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Ref: CR20/38193

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29 May 2020

Mr Jobson
Climate Active Team
Department of Industry, Science, Energy and Resources.

Email climate.active@industry.gov.au

Dear Mr Jobson

RE: CONSULTATION: ACCOUNTING FOR ELECTRICITY EMISSIONS

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 must be reformed as a high priority so that consumers who wish to follow our lead and participate but cannot generate all of their own electricity can purchase accredited GreenPower at a fair price with exclusive rights to the Emission Reduction and Renewable Energy use (ER&RE) attributes.

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 end-use customers. Under the current pricing structures, renewables are charged as a premium above all other electricity costs for small to medium customers. Accredited renewable electricity does not 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 the Department, government agencies, programs and service providers, causing risk and uncertainty for end users to make claims.

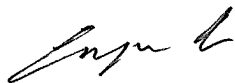
For Council operations, we are exploring the best way to achieve 100% renewable electricity use as an aspiration in our draft CEAP, but we need to be able to define exactly what defines 100%. Our consultation response advocates for market wide reforms to underpin all aspects of renewable electricity 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 strongly support the introduction of a market based method and believe that this is long overdue. We believe that these reforms should be covered by legislation in order to provide certainty, apply to all market participants and lead to fair pricing structures.

Please find attached to this letter the Town of Gawler's Submission on accounting for electricity emissions.

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



Henry Inat
Chief Executive Officer

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Attached

Feedback on the Consultation: Accounting For Electricity Emissions

KEY RECOMMENDATIONS

1. Establish a 'No Double Counting' of emissions principle to guide policy development and a supporting legal framework
2. The market based method must be established in law, with the most appropriate mechanism being reforms to the NGER Framework
3. The market based method deal with both the Emission Reduction and Renewable Energy Use (ER&RE) attributes in an integrated way
4. Apply the market based method to the whole market
5. The purchasing of renewable electricity (GreenPower) and the voluntary surrender of Large Scale Certificates (LGCs)) to be integrated into one accreditation framework and one overall method administered by the Clean Energy Regulator, with the rules set by the Federal Government
6. Review the Renewable Energy Target now that Australia has either achieved or will shortly the 20% target, the RET will no longer be driving additional renewable generation and has no longer a functional objective. It also is the major cause for pricing unfairness of GreenPower, being a penalty charge above the cost of standard electricity. Also:
 - a. Allocate mandatory Renewable Power Percentage (RPP) to all customers (other than RET exempt customers) such that the first ~20% can be claimed as zero emissions renewables whilst the RET is in operation
 - b. Should the RET be repealed (in the near future or by 2030), the RPP will no longer be valid and these renewables should be made available to all market customers
 - c. Should the RET be repealed, any renewables not purchased by the market as accredited renewable electricity, be included in the Residual Mix Factor (RMF)
7. Enable market access to pre-1997 renewables as accredited renewable market options
8. Establish both the Location Based Grid Factor (LBGF) and the RMF on a whole of grid boundary. That means that the following major grids would have a unique LBGF and an RMF:
 - Eastern and Southern Australia grid
 - Western Australia South West Interconnected System,
 - Darwin-Katherine Interconnected System
9. Clarify that Small Tradable Certificates (STCs), should not be supported in claims by second and third parties, as millions of households and businesses that have established small scale generation units to produce and consume renewable electricity behind their meters, have not given consent to forfeit their claims for renewable electricity use. Note that these renewables have never been counted to dilute the state grid factors.

With a more holistic approach to these reforms, the market based method for Scope 2 accounting could be fully established in Australia, eliminating many levels of multiple counting, confusion and unfair pricing. Greenhouse Gas (GHG) performance claims would primarily be made around the market choices of customers for electricity, with the location based method becoming the default comparison. Dual reporting would be undertaken in accordance with the GHG Protocol.

RESPONSES TO QUESTIONS

Question 1: *Do you agree in principle to the development of the market based method to better recognise and account for business investments in renewables, while avoiding double counting?*

Response

There is strong in principle support for the development of the market based method of scope 2 accounting in Australia which would underpin existing and future widespread claims and aspirations of electricity customers including the Local Government Sector.

Question 2a: *Do you agree with the 36 month vintage limitation on LGCs?*

Response

Ideally, the vintage of the LGCs should align with the vintage of the claim with limited flexibility provisions.

Question 2b: *Do you agree that LGCs and STC should only be used to reduce a business's electricity based emissions (i.e. not indirect, scope 3 emissions)?*

Response

It is agreed that the role of LGCs be limited to electricity based ER&RE claims.

STCs should not be used at all for second or third party ER & RE claims, as the owners have never provided consent to give up their rights to claim the ER&RE attributes for their own use.

Question 2c: *Under the market based method, do you agree with accounting for LGCs in MWh as opposed to converting them into tonnes CO₂-e?*

Response

There is in principle agreement for this approach.

Question 3: *Do you agree the RET can be thought of as an implicit renewable energy investment obligation?*

Response

It is agreed that Australia's Market Based system could be designed to include the mandatory RET component as part of what makes up 100% accredited renewable electricity use for customers. However the design of the system must be properly described and incorporated into legal frameworks such as the NGER Framework and the Renewable Energy Electricity Act.

We note that the ACT and other major Capital Cities have already established their Power Purchasing Agreements and claims using this logic. As smaller council purchasing accredited GreenPower, we have not been provided with this option. We cannot yet claim the RPP component as part of our GreenPower renewable electricity achievement which puts us at a near 20% disadvantage both in terms of our claims and financial burden, should we seek to achieve 100% renewables.

Question 4: *Do you agree that GreenPower should be accounted for consistently with retired LGCs (section 2)?*

Response

There should only be one method and one framework under which all trading of end use renewable electricity is provided to customers. GreenPower like any other Power Purchase Agreement or Purchasing Agreement contains the two elements 1) being a contract, and 2) providing assurance of attributes traded.

Question 5: *Do you support the potential use of supplier-specific emission factors in the market based method?*

Response

This could work, subject to further requirements.

Where any electricity contract is claiming renewable electricity at zero emissions, the claim should be made through a single method (such as a truly national GreenPower scheme), underpinned by legislation and ideally administered by the Clean Energy Regulator.

Should Australia's market based scope 2 accounting framework approve the use of supplier specific emissions factors then the ER attributes would need to be netted out of the calculations in determining the residual grid mix factor.

Question 6: *Do you agree with the treatment of exported electricity?*

Response

There should be no discouragement of STC creation or expectation that these would be voluntarily retired. Our communities and householders have installed their on-site renewable electricity systems in good faith and have not been asked to forfeit their ER&RE attributes in their system contracts. STCs have a very different purpose and role to LGCs.

There is a need for an additional rule/rules to better enable and describe local off-site transfers via the grid. These might be for community energy schemes or a business establishing a larger site to produce renewables and convey these to other sites to consume renewables via the grid, without excessive constraints or onerous requirements such as seeking approval to become a registered retailer.

In essence, local community and business based transfers via the grid should be defined in a new category for local production and consumption, which is either not counted or netted out of the location based and residual grid mix factors, as if they were produced and consumed behind a local meter.

Naturally any renewable electricity exports sold to third parties or LGCs should not be claimed by the system owner.

Question 7: *Do you agree that a state or jurisdictional government retiring LGCs on behalf of its citizens should be considered zero emissions electricity in a carbon account?*

Response

Under a market based framework a jurisdictional government could be considered as a single customer, acting on behalf of its community. Therefore the same market based rules should apply.

Question 8: *Do you agree with the treatment of carbon neutral certified electricity?*

Response

No, the concept of carbon neutral certified electricity undermines genuine renewable electricity and rebirths remnant electricity as 'carbon neutral electricity from a renewable source'. This leads to confusion and unfair competition.

Question 9a: *Do you agree with taking a national approach to calculate the RMF (see discussion in section 11)?*

Response

We would support a grid wide RMF. This means that there would be an RMF for the:

- Southern and Eastern Australia Grid
- South West Western Australia Interconnected System
- Darwin Katherine Interconnected System.

All smaller systems are more likely to be monopoly owned and therefore a supplier specific emission factor is appropriate for those supply networks.

The proposed method to calculate the RMF would need to net out mandatory renewables, voluntary renewables and emission specific Power Purchase Agreements to prevent double counting within the market based method.

Edited formula:

$$\text{RMF} = [\text{Name of}] \text{Grid EF} / (1 - \text{RPP} - \text{VRs} - \text{ESPPAs})$$

RMF (residual mix factor), EF (emission factor), RP (renewable percentage), VRs (volunteer renewables) ESPPAs (Emission Specific Power Purchase Agreements),

Question 9b: *Do you agree with calculating the RMF, noting the intention to better reflect LGC issuance, as described above?*

Response

Please refer to the method shown in the edited formula under 9(c).

The determination of the RMF to underpin Australia's market based system is fully supported in principle, subject to:

- being applied to the whole market; and
- established under a legal framework such as the NGER Determination and NGER, Technical Guidelines.

Question 10: *Would you be interested in Climate Active accreditation for using 100% renewable energy as calculated according to the market based method?*

Response

The Town of Gawler is very supportive of participating in the Climate Active national climate action scheme. However, we believe that the scheme should operate within a market based

approach that is established in law with the same accounting methods applicable to all other customers.

One of the key objectives of the Town of Gawler and many Climate Active participants is to demonstrate leadership. Therefore the accounting methods that apply for Climate Active participants should be the same methods applied to non-participants and GreenPower customers.

The GHG Protocol does not support a choice on which method to use when reporting electricity emissions. It requires a dual reporting approach where a published RMF is available. To prevent against selective reporting and continued double counting, dual reporting should be enacted by government. Both methods need to be reported in accordance with the GHG Protocol dual reporting approach. The market based method would then become the primary method for making scope 2 emission and renewable electricity claims, with the location based method serving to provide a baseline comparison.

It is noted that method proposed has only addressed the emissions accounting aspect (or Emissions Reduction (ER) attribute). There is an equal need to address the other interdependent Renewable Energy (RE) use attribute, including how this attribute is traded and allocated without double counting. Australia's market based method must address both the ER&RE attributes in an integrated way.