

## Climate Active 100% Renewable Electricity Standard Consultation

### 1. Consultation on the Climate Active 100% Renewable Electricity Standard for Organisations

Climate Active is seeking feedback on a new 100% Renewable Electricity Standard for Organisations. The draft standard has been sent to you via email.

Making a 100% Renewable Electricity claim under Climate Active involves reducing energy consumption where possible, and mitigating electricity emissions by matching consumption with onsite and offsite renewable electricity generation. Renewable electricity can be claimed through onsite renewable generation such as rooftop solar photovoltaic (PV) systems or from offsite renewable electricity projects through voluntary or mandatory surrenders of eligible Renewable Energy Certificates (RECs), such as Large-scale Generation Certificates (LGCs).

Respondents are invited to provide feedback on the specific aspects of the standard outlined in the questions below:

- Exported electricity
- Minimum electricity to energy use ratio
- Categorisation of energy resources
- Eligible Renewable Energy Certificates (RECs)
- Extension and development
- Other feedback

### 2. What is your name?

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Tim Kelly

### 3. What is your organisation?

Town of Gawler

### 4. What is your best contact email address?

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### 5. Exported electricity

The Standard proposes to update the Climate Active [Electricity Accounting](#) treatment of exported electricity from behind-the-meter renewable electricity systems under the market-based reporting method. It is proposed that:

- exported electricity can be claimed as kilowatt hours of 0 emissions renewable electricity in the Electricity Account.

This effectively treats exported electricity as a corresponding reduction in grid-based imported electricity, claimable as 0 emissions renewable electricity.

- the amount of exported electricity from small-scale systems (in kilowatt hours) is adjusted for transmission and distribution losses over the electricity network.

As it is not known where the specific electrons exported from a behind-the-meter system will be consumed, the amount of exported electricity is adjusted consistently by the formula supplied in section 2.3.4 of the Standard.

**Do you support this updated treatment? *Please provide as much detail as possible in your response.***

#### INTRODUCTION

The Town of Gawler declared a Climate Emergency in February 2019 and is committed to taking urgent action to reduce its emissions and support community emissions reduction.

Renewable electricity is now cheaper to produce than fossil fuel electricity yet ordinary household, small businesses and councils are charged more when seeking to buy accredited renewable electricity. There are now multiple and contradictory reporting and claims schemes in the Australian market used by organisations selectively to make reputational, product and service based claims.

Because Australia has not yet adopted a consistent economy wide market based accounting, allocation and claims framework for renewable electricity, there is systemic double counting, free riding and pricing unfairness. Without such a framework underpinned by legislation, there is also widespread confusion and varying views on what should make up 100% renewable electricity use and how to assure integrity.

The Town of Gawler contributed to the initial Climate Active Accounting for Electricity consultation.

Since that time, there has been no meaningful reform to the foundational issues of how to established market based trading and claims for renewable electricity in Australia.

#### CLIMATE ACTIVE RENEWABLES STANDARD

The new Climate Active Renewables Standard as proposed does not address the legal or integrity issues of renewable claims and trades. Rather, the proposed standard:

- seeks to introduce new methods for behind the meter renewables to be claimed whilst selling certificates and excess electricity to the market. This will continue and increase double counting.
- Provide assurance for 'generation' in the detail whilst promoting the standard as a whole, to assure renewable electricity 'use' claims and zero scope 2' emission claims.

The approach Climate Active is taking is to embed renewable electricity as a premium payment with claims that are unsupported by legislation, rather than to reform the electricity market to enable consumers to buy accredited renewable electricity at a cheaper and fairer price, prevent double counting and free riding.

It is important for methods described under this Climate Active renewables Standard to be supported through a legislated accounting trading and claims framework that is consistent across both mandatory and voluntary reporting and claims systems used across the Australian clean energy markets for consumers and businesses making reputational, product and service based claims. Currently the proposed Standard suggests methods that are inconsistent and contradictory to the legislated NGER Determination and non-legislated NGA Factors which guide location based accounting across Australia.

There are now multiple ad-hoc, contradictory and uncoordinated greenhouse gas and electricity accounting and assurance schemes. There is systemic double counting because location based accounting is used at the same time as market based accounting for businesses and consumers to make reputational, product and service based claims.

#### EXPORTED ELECTRICITY - SMALL SCALE AND LARGE SCALE SYSTEMS

The National Greenhouse and Energy Reporting (NGER) Determination does not describe how electricity produced and consumed on the customer side of the meter, is to be accounted for as it is not electricity "consumed from the grid". However, it is understood that the Department of Industry, Science, Energy and Resources, in preparing the NGER Determination and NGA Factors, is publishing state and national grid factors using all of the large scale and small scale renewables to dilute the state and national grid factors. This means that there is inherent and systemic double counting where these renewables are also being claimed by the behind the meter producer-consumer.

#### ANSWER:

Because the proposed Climate Active Standard cannot assure that exported electricity from behind the meter renewables are not being claimed by consumers across the grid, using the NGER Determination or NGA Factors to make reputational, product and service based claims relating to their electricity emissions, the claim is not exclusive.

This therefore does not adhere to the foundational concept of the REC Integrity principles to make a unique claim. If the renewables and zero scope 2 emissions are first being allocated across all consumers, then the RECs, in this case being Australian Small Scale Renewable Energy System (SRES) certificates and Australian Large Scale Certificates (LGCs), are not unique.

Until there is a national market based accounting framework adopted for renewable electricity to prevent double counting, the Climate Active proposal for exported electricity cannot be supported.

#### 6. Minimum electricity to energy use ratio

The Standard proposes to include a minimum requirement that a 100% Renewable Electricity claim can only be made where electricity consumption for an organisation is at least 50 per cent of overall energy consumption (associated with scope 1 and 2 emissions). This is to ensure that the Standard aligns with consumer expectations that an organisation's renewable electricity claim is reasonable in proportion to the organisation's broader energy use.

Do you support a threshold requirement, and is the current 50% threshold appropriate?

A 100% renewable electricity use claim relates to electricity consumption, not other fossil fuel use. Where organisations use other sources of energy to produce on site electricity then under the GHG Protocol best practice, these are reported as fossil fuel emission sources. No additional scope 2 emission reporting is warranted as this electricity is not transported to the site (Scope 2 only relates to imports of energy such as imported electricity, imported heat or imported steam). However, such electricity use is not renewable so companies could not claim that their electricity consumption is renewable, only that their purchased electricity is renewable.

If LGCs were reformed to legally include the attributes of 'renewables use' and 'zero scope 2 emissions' then these could be purchased to cover any non-renewables for a net 100% renewables claim, but only if there is reform so that these attributes are legislated to be transferred with LGCs.

## 7. Categorisation of energy sources

The Standard proposes to categorise energy sources on the basis of how they were 'first received' by the organisation. This means that stationary fuels (e.g. gas and diesel) used for the purpose of electricity generation are not categorised as electricity in the Electricity Account (and are considered as energy sources associated with scope 1 emissions instead), whereas electricity consumed from the grid is included within the Electricity Account. Onsite renewable electricity generation (for example, from solar and wind) is also included in the electricity account.

## 8. Do you support this categorisation of energy sources?

It is supported that Climate Active adheres to GHG Protocol of accounting for emissions in scopes and the GHG Protocol Scope 2 Guidance.

This means that:

- Scope 1 are from direct emissions including the combustion of fossil fuels
- Scope 2 emissions cover indirect externally created and transferred energy including emissions from electricity.

## 9. Eligible Renewable Energy Certificates (RECs)

In addition to Large-scale Generation Certificates, Appendix B of the Standard proposes a list of RECs that can be used to match international electricity consumption (but not domestic electricity consumption) with renewable electricity in the Electricity Account. The inclusion of these RECs is supported by the proposed REC integrity principles provided in section 1.3.2 of the Standard.

For Large Scale Certificates and overseas certificates to be promoted for claiming renewable electricity use and zero scope 2 emissions, there is a need for market based accounting to be established in legislation and for the location based approaches of the NGER Determination and NGA Factors to be discontinued. Without such reforms, double counting and pricing unfairness are inherent.

For Climate Active to support imported RECs in the Standard there is a need to assure that beyond Australia, those countries of origin have also adopted market based accounting in law and ceased the use of location based approaches for consumers and businesses making reputational product and service based claims. This would require that the accounting in relation to electricity grids from which these renewables come, are not using location based grid factors and instead apply a residual grid mix factor for their consumers not purchasing renewables that doesn't still claim attributes from those renewables sold to Australia.

### AUSTRALIAN RENEWABLES

Climate Active has established the 1.3.2 Renewable Electricity Certificate (REC) integrity principles.

RE: the principle:

- “Exclusive – the REC must be surrendered for the zero emissions attribute of the associated renewable electricity generation to accrue to the beneficiary, with no ability for further use of the REC through subsequent trading or surrenders”.

Australian LGCs do not legally include the zero emissions attribute and the attribute has already been allocated across all consumers under the legislated NGER Determination and non legislated NGA Factors used on customer electricity billing across Australia.

RE: the principle:

- Quantifiable – the REC must represent 1 MWh of renewable electricity generation, or be able to be aggregated to 1 MWh.

Consumers are making claims for renewable electricity use, not generation. The Principle needs to refer to use, and market based accounting and reform is required to make this possible.

Australian LGCs do not qualify for use under the Climate Active proposal.

#### VARIANCE WITH GHG PROTOCOL SCOPE 2 GUIDANCE

The Discussion Paper makes the Claim that: “The electricity accounting rules have been adapted from the Greenhouse Gas Protocol Scope 2.

Because Australia has not yet adopted market based accounting in law and continues to support location based claims via the NGER Determination NGER and the NGA Factors, Climate Active Electricity Accounting Guidance does not meet seven of the eight Integrity Criteria of the GHG Protocol Scope 2 Guidance with the differences show below:

#### **Table 7.1 Scope 2 Quality Criteria**

All contractual instruments used in the market-based method for scope 2 accounting shall:

1. Convey the direct GHG emission rate attribute associated with the unit of electricity produced.

ISSUE: LGCs do not incorporate zero scope 2 emissions in law and such zero scope 2 emissions are already allocated across all other customers

2. Be the only instruments that carry the GHG emission rate attribute claim associated with that quantity of electricity generation.

ISSUE: the emissions rate claim s are already allocated across all other customers under the NGER Determination and NGA Factors

3. Be tracked and redeemed, retired, or canceled by or on behalf of the reporting entity.

ISSUE Because the LGCs do not legally include any attributes and those attributes are allocated outside the LGCs tracking does not provide any meaningful assurance.

In addition, utility-specific emission factors shall:

6. Be calculated based on delivered electricity, incorporating certificates sourced and retired on behalf of its customers. Electricity from renewable facilities for which the attributes have been sold off (via

contracts or certificates) shall be characterized as having the GHG attributes of the residual mix in the utility or supplier-specific emission factor.

ISSUE: Australia's use of location based frameworks at the same time as market based schemes are widely used means that most of the market not buying renewables is not using a residual mix factor to make in their reporting and claims.

In addition, companies purchasing electricity directly from generators or consuming on-site generation shall:

7. Ensure all contractual instruments conveying emissions claims be transferred to the reporting entity only. No other instruments that convey this claim to another end user shall be issued for the contracted electricity. The electricity from the facility shall not carry the GHG emission rate claim for use by a utility, for example, for the purpose of delivery and use claims.

ISSUE: The proposed standard is not able meet this quality criteria because the other instruments of the legislated NGER Determination and non legislated NGA Factors convey the emissions rate across all customers. The claim for use is not yet legally defined and multiple contradictory methods are adopted.

Finally, to use any contractual instrument in the market-based method requires that:

8. An adjusted, residual mix characterizing the GHG intensity of unclaimed or publicly shared electricity shall be made available for consumer scope 2 calculations, or its absence shall be disclosed by the reporting entity.

ISSUE: Climate active does not meet this criteria because Australia has not yet adopted market based accounting for electricity. No residual mix factor has is made available for all consumers not buying renewables.

Climate Active has not established a national Residual Mix Factor (RMF) that nets out voluntary renewables and behind the meter produced and consumed renewables. The current method to determine the RMF only removes the mandatory renewables component

10. Do you support the inclusion of the specific RECs (in addition to LGCs) proposed in Appendix B for international renewable electricity claims? Should any other RECs be added?



The GHG Protocol Scope 2 Guidance – Quality Criteria 5 is relevant for assurance that participating countries have adopted market based accounting in a consistent way to ensure that adjustments have been made and that renewable use and zero scope 2 emission attributes have been fully established as an integrated part of the certificates in those jurisdictions.

11. Do you support the REC integrity principles, or should principles be removed, amended or added?

The first principle relating to being exclusive, is broadly supported, but it should be noted that Australian LGC RECs do not legally include a zero emission attribute. In addition, there is a need to ensure the exclusivity of 'renewable electricity of use'. If the Standard was about owning generation the emissions would be Scope 1. The Standard is about Scope 2 claims which relate to use.

- *Exclusive* – the REC must be surrendered for the zero emissions (ADD IN: **and use**) attributes of the associated renewable electricity ~~generation~~ **consumption** to accrue to the beneficiary, with no ability for further use of the REC through subsequent trading or surrenders.

The second principle is not relevant because claims are not being made in relation to generation, they are being made in relation to use. The principle should be amended to refer to use as that is what this standard will be used to assure

- *Quantifiable* – the REC must represent 1 MWh of renewable electricity ~~generation~~ **use**, or be able to be aggregated to 1 MWh.

An additional 'No Double Counting' principle to apply to renewables use and zero scope 2 emissions is essential. I have been calling for this principle for over a decade but the Department and its agencies are content to ignore the basic foundation of integrity. Without a 'NO DOUBLE COUNTING PRINCIPLE', all other principles are meaningless.

It is noted that the CERT second round consultation discussed that "A principle of CERT is no double counting of carbon abatement". This is a worthy and essential principle and it should apply to Climate Active

## 12. Extension and development

Climate Active also seeks your views on how the Standard could be developed in the future.

### Extension to clean energy claims

In addition to recognition for 100% Renewable Electricity claims under the Standard, Climate Active is developing a framework to support and certify broader 100% Clean Energy claims by organisations. A key component of this extension would be a requirement to match energy consumption with renewable gas or other clean fuel certificates, which are then cancelled in a registry. Climate Active will progress this extension as supporting mechanisms in relation to clean fuel certificates develop within the market.

### Extension to electricity-products

The Standard is designed to support or certify 100% Renewable Electricity claims by organisations. Climate Active seeks your views on whether there is potential and merit to extend recognition to allow certification of 100% Renewable Electricity products from electricity-retailers.

## 13. In developing broader recognition for Clean Energy claims, what do you view as the key technical issues that Climate Active should consider?

The key technical issue is formMarket based accounting as described by the GHG Protocol Scope 2 Guidance to be properly established in law and the systemic double counting and free riding in relation to renewables be addressed.

## 14. What would the advantages and disadvantages be of broadening the Standard to enable electricity-products to be certified and are there opportunities for alignment with existing schemes?

Establishing broader products based on the standard should not be attempted until market based accounting for electricity emissions and renewables use is established in law.

## 15. Other feedback

Any other feedback on the draft Standard is welcomed and can be provided as part of your response.

#### PRE 1997 RENEWABLES

Currently, it is not possible for consumers to purchase accredited renewable electricity from pre 1997 renewables. The ACCC penalised Momentum Energy for seeking to sell pre 1997 hydro electricity as renewable electricity as it was not eligible to create and surrender LGCs.

There is no justifiable reason for pre 1997 renewables to be withheld from the market, particularly since the RET has now been achieved. This restriction creates upward pressure on prices for accredited renewable electricity.

What other feedback do you have on the draft 100% Renewable Electricity Standard?

#### GREENPOWER CUSTOMERS STILL BEING CHARGED FOR 120%LGCs.

Noting that the standard is being developed by DISER, there is ability for the Department to to influence policy and legislation. The continuing issue of ordinary household and small business customers being charged for 120% LGCs to claim 100% renewables must be addressed.

#### NATIONAL RESIDUAL MIX FACTOR

The Climate Active Residual Mix Factor method should properly exclude all renewables that are being claimed as follows:

National RMF = National Location EF (S2&3) / 1 - ( MRPP + VRPP+ BHRPP)

Where:

MRPP is the Mandatory Renewable Power Percentage

VRPP is the Voluntary Renewable Power Percentage

BHRPP is the behind the meter Renewable Power Percentage (if this is indeed diluting grid factors)

#### REFORM IS ESSENTIAL

The GHG Protocol Scope 2 Guidance has provided a pathway to guide market base schemes such as this Standard. Such schemes cannot operate in isolation from or contrary to established national laws and accounting frameworks for greenhouse gas emissions. There is a need for DISER and Climate Active to address the need for legislative reform to establish market based accounting.

The key reform recommendations are:

To achieve this outcome, market based accounting should be integrated into Australia's Climate Change Accounting Law, which is the National Greenhouse and Energy Reporting (NGER) Framework via the NGER Determination.

- No change is required for the scope 1 emissions methods which by definition, are location based.
- For consistency, the National Greenhouse Accounts (NGA) Factors need to be brought into the NGER Framework to legally apply to all participants in Australia's low carbon markets. This is not about forcing all participants to report under the NGER reporting, it simply means that when sellers and buyers are making reputational, product and service based claims, they all follow the same set of market rules under a legislated framework.
- A change to the NGER Determination is needed to transition to market based accounting for scope 2 emissions will require alignment of the Determination with the GHG Protocol Scope 2 Guidance. A single method to claim renewable electricity use and zero scope 2 emissions is required. The revised NGER Determination should formerly establish a National Residual Grid Mix Factor. Those not making emissions specific claims for renewable electricity should be reporting their electricity emissions using the Residual Grid Mix Factor as the primary method, including to make any and all reputational, product and service based claims. The Dual Reporting with a location based factor should therefore become a reference point only and must not be a choice, as this would not prevent double counting.
- To align the Residual Grid Mix Factor (RMF) with a location based factor, the State Average Factors should no longer be used. Instead, dual reporting should use the National Location Based Factor to compare performance against the primary market based method.
- If LGCs are to be treated as incorporating renewable use and zero scope 2 emission attributes then these attributes need to be legally assigned with the Large Scale Certificates.
- All eight quality criteria of the GHG Protocol Scope 2 Guidance should be achieved.
- NGER reporting, Climate Active, GreenPower, the Hydrogen Guarantee of Origin Scheme and the CERT should all be based around a common single National Greenhouse and Energy Accounting framework that is established under the NGER Determination.