protocol considers that market based accounting where adopted for a jurisdiction, would apply to the whole market in that jurisdiction. This would provide certainty to all stakeholders and prevent against double and triple counting of renewable claims and offsets.

The CERT proposal suggests that NGER Corporations could choose between market based accounting and physical accounting for electricity, using state grid factors. Such an approach would continue to allow the many different claims and self-nominated methods by market participants to continue outside the CERT resulting in double counting and distorted pricing.

Recommendation

1. It is recommended that market based methods for renewable electricity be established in the NGER Framework rather than in any individual scheme. This

would enable a consistent level playing field for all market customers including councils, households, and small to medium businesses as well as NGER liable Corporations and Climate Active participants.

2. It is recommended that NGER reforms be made to underpin the CERT, Climate Active, GreenPower, LGC and all consumer claims for renewable electricity use fully aligned with the GHG Protocol Scope 2 Guidance.

RESPONSES TO CERT QUESTIONS

• Is the proposed reporting structure suitable for demonstrating how a corporation is offsetting or reducing its scope 1 emissions and scope 2 electricity consumption?

The proposed method risks undermining the fundamentals of carbon accounting in seeking to change the value of scope 1 emissions where carbon offsets are used. Scope 1 emissions are direct emissions from a source of greenhouse gas. These emissions cannot be changed. Carbon credits are effectively a negative scope 3 emission and require a formal set of accounting guidelines so that greenhouse accounts can be debited and credited accordingly.

Where a corporation seeks to offset its emissions, it can only do this in the scope 3 space.

Where a corporation seeks to avoid scope 2 emissions from electricity from the grid, this needs to be managed in the Scope 2 category.

The method should describe that where an NGER Corporation is seeking to achieve a reduction target it is not changing its scope 1 total, but simply subtracting offset scope 3 emissions from the combined tally of its scope 1, 2 and 3 emissions. Similarly, where a Corporation creates and sells a carbon offsets (such as ACCUs) from efficiencies or carbon sequestration, then it should add a scope 3 emission to its scope 1, 2 and 3 tally for every ACCU sold. This approach simply applies debit and credit rules to Australia's carbon markets reflecting the common practice in financial markets.

• Should corporations opt-in each year or should their participation be assumed to continue until they opt out?

The GHG Protocol Scope 2 guidance does not envisage opting in or out of a market based system. This is a national choice in which accounting framework should apply to the Australian jurisdiction to be made by the Australian Government. If Market Based Accounting is adopted, then all participants would be required report their emissions using a Residual Mix Factor (RMF) as currently proposed by Climate Active as a National Factor. Corporations could also choose to report product specific market based claims.

For electricity emissions reporting, the CERT suggests that corporations could opt between physical accounting using existing non adjusted state factors or market based claims but this is not what the GHG Protocol Scope 2 Guidance envisages and will lock in continued uncertainty and market unfairness.

The reporting of offsetting activities should be available at all times in a market based system as a negative scope 3 emission but is not possible under the Government's location based NGER accounting framework as it currently stands.

• Does CERT appropriately manage double counting?

The CERT does not manage double counting, it enables multiple forms of double counting to persist. It is important to acknowledge that current climate change law does not incorporate tradable attributes of renewable electricity use and zero scope 2 emissions into LGCs, nor does it incorporate negative scope 3 emissions into ACCUs. As a consequence, even where certificates may not be claimed more than once, emissions reductions are counted multiple times regardless of the certificates. The certificate schemes are not yet designed to prevent double counting.

Double Counting of Renewable Electricity:

The CERT does not formerly establish the method for claiming the mandatory Renewable Power Percentage first and to make up the difference in GreenPower or LGCs to achieve 100% Renewable Electricity use from the grid.

Double counting occurs because:

- Zero emissions from renewables are allocated across all customers under NGER climate change law
- The CERT is supporting that an additional claim is made by NGER liable corporations with no adjustment made for voluntary renewables to be excluded from calculations through a universally applied RMF
- GreenPower makes a second claim for the use of renewables and zero scope 2 emissions for its customers, despite these already being allocated across all customers via the NGER Framework
- Corporations may build their own renewables (>100 kW behind or in front of the meter) and claim zero scope 2 emissions produced and consumed, whilst creating and selling LGCs to third parties. Even where such a practice may be prevented by Climate Active and the CERT, it may continue outside these schemes if it suits.
- The CERT does not prevent non-participants from claiming that to be close to a renewable energy facility equates to renewable electricity use
- The CERT does not prevent non-participants from establishing a purchasing agreement with a renewable generator but without LGCs and claiming that that equates to renewable electricity use
- The CERT does not prevent non-participants from claiming the renewable generation percentage in a state generation mix and then making up the difference in GreenPower or LGCs.

The GHG Protocol Scope 2 Guidance provides the best blueprint to prevent against double counting, but requires formal integration into the NGER Framework to meaningfully implement market based accounting with fairness and integrity.

Recommendation

3. It is recommended that the NGER Framework be reformed in accordance with the GHG Protocol to formerly support market based accounting with integrity and fairness. This would require the use of a national Residual Grid Mix Factor (RMF) to replace the current location based state factors (an alternative to a National RMF is the application of factors for the three largest grids being for East Australia, Darwin Katherine and South West WA). All end users would be required to report electricity consumption

emissions based on the RMF and could then also voluntarily report on their market based claims using the dual reporting option.

Double Counting related to Carbon Offset activities

The CERT does not manage double accounting as it does not establish the fundamental attributes of carbon offsets in law, nor does it apply debit and credit rules to for scope 3 emissions reductions to support carbon offset markets.

The proposal CERT proposal envisages changes of the scope 1 totals of corporations which is not an appropriate method. Carbon offsets are the trading of indirect emission reductions and therefore fit in the scope 3 category. The language difference may be subtle but it is important to clearly describe that the end use of carbon offsets apply a negative scope 3 emission to the total of scope 1, 2 and 3 emissions. A net result is possible but this must not suggest that scope 1 emissions have been changed.

Recommendation

4. It is recommended that the NGER Framework be reformed to integrate tradable negative scope 3 emissions as the functional component of Australian Carbon Credit Units, and that market based debit and credit rules be established to reflect the impacts of the trades in the carbon accounts of buyers and sellers, where accounts are required or in relation to any public claims.

• Should surrenders of ACCUs from NGER facilities delivered under Emissions Reduction Fund contracts be included in the net emissions calculation?

CFI and ERF sales

Subject to negative scope 3 emissions being legally established as the functional attribute of carbon offsets then this net equation can be supported. However it must be transparent that scope 1 emissions have not changed. It is the net balance across scope 1, 2 and 3 emissions that is to be reported and this will require some market based changes to the NGER Framework to support market based accounting.

The Australian Government is a large consumer of ACCUs as part of the Carbon Farming Initiative and the Emissions Reduction Fund. In this case the Government has allowed the sellers to keep the emissions reduction and not report a scope 3 emission from the sale on the seller's greenhouse account. A special mechanism is required for this concept to work so that the function of ACCUs in voluntary markets is not compromised.

Alternatively if the Government seeks to own the emission reduction, then a scope 3 emission must be added to the sellers account.

Recommendation

5. If the Government is intending that the emission reduction achieved through Government purchasing of ACCUs is to stay with the seller, it is recommended that the sale of an ACCU to the Government should be treated as purchased surrender of an ACCU (similar to the voluntary surrender of LGCs) enabling the seller to keep the emissions reduction on their accounts. This would enable a consistent logic to apply.
6. If the Government is seeking to buy the emission reduction for itself, then the seller should add a scope 3 emission to their account.

Third party and voluntary market sales

Beyond the tracking of certificates, there is a need to transparently describe the emissions accounting aspects of voluntary carbon offset markets. This requires the negative scope 3 attributes to be integrated into the ACCUs, with debit and credit rules to apply.

Recommendation

7. It is recommended that market participants that create and sell ACCUs to third parties should add the corresponding scope 3 emissions to their account (the sellers account) so that they can be deducted from the buyers account without double counting.

• Should the RPP be included in CERT using the proposed methodology?

The RPP should be applied for the benefit of all customers to recognise those who have already paid for a mandatory renewable electricity component through the Federal Government's Renewable Energy Target (RET) obligations. This method was recommended to GreenPower and the Federal Government for a decade and is long overdue. It is noticed that large customers have been accounting for renewables this way for several years now, without waiting for the Government schemes to catch up. It is however still not available for ordinary household and small to medium business GreenPower customers.

Recommendation

8. The claiming of the Renewable Power Percentage as part of defining 100% *renewable electricity use* should be available to all electricity customers including councils, households, small to medium businesses, NGER liable corporations and Climate Active scheme participants.
9. The method to define 100% renewable electricity use from the grid should be established in the NGER Framework as climate change law, not just for participants within the NGER and Climate Active schemes.

• How could NGER reporters' voluntary targets and progress against these targets best be reflected in CERT to align with the NGER framework?

The NGER Framework does not yet align with or facilitate voluntary market based accounting because:

- For renewable electricity, market based accounting works in a completely different way in contradiction to the current NGER Framework.
- For carbon offsets, the NGER Framework does not yet extend to supporting voluntary markets (as negative scope 3 markets).

It is understood that the Federal Government does not wish to impose full scope 3 accounting on NGER liable Corporations. This policy choice does not prevent methods described for market based accounting from being established to the extent used by the corporations that are already participating in voluntary markets for renewable electricity and offset markets for use or sale.

Where corporations make broader carbon neutral claims then assurance schemes such as Climate Active and community expectations will put pressure on companies for more complete accounting, including to include major scope 3 emission sources.

Recommendation

10. It is recommended that the CER acknowledge and support that net targets be established across scope 1, 2 and 3 emission categories, where:

- Renewable electricity can be claimed as both a percentage of use and as zero scope 2 emissions
- Carbon offsets can be claimed by end users as negative scope 3 emissions that can offset the net target (but does not change their Scope 1 value)
- ACCUs that are created and sold to be a scope 3 emission added to the seller's account
- ACCUs that are sold to the Federal Government as part of the Carbon Farming Initiative should be treated as purchased surrender enabling the seller to keep the reduction against their account.

• Are there any other enhancements to CERT that could help build participation?

The CERT and Climate Active allowances are not substitute for climate change law reform that would support clean energy and carbon offset markets for all consumers. The Greenhouse Gas Protocol Scope 2 guidelines provide a sound blueprint for legally establishing market based accounting in the NGER Framework for renewable electricity in Australia, creating a level playing ground for all consumers of electricity.

For carbon offsets there is a need to formerly integrate offset emissions (negative scope 3 emissions) as an attribute of the Australian Carbon Credit Units in the NGER Framework.

There is a further need to establish basic debit and credit rules for emissions accounting in carbon and clean energy trades. The use of certificates is not sufficient where these do not legally contain tradable attributes.

• Are there other elements that should be considered in future phases of CERT?

Future elements to consider at the earliest opportunity include the establishment of National a RMF to replace the state based grid factors. At a suitable time, further consideration should be made to establish grid specific RMFs for the Eastern Australia Grid, Darwin Katherine Grid and South West - Western Australia Grid. The physical accounting state grid factors may continue to be useful for some planning and other purposes but are harmful to clean energy markets and distort decision making for renewable projects and purchasing.

As the Renewable Energy (Electricity) Act 2000 has already achieved the objective of achieving 20% renewable electricity for Australia, consideration should be given to whether the scheme as currently established, should continue to 2030. Does it still have a valid purpose or is it adding cost to consumers for no further outcome? If there is a greater appetite for voluntary markets to take over from the RET, then this should be facilitated.

Under a market based approach, all renewable electricity created, whether pre 1997 or post 1997 renewables, should be available for customers to purchase, with adequate disclosure of the source (such as old hydro, new hydro, wind, solar or biomass). This approach would enable greater market choice.