

Greenhouse Gas Protocol

Survey on Need and Scope for Updates or Additional Guidance

Town of Gawler

SCOPE 2 SURVEY response

2 Feedback form questions

Data and privacy acknowledgement

1. In order to proceed to the survey, please click yes below to acknowledge that you have reviewed the information in the Process Memo and Scope 2 Survey Memo and that you consent to the data disclosure agreements outlined in the Process Memo.
- Yes
 - No

Respondent information

2. Name **Tim Kelly**
3. Organization **Town of Gawler**
4. Country **Australia**
5. Email address Tim.kelly@Gawler.sa.gov.au
6. Would you like to receive email updates from GHG Protocol?
- Yes **Yes**
 - No
7. Does your company/organization have a greenhouse gas inventory?
- Yes **Yes**
 - No
 - Other (please specify)
8. Are you involved in developing your company/organization's greenhouse gas inventory? •
- Yes **Yes**
 - No
 - Not applicable
 - Other (please specify)
9. What is your organization type?
- Academia/research
 - Company
 - Consultant supporting organizations with GHG inventories/strategies
 - GHG reporting program or initiative
 - Government institution **Government Institution**

- International agency
- Electric Grid Operator
- Industry group
- Non-profit organization/NGO/civil society
- Provider of data or product related to GHG inventories
- Other (please specify)

10. What is your company's sector?

- Agriculture
- Apparel
- Biotech, health care and pharmaceutical
- Chemicals
- Construction
- Consumer goods
- Education
- Energy
- Finance
- Food and beverage
- Forest products
- Forestry
- Fossil fuels
- Hospitality
- Information and communication technology
- Infrastructure
- Insurance
- Manufacturing
- Materials
- Mining
- Power generation
- Professional, scientific, and technical services
- Real estate
- Retail
- Services
- Transportation
- Utilities (water, gas, electricity)
- Waste management
- Other (please specify) **Local Government Organisation, with operation activities across various sectors – Construction, Infrastructure, Services, Waster Management in addition to being a direct customer.**

Questions on the Scope 2 Guidance

11. Does your organization use the Greenhouse Gas Protocol Scope 2 Guidance to develop and report its greenhouse gas inventory?

- Yes
- No
- Not sure
- Not applicable (my company/organization does not have a greenhouse gas inventory) •
- Other

Other

The Town of Gawler has regard for the GHG Protocol Scope 2 Guidance.

It is not possible to fully use the Protocol because Australia has not formally adopted market based accounting. Australia's framework does not yet align to the Table 7 Quality Criteria as market based claims and location based claims operate concurrently as choices for any and all claimants and reporters.

12. How satisfied are you with the current GHG Protocol Scope 2 Guidance?

- 1 - Very satisfied
- 2 - Somewhat satisfied
- 3 - Neither satisfied nor dissatisfied

- 4 - Somewhat dissatisfied
- 5 - Very dissatisfied **Very dissatisfied**
- Not applicable (I don't use it)

13. Do you think there is a need to update the GHG Protocol Scope 2 Guidance?
- No (no update needed)
 - Minor update (limited updates, clarifications, additional guidance, or refresh needed) •
 - Major update (major changes or revisions needed) **Major update**
 - No opinion/Not sure

14. Please explain your selection. You may enter brief comments here or submit a more detailed proposal using the proposal template.

The GHG Protocol is recognised by the Town of Gawler as a global leader in setting the standards for greenhouse gas accounting globally, however there is an immediate need for further clarity and improvements.

This response provides an overview of experience and concerns regarding the GHG Protocol documents and will also provide specific policy improvement proposals using the template. Council would welcome any opportunity to further discuss this submission and all our submissions with GHG Protocol representatives.

INTRODUCTION

In 2010, there were concerns about systemic double counting in the Australian jurisdiction. The author of this survey response approached the administration of the GHG Protocol and helped to initiate the development of the GHG Protocol Scope 2 Guidance.

The GHG Protocol Scope 2 Guidance, released in 2015, was a major step forward but was a compromise that maintained too much flexibility for multiple accounting methods to be used for claims at the same time. This has ultimately led to confusion, misinterpretation, disinformation, continued systemic double counting, pricing unfairness and free riding.

The good news is that it is well within reach for the GHG Protocol to clarify the Guidance to underpin renewable electricity end user markets and prevent the systemic double counting and other issues identified.

This response relates primarily to the Australian jurisdiction, but can be applied broadly where these issues occur in any jurisdiction.

15. Do you think there is a need for updates related to the scope 2 location-based method?
- No (no update needed)
 - Minor update (clarifications or additional guidance needed)
 - Major update (major changes or revisions needed)
 - No opinion/Not sure

Major update and revisions are required.

16. Please explain your selection. You may enter brief comments here or submit a more detailed proposal using the proposal template.

The ongoing issues of systemic double counting of 'renewables use' and 'zero emission' claims have confirmed a view that the location based accounting should be discontinued.

Market based claims are being made in virtually every jurisdiction, by most large corporations, and in the broader market by end user consumers. It is not possible for consumers to understand the difference across accounting methods and dual reporting has become a smokescreen of complexity with many corporations receiving a free ride to report lower emissions because of the voluntary purchasing of renewable electricity by others.

In Australia, there is widespread misunderstanding that the Scope 2 Guidance approach requires those not buying renewables to report electricity emissions using both the Residual Mix Factor (RMF) and location based emission factors in Dual Reporting. The Australian situation has demonstrated that the RMF is not used and not required by those not claiming renewables.

Not only has the Dual Reporting aspect of the GHG Protocol caused complexity that few in government and the market can grasp, but it has led to the failure of the Scope 2 Guidance to prevent systemic double counting.

A frequent response from Government Departments is that the use of location based accounting at the same time as market based accounting is different accounting not double counting. That is a false interpretation because both methods are used by end users to make reputational, product and service based claims for the same renewable electricity at the same time.

Location based accounting claims cannot exist with market based accounting claims for the same renewables in the same jurisdiction at the same time, without systemic double counting.

The cessation of location based accounting for claims does not inhibit governments and regulators from tracking grid average performance for planning and other purposes, but there is no longer any need or justification for the GHG Protocol to continue two different sets of accounting rules for end user claims.

REFORM PROPOSAL 1 Simplification for Scope 2 Market Based Accounting only claims (See separate Template Proposal)

The proposal completed using the GHG Protocol Issue Reform Template, describes reforms for the Scope 2 Guidance to discontinue the use of location based accounting with regard to end user claims and any comparison with a grid average. In no other market does a reporting purchasing choice need to be compared with a market average.

Dual Reporting has caused more harm than it has solved where there is flexibility in the Scope 2 Guidance to continue systemic double counting. Trying to address this problem with more complexity will be not be a solution.

The major improvement of the GHG Protocol Scope 2 Guidance should be to guide claims reported to be limited to either a renewable electricity claim at zero Scope 2 emissions or a standard grid electricity claim at residual mix emissions.

17. Do you think there is a need for updates related to the scope 2 market-based method? •
- No (no update needed)
 - Minor update (clarifications or additional guidance needed)
 - Major update (major changes or revisions needed)
 - No opinion/Not sure

Major update (major changes or revisions needed)

18. Please explain your selection. You may enter brief comments here or submit a more detailed proposal using the proposal template.

DOUBLE COUNTING IS NOT PREVENTED

The Scope 2 Guidance is too vague and contains loopholes that prevent appropriate use of the Guidance in local jurisdictions.

The Scope 2 Guidance, and indeed all GHG Protocol documents, are not covered by a foundational 'No Double Counting' Principle'. Without this overarching principle, Governments and market participants have not prevented systemic double counting.

The current principles include RELEVANCE, COMPLETENESS, CONSISTENCY, TRANSPARENCY and ACCURACY. However, without a no double counting principle to ensure that use of the same renewable electricity is not claimed at the same time by two or more consumers:

- The RELEVANCE principle is nullified because the emissions reported by the company are not serving the needs of users internal and external to the company.
- The COMPLETENESS principle is nullified because if it is made up of double counted claims, it is irrelevant if it is complete or not, because the impact of double counting remains.
- The CONSISTENCY principle is voided where two or more different end users are using different methods to claim use of the same renewable electricity and zero Scope 2 emissions.
- The TRANSPARENCY principle is not achieved when systemic double counting occurs and is not disclosed to consumers and stakeholders.
- The ACCURACY principle is not relevant when there are two or more end users accurately double counting the same renewable electricity use and zero Scope 2 emissions.

REFORM PROPOSAL 2 GHG Protocol Reform Proposal 2 - No Double Counting Principle (See separate Template Submission)

The proposal completed using the GHG Protocol Issue Reform Template, will describe the need to establish an overarching NO DOUBLE COUNTING PRINCIPLE to apply to all GHG Protocol guidance documents.

MULTIPLE GHG ACCOUNTING SCHEMES EXIST OUTSIDE LEGISLATION IN JURISDICTIONS

The GHG Protocol does not prescribe legislation and accounting methods in local jurisdictions. There is a clear role though for the Protocol to advise that if the market based accounting described in the Scope Guidance is not formally established under a legislative framework in jurisdictions and is used where the same renewables are concurrently claimed in location based accounting as a government supported choice, then this is not consistent with the Scope 2 Guidance Quality Criteria. In these instances claims made in that jurisdiction should not be made with reference to the GHG Protocol.

A clear example occurs in Australia where Government schemes have claimed adherence to or some consistency with the Scope 2 Guidance whilst the accreditation and assurance schemes are created in contradiction to the Scope 2 Quality Criteria. Words such as “The electricity accounting rules have been adapted from the Greenhouse Gas Protocol Scope 2 Guidance (GHG Protocol)” are used which mask that the core elements to prevent systemic double counting have not been followed.

Australia operates with location based accounting that is legally applicable to approximately 415 large corporations. All other consumers within the market use methods aligned with the non-legal National Greenhouse Accounts factors (which is also location based accounting). At the same time there are widely adopted non legislated market based accounting practices for non-legislated government schemes such as Greenpower, the Corporate Emissions Reporting Transparency (CERT) reporting scheme and Climate Active.

Even within the certified Australian Federal Government voluntary schemes, there is a choice offered for participants to select either location based reporting or market based reporting.

In the Australian CERT and Climate Active schemes, it is only those that are making renewable electricity claims that are required to report with dual reporting. Those not buying renewable electricity can continue to report and make claims using the location based methods and omit a report using the RMF.

The absence of a single system for all provides for systemic double counting. The existing system can be compared with a set of road rules where drivers are allowed to drive on either the right hand side or the left hand side of the road in the same jurisdiction.

REFORM PROPOSAL 3 Underpinning market based accounting in local jurisdictions through legislation (See separate Template Submission).

The proposal completed using the GHG Protocol Issue Reform Template, will describe reforms to improve guidance for market based accounting to be established under legislative instruments in local jurisdictions, apply to the whole market in a consistent way and prevent systemic double counting.

Where jurisdictions continue to use both market based and location based methods at the same time, there should be no association made with the GHG Protocol due to this double counting.

This would cover any situation that results in double counting through contradictory legal methods or a combination of contradictory legal and non-legal methods.

QUALITY ASSURANCE FOR RESIDUAL MIX FACTORS

In addition to those not buying renewables not being required to report and make claims using an RMF, the actual RMF that is available is grossly insufficient.

The GHG Protocol states that “The emissions from all untracked and unclaimed energy comprise a residual mix emission factor”. However, the RMF established in Australia has only netted out mandatory renewable electricity contributions from the RMF.

In Australia all voluntary renewable electricity purchased and claimed by consumers is still allocated to dilute the RMF. In addition, all small scale and household renewables produced and consumed behind the meter, are allocated to the grid, and dilutes both the location based and RMFs. Advice provided to system owners is that that they can claim these renewables on site at zero emissions even where Small Tradable Certificates are created and sold. This situation resulted in double counting of approximately 27% of Australia’s renewable electricity in 2022.

The Scope 2 Guidance could be improved to specifically guide the methods used to calculate RMFs.

REFORM PROPOSAL 4 CALCULATION OF RESIDUAL MIX FACTORS (See separate Template Submission)

The proposal completed using the GHG Protocol Issue Reform Template, will describe the need to ensure that RMFs are appropriately calculated and other accompanying guidance.

The Scope 2 Guidance should describe that:

- RMFs must be prepared for the full extent of a grid within a jurisdiction or the full extent of a national jurisdiction.
- Appropriate methods to deal with cross nation grids and border adjustments need to be applied to ensure that the RMF integrity is maintained
- The following renewables must be removed to prevent inappropriate dilution when calculating RMFs
 - Remove all voluntary renewables to prevent dilution of the RMF.
 - Ensure that small scale renewables produced and consumed behind the meter are not counted to dilute the RMF (or location based factors).
 - Ensure that large scale renewables produced and consumed behind the meter are not counted to dilute the RMF (or location based factors).
- Ensure that all those not purchasing renewable electricity should be reporting and making claims using the RMF rather than location based emission factors. This is essential to prevent systemic double counting and free riding.

19. Do you think there is a need for updates related to the dual reporting requirement, i.e., to report scope 2 emissions using both the location-based method and market-based method?

- No (no update needed)
- Minor update (clarifications or additional guidance needed)
- Major update (major changes or revisions needed)
- No opinion/Not sure

Major update (major changes or revisions needed)

20. Please explain your selection. You may enter brief comments here or submit a more detailed proposal using the proposal template.

As per previous comments, Dual Reporting has added complexity and caused the continuation and expansion of systemic double counting. In the Australian jurisdiction Dual Reporting is not required of those not buying renewable electricity and the RMF is therefore rendered ineffective.

The alignment of dual reporting is further compromised when State based location based emission factors are used in comparison to a nationally calculated RMF.

It is considered that Dual Reporting cannot work for the GHG Scope 2 Guidance to be successfully understood, adopted and followed in jurisdictions. Dual Reporting has added complexity that the market and Governments have demonstrated that they are not prepared to support.

There is strong recommendation for the Scope 2 Guidance to be simplified to core requirements so that it could be better understood and used without ambiguity by all stakeholders.

The proposal to discontinue Dual Reporting requirements as provided separately in a template completed proposal for the Scope 2 Guidance, will make a significant difference to shorten and simplify the Guidance to be clearer and more easily understood document.

21. Does your organization publicly report scope 2 emissions using the location-based method, the market based method, or both?

- Location-based only
- Market-based only
- Both
- Not applicable
- Not sure

In Australia, it is not possible to report Scope 2 emissions using either method with any confidence.

NO CONFIDENCE IN LOCATION BASED ACCOUNTING

The Government has encouraged default reporting with the use of state location based emissions factors, with this default reporting appearing on virtually all electricity bills. The outcome of this being those states with more renewables (paid for by the mandatory and voluntary contributions of consumers across Australia) get a free ride to show lower emissions whilst consumers in other states that have paid just as much are forced to show higher emissions.

Consumers in states where the free riding is claimed exist in fear of the inevitable correction, should location based accounting discontinue.

NO CONFIDENCE IN AUSTRALIA'S CURRENT MARKET BASED ACCOUNTING.

It is difficult to promote numbers based on market based accounting with the knowledge that:

- All accredited voluntary renewable electricity sold in Australia is double counted.
- What is presented as an RMF actually still includes the dilution from all voluntary renewable electricity and all small scale renewables produced and consumed behind the meter.

NO LEGISLATED FRAMEWORK THAT APPLIES

There is no confidence in claims whilst multiple and contradictory schemes are being used in the same market for the same renewables at the same time.

22. Does your organization publicly set GHG reduction targets/goals for scope 2 emissions based on the location-based method, the market-based method, or both?

- Location-based only
- Market-based only
- Both
- Not applicable
- Not sure

Market based only.

The Town of Gawler Council has set a 100% renewable electricity use goal by 2030 based on purchasing accredited renewable electricity together with on-site renewables production and consumption to the extent possible.

Council contest that on-site renewables (on a net annual average basis) are not sent out to the grid, are not purchased from the grid and are not intended for the grid and are therefore not part of market based accounting for grid electricity.

Council does not support location based claims which can free ride on the efforts of others to claim lower grid average emissions and then use carbon offsets to claim zero emissions at low cost. This is free-riding integrity or fairness and undermines renewable electricity markets.

Council has also identified a situation which creates zombie renewable electricity that can be claimed where Renewable Electricity Certificates (RECs), or otherwise known as Large-Scale Certificates (LGCs) in Australia, can be sold separately to the electricity, and then retailers can apply a carbon offset to market the product as carbon offset electricity from renewable electricity generation. This is another form of systemic double counting.

3. If your organization reports a GHG inventory, does your organization use residual emission factors when calculating scope 2 emissions using the market-based method?

- Yes
- No
- Partially
- Unsure
- Not applicable

Partially

Our organisation is not yet part of an accreditation scheme and is not able to source renewable electricity that is affordable or has integrity. Despite renewable electricity now being cheaper to produce, it is charged as a significant pricing premium above the cost of standard grid electricity. The cost of standard grid electricity has risen sharply due to a pricing crisis in fossil fuel supplies.

The Australian Government is yet to provide the RMF for widespread use under the National Greenhouse Accounts (NGA) factors publication. Plus, Australia's RMF lacks integrity as it does not net out voluntary renewables, or small scale and household renewables produced and consumed behind the meter.

There is also no standard legislated definition of what constitutes renewable electricity use in Australia. The only legally defined users are National Greenhouse and Energy Reporting (NGER) liable companies that produce and consume renewables on site. They are legally able to claim renewables use under the Act whilst also creating and selling RECs (LGCs) at the same time with 100% systemic double counting.

Council is fully supportive of market based accounting and encourage that reforms are undertaken so that we are in a position to accurately report our renewable electricity use and emissions.

24. Chapter 11 of the Scope 2 Guidance, titled "How Companies Can drive Electricity Supply Changes with the market-based method", elaborates how organizations can use their procurement power to substantively contribute to new low-carbon energy supply. In this context, does your organization pursue any of the options suggested in Chapter 11 and/or otherwise empirically evaluate the connection between changes in GHG emissions to the atmosphere and your organization's scope 2 related decarbonization investments?

- Yes
- No
- Not sure

No

25. If so, how?

Such secondary aspirations are not worth pursuing when the foundational architecture and accounting of electricity and renewable electricity markets remain unresolved.

26. Has your organization identified any instances where application of the current Scope 2 Guidance has led to changes in your reported GHG inventory (i.e., an increase or decrease in reported emissions) while potentially leading to an unequal or opposite outcome in total GHG emissions to the atmosphere? • Yes
- No
 - Not sure

No

27. If so, please explain.

Operating within a local jurisdiction the immediate need is for the market and accounting frameworks in Australia to align with the Scope 2 Guidance so giving any claims actual meaning. This is currently not possible because the Scope 2 Guidance contains too many loopholes and is not formally adopted or accurately interpreted in Australia.

28. New grid-connected technologies and/or their increased deployment may require further clarification or changes to the Scope 2 Guidance to better address accounting of emissions associated with these resources. Please select from the potential options below any technologies which would benefit from updates or additional guidance. Please also include any additional technologies outside of this list which should be considered. Any specific suggestions related to these technologies should be submitted in the Scope 2 proposal section.
- a. Advanced Metering Infrastructure (“AMI”)
 - b. Demand-side load management (e.g., demand response, load shifting, etc.)
 - c. Electric vehicle charging and grid integration.
 - d. Energy storage technology
 - e. Hydrogen as an “energy carrier” similar to electricity, steam, chilled water, etc.
 - f. More geographically granular electric grid emission data (e.g., emissions associated with electricity at specific locations)
 - g. More time-granular electric grid emission data (e.g., monthly, hourly, etc. emission factors in addition to annual values)
 - h. Other

PROCEED WITH CAUTION

The GHG Protocol Scope 2 Guidance should focus on providing the high level guidance for consumers to be empowered to buy and claim renewable electricity to claim use and zero emissions with the confidence that their efforts are not double counted.

These fundamentals have not yet been achieved. In Australia all voluntary accredited renewable electricity is double counted and virtually all small scale and household solar electricity is double counted.

To focus on secondary matters without first addressing the foundational issues will add complexity whilst making reforms less achievable.

There is some clarification on how Scope 2 accounting feeds into other Scope 3 and supply chain accounting for secondary products and services such as hydrogen and energy storage.

- a. **Advanced Metering Infrastructure (“AMI”)**

Advanced Metering Infrastructure is simply that and it should not cause change to electricity accounting fundamentals.

- b. **Demand-side load management (e.g., demand response, load shifting, etc.)**

Demand-side load management is simply that and it should not cause change to electricity accounting fundamentals.

- c. **Electric vehicle charging and grid integration.**

Electric vehicle recharging is simply consumption. There is a need to distinguish where this consumption is for standard grid electricity reported using an RMF, or accredited renewable electricity claimed at zero emissions, or behind the meter consumption from behind the meter generation of renewable electricity.

Electric vehicle grid integration is simply a form of energy storage technology where some of the electricity consumed is later returned to the grid (see next response).

d. Energy storage technology

Energy storage technology does not create renewable electricity. It simply stores renewable electricity to be returned to the grid with a parasitic loss.

- For small scale and distributed energy storage such as home battery systems and EVs the treatment of these losses could be an estimate that is added to the network loss factors currently used.
- For large scale energy storage technologies like pumped hydro schemes and grid scale batteries it is achievable to apply a specific storage loss factor reflects the infrastructure. This is entirely achievable and can be covered by the existing measured inputs and outputs of the storage facility.
 - Where the storage facility is consuming standard grid electricity then this consumption should be reported.
 - Where the storage facility is using on site fossil fuel electricity behind the meter, then this should already be getting reported as part of the facility emissions.
 - Where the storage facility is using accredited renewable electricity from the grid, then the use of that renewable electricity can be claimed onsite but must not be on-sold.
 - Where the storage facility is using renewable electricity produced behind the meter and consumed as the parasitic loss, then this renewable electricity and any related certificates must not be double counted and sold.

e. Hydrogen as an “energy carrier” similar to electricity, steam, chilled water, etc.

Once the electricity is consumed to produce hydrogen, there is a break between Scope 2 accounting and any hydrogen claims then move into the Scope 3 accounting domain.

- If renewable electricity is used to produce hydrogen then the upstream Scope 3 emissions associated with that hydrogen can be claimed as zero or near zero.

Should Renewable hydrogen be used to create new electricity then this could be claimed as new renewable electricity. It is not double counted because it is only the component that has not been consumed as a parasitic loss of electrolysis that is claimable.

- If standard grid electricity or fossil fuels are used to create the hydrogen then that hydrogen (blue or brown hydrogen) must have much higher upstream emissions.

Should blue or brown hydrogen be used to create new electricity then the upstream Scope 3 emissions must reflect all of the emissions in that supply chain to the MWh of electricity produced. This can and should concentrate the emissions of that electricity and if the electricity is sent into the grid, it should increase the emissions rate of the Residual Grid Emissions factor.

f. More geographically granular electric grid emission data (e.g., emissions associated with electricity at specific locations)

Not supported

This is the approach used in Australian where five states all claim different emissions rates despite voluntary consumers and the mandatory contributions charged to customers being charged equally across the nation. The concept is totally contrary to market based accounting and will add confusion, complexity, double counting and free riding.

Any contractual claims such as supporting local generation can be made in relation to individual contracts without compromising or adding complexity the GHG Scope 2 Guidance. There is no impediment to a business claiming a contract with a local generator or retailer of renewable electricity within a grid. The Scope 2 Guidance should not seek to do too much.

g. More time-granular electric grid emission data (e.g., monthly, hourly, etc. emission factors in addition to annual values)

Not supported

The GHG Protocol is risking a collision between incompatible methods by suggesting more granular factors in addition to annual values. There are already multiple conflicting logics on claiming renewable electricity and systemic double counting is the norm. This proposal introduces a new pathway to systemic double counting.

If time of day or time of month accounting is used to claim renewables then this must mean that the renewables claim using annual averages need to be devalued to prevent double counting. The concept being proposed would be an unmanageable accounting nightmare.

So long as the RMF is based on annual averages then accredited renewable electricity claims should also be made in the same way. This would not prevent an individual consumer or corporation taking steps to align their consumption with generation profiles, and making a claim that they are doing so. However, the GHG Protocol Scope 2 Guidance does not need to be involved to micro-manage this level of detail.

h. Other

The GHG Protocol should focus on ensuring that renewable electricity is not systemically double counted.

29. Are there existing resources, tools, or databases developed by other organizations that you would suggest that GHG Protocol consider to support organizations in applying the Scope 2 Guidance?

Legislation to enable market based accounting in jurisdictions without systemic double counting is the key resource that governments can apply to support organisations in applying the Scope 2 Protocol.

Where jurisdictions continue with legislated location based accounting or multiple contradictory location based and market based accounting methods and choices for the same renewable electricity and zero emissions to be claimed two or more times, then the use of the Scope 2 Guidance becomes meaningless.

30. Are there new resources, tools, or databases that you think need to be developed to support organizations in applying the Scope 2 Guidance?

In Australia, the Clean Energy Regulator (CER) as the administrator of Australia's REC Registry, has the resources to ensure that with market reform, renewable electricity is not be double counted. In the undertaking of this task, the CER and other equivalent REC Registry or Renewable Electricity Regulators should:

- Guide end users to only make their claims using market based accounting (Renewables or RMF) and cease the use of location based factors to make claims.**
- Ensure that voluntary renewable electricity claimed using market based accounting is not still being used to dilute the RMF.**
- Ensure that small scale and household renewables produced and consumed behind the meter are not double counted to dilute the RMF (or even location based factors whilst they are still used). Any surplus exported to the grid could be estimated using a sample survey that is sufficient to be statistically valid.**
- Ensure that large scale renewables produced and consumed behind the meter are quantified and not used to create and sell RECs (LGCs in Australia) to prevent a new area of exponential growth in double counting.**

31. Are there challenges in complying with the GHG Protocol Scope 2 Guidance requirements? If yes, please briefly describe the challenges as well as any potential solutions, industry-specific guidance, etc. that could address these challenges. You may enter brief comments here or submit a more detailed proposal using the proposal template.

There are huge challenges in implementing the Scope 2 Guidance. The Survey responses already provided describe many of the key challenges and detailed reform proposals will provide additional information and solutions.

Some of the challenges are summarised here:

- The current GHG Protocol documents do not establish a 'NO DOUBLE COUNTING PRINCIPLE' as the first leading and over-arching principle.
- The current Scope 2 Guidance is overly complex and has tried to do too much, particularly with Dual Reporting which is misunderstood and misused. In Australia, under the Government Climate Active and CERT Reporting schemes, the use of Dual Reporting with the RMF is only required of those buying renewable electricity and is not required by those not buying renewable electricity.
- The current Scope 2 Guidance does not take adequate steps preventing government actions and end users from double counting while claiming a connection with the GHG Protocol.
- The current Scope 2 Guidance does not adequately describe that dual reporting should not be an opportunity for double counting and that under dual reporting, reputational, product and service based claims should only be made with the market based accounting component. That is, use of the RMF, a renewables claim, or an appropriate combination.
- The current Scope 2 Guidance does not adequately state that jurisdictions which allow a choice between market based accounting and location based accounting at the same time for the same renewable electricity do not meet the Quality Criteria and therefore cannot be recognised in reference to the GHG Protocol.
- The current Scope 2 Guidance does not adequately describe how the Residual Grid Emissions Factors should be calculated to remove the dilution from all renewables already claimed or allocated elsewhere.
- The current Scope 2 Guidance does not adequately describe that to give legitimacy, integrity and meaning to renewable electricity claims in local jurisdictions, then market based accounting should be established under a legislative instrument equally applicable to all consumers in that jurisdiction.
- The current GHG Protocol administration does not describe that it reserves the right to call out misuse of the Scope 2 Guidance in jurisdictions or by individual corporations where double counting is not prevented.
- Transitioning the Scope 2 Guidance to market base accounting and removal of the requirement for Dual Reporting, would significantly reduce the length and complexity of the Guidance document and make it clearer and easier to understand.

32. GHG inventory reporting can overlap and/or interact with regulatory policy mandates, state and federal subsidies, emission reporting or target-setting programs, etc. (e.g., see Scope 2 Guidance, Chapter 8.2 Reporting on the relationship between voluntary purchases and regulatory policies). Are there clarifications or changes in the Scope 2 Guidance that would simplify and harmonize complying with the Scope 2 Guidance and better align with regulatory policy mandates, programs, etc.? If so, please identify such interactions and share any potential solutions.

There is no justification for GHG inventory reporting methods to be different from mandatory reporting requirements.

In financial and annual reporting, different foundational financial accounting rules are not used. Dollars and cents applied with basic debit and credit rules associated with the trading of goods and services and banking are used.

In Australia, the Government has limited mandatory NGER reporting to Scope 1 and location based Scope 2 emissions and electricity consumption only with all other accounting sitting outside the regulated accounting framework. It justifies the contradictions between location based Scope 2 accounting and the wider market based claims as 'different accounting' but then allows the same NGER liable corporations to also report using market based claims for renewables and carbon offsets.

This is the cause of systemic double counting and major confusion.

The solution is to apply one accounting framework across the nation established under a legislative instrument which would require:

1. **No change to Scope 1 emissions Reporting.**
2. **Transition to market based accounting for electricity, renewable electricity and Scope 2 emission claims for all end users (for both NGER liable Corporations and all others).**

3. Integration of Scope 3 emissions methods and principles under the framework:
 - a. Properly defining carbon offsets as negative Scope 3 emissions.
 - b. Establishing basic debit and credit rules for Scope 3 accounting and use of offsets so that those selling the offset must add an Scope 3 emission to any claims they make in order to allow an end user to claim a Scope 3 reduction as a result of buying offsets.
4. Ensuring that any certificates created from an allowance or permission to pollute, are not traded in a way that causes an apparent reduction in emissions or a reduction claim by a third party.

Questions for programs/policymakers

This section is intended for programs, initiatives, policymakers, or regulators using the GHG Protocol Scope 2 Guidance.

33. Please identify your program, policy, initiative, etc. which uses the GHG Protocol Scope 2 Guidance.

The information provided by some policy makers that are involved in creating or administrating schemes that include systemic double counting need to be checked for misinformation and critical omissions.

34. How are you applying the Scope 2 Guidance in the context of your program?

Policy Makers in Australia should be upfront that schemes including Climate Active, GreenPower and the Corporate Emissions Reduction Transparency reporting scheme, are applied without due regard for the GHG Protocol Quality Criteria. These schemes continue to allow complete choice between market based accounting and location based accounting logic for reputation, product and service based claims.

35. What is your experience applying the standard? Does your program implement all the requirements of the standard? If not, why not? Are there any gaps or problems you have faced in implementing the standard? Are changes to the standard and/or support on the use of the standard needed from a programmatic perspective?

Policy and scheme administrators from national and state jurisdictions in Australia should disclose that concerns are raised every year and in every consultation about systemic double counting and lack of legal foundation for renewables and carbon markets.

Questions on Scope 2 Guidance Aggregational Theory of Change

The current Scope 2 Guidance uses location-based and market-based accounting. Under the latter framework, Energy Attribute Certificates (EACs) are used to track and allocate consumer demand for the GHG attributes from a finite supply of attributes available for those claims. Ideally this results in demand signals that encourage development of new clean energy supply and GHG emissions reductions (see Scope 2 Guidance 11.1 Energy attribute supply and demand).

Currently, a limited number of customers globally voluntarily report GHG emission inventories. Even for those that do, obtaining the necessary information from suppliers can be challenging. For example, customers with high-emission power suppliers or contracts may not be disclosing or even have access to such information. Combined with other market factors, this lack of critical mass in reporting may challenge the efficacy of the “aggregational” theory of change and the ‘disclosure-risk-action’ paradigm, potentially reducing its overall efficacy in aggregate (see GHG Protocol Corporate Standard (WRI/WBCSD 2004), p. 59–60).

However, new regulatory mandates (such as climate disclosure initiatives including one by the US Securities and Exchange Committee (SEC), FSA disclosures in Japan, the European Union Corporate Sustainability Reporting Directive (CSRD), etc.) and growing consumer awareness are leading to increased demand for information about GHG inventories. These recent changes underscore the importance of developing an accounting framework that can be widely adopted and can help drive meaningful change.

Since the publication of the Scope 2 Guidance in 2015, seven years' worth of data are now available to evaluate the performance of this accounting method and the “aggregational” theory of change. The following questions seek feedback on how we can use that data and experience to (1) assess the validity of the premise

that EACs promote market-driven increases in clean energy and reduced emissions and/or (2) develop a predictive framework that will streamline GHG inventory accounting and ensure global atmospheric GHG reductions.

Comment

Energy Attribute Certificates such as Australia's LGCs need to legally integrate the attributes of renewable electricity use and zero emissions in order for voluntary markets and claims to work. Without such legal integration they are a false double counted certificate.

36. Based on the past seven years' worth of data, under the current market-based accounting framework, is there empirical support for the premise that market-based scope 2 accounting framework results in collective changes in low-carbon energy supply and global atmospheric GHG emission reductions? Please explain, including empirical justification on why or why not. You may enter brief comments here or submit a more detailed proposal using the proposal template.

Australia has a REC Registry and a Clean Energy Regulator that is able to support economy widespread market based accounting, subject to reforms.

The consumer appetite for market based accounting and claims is clearly evident:

- **Led by the Climate Group, RE100 is a global initiative bringing together the world's most influential businesses committed to 100% renewable electricity. There are now almost 400 RE 100 companies and this number is increasing rapidly.**
- **Most major corporations are now making emission reduction pledges, with many making zero emission and/or 100% renewable electricity use pledges.**
- **The Government has strongly promoted its Climate Active Scheme and Carbon Neutral Certification as well as creating and promoting a Corporate Emissions Reduction Transparency Reporting scheme. It is impossible to watch commercial television or pick up a marketing brochure or follow climate and renewables issues in electronic media without being confronted with carbon neutral and renewable electricity claims, despite knowing that these are all inclusive of systemic double counting.**
- **Local governments are actively seeking to buy renewable electricity for renewables use and zero emissions, and to also enable and encourage their communities to buy renewable electricity.**
- **Australia's GreenPower renewable electricity accreditation Scheme is now 25 years old.**
- **Australia's small scale and household renewable electricity is now assessed by the Department of Climate Change and Energy Efficiency as representing 27% of electricity generation.**
- **The overall emissions from electricity generation in Australia has fallen dramatically in Australia from the combination of the mandatory Renewable Energy Target (RET), from voluntary purchased renewables and from the rapid uptake of on-site renewable electricity produced and consumed behind the meter (both large scale (unquantified by Australia's Clean Energy Regulator CER) and small scale (27% as quantified by the (CER)).**

There is absolutely no doubt that despite the policy confusion, systemic double counting, free riding, inequality, and pricing unfairness, that customers have embraced and desire market based accounting to enable them to buy renewable electricity to claim as use at zero emissions.

Customers are not interested in complicated narratives to justify the continued allocation to all consumers as different to REC based claims. They just want the system to work with fair pricing structures and confidence that claims are not double counted.

National and state policy makers are holding back the market by hanging on to the contradictory use of location based accounting and allowing the choice of either. In doing so the voluntary efforts of consumers are increasingly allocated as free ride to large corporate polluters through the location based emission factors.

37. If necessary, are there changes to the market-based framework that can ensure rigorous accounting that demonstrates collective changes in low-carbon supply and global atmospheric GHG emission reductions? If unnecessary, why; If so, what changes? You may enter brief comments here or submit a more detailed proposal using the proposal template.

In Australia, the market is facing a crisis relating to clarity integrity and fairness.

The GHG Protocol review provides an opportunity to guide jurisdictions towards genuine reform to support true market based choices for renewables and offsets.

As previously outlined the improvements to the Scope 2 Guidance should include encouragement

for jurisdictions to transition to market based accounting for all reputational, product and service based claims.

In Australia, this would require:

1. No change to Scope 1 emissions Reporting.
2. Transition to market based accounting for electricity, renewable electricity and Scope 2 emission claims for all end users (for both NGER liable Corporations and all others)
3. Integration of Scope 3 emissions methods and principles under the framework:
 - a. Properly defining ACCU carbon offsets as negative Scope 3 emissions.
 - b. Establishing basic debit and credit rules for Scope 3 accounting and use of offsets so that those selling the offset must add an Scope 3 emission to any claims they make in order to allow an end user to claim a Scope 3 reduction as a result of buying offsets.
4. Ensuring that any certificates created from an allowance or permission to pollute, are not traded in a way that causes an apparent reduction in emissions or a reduction claim by a third party.

Questions on Scope 2 Guidance Attribute Quality Criteria

The Scope 2 Guidance Quality Criteria requirements were developed to represent the minimum features necessary to implement a market-based method of scope 2 GHG accounting using Energy Attribute Certificates (EACs). As designed, the market-based accounting method allows organizations to report in their inventory an immediate GHG emission reduction without necessarily needing to demonstrate a corresponding immediate and equivalent reduction in emissions to the atmosphere. This outcome is consistent with the supply/demand aggregational theory of change described above. (Note, please see questions 20-21 evaluating this topic.) However, the current EAC quality criteria required to claim the zero-emission attributes of a grid resource enables a range of EAC procurement options representing a broad spectrum of outcomes a reporting organization can take responsibility for in their inventory. Narrowly in the context of scope 2 inventory accounting, so long as the minimum quality criteria are fulfilled, all procurement options, strategies, etc. are treated equivalently.

COMMENT

The Scope 2 Guidance does not require EACs to actually incorporate the attributes. In Australia, the LGCs do not legally integrate any attributes and all claims of renewables use and zero emissions associated with LGC surrender are double counted.

The Scope 2 Guidance must stake steps to encourage legislated market based accounting frameworks in jurisdictions to support such concepts.

Chapter 7, Criteria 4 “Vintage” states all contractual instruments shall “Be issued and redeemed as close as possible to the period of energy consumption to which the instrument is applied.” Common practice today is for an organization to match some amount of their annual electric consumption load with Energy Attribute Certificates (EACs) produced in the same reporting year.

38. What are the trade-offs between continuing this practice as compared to introducing a more specific quality criteria than “as close as possible”? Should this quality criteria be made more specific (e.g., to specify it must be within the same year, month, hour, etc.) or remain unchanged? Please briefly explain or use the proposal template for a detailed reply.

This guidance is appropriate as it may not always be practical to assure a year by year cut off. The guidance could go further and encourage that certificates should be used to ensure renewable electricity purchasing and claims. The Scope 2 Guidance should discourage certificate only derivative markets that are separate to the supply chain of renewable electricity from producer to consumer.

Chapter 7, Criteria 5 “Market Boundaries” states all contractual instruments shall “Be sourced from the same market in which the reporting entity’s electricity-consuming operations are located and to which the instrument is applied.” Currently certificate market-boundaries encompass broad geographic regions such as entire continents and span multiple physical grid boundaries (i.e., see Scope 2 Guidance, page 64: “...markets for unbundled certificates have often been less constrained than those for electricity itself”).

39. What are the trade-offs between continuing this practice as compared to introducing more specific guidance on the Market Boundary quality criteria? Please briefly explain or use the proposal template for a detailed reply.

Unbundled derivative markets for consumers to claim renewable electricity from separate grids across borders generally fail to have adequate debit rules, credit rules and border adjustments to deliver a claim free from systemic double counting.

Ideally, claims would be made within a single grid having a clearly defined accurate RMF applied to that grid.

It is also possible to average across several grids within a nation, particularly where national policy has required all consumers to contribute equally to mandatory renewables or where voluntary consumers have contributed to renewables from across the country without state based segregation.

The situation gets more complicated where one country connects to another country to trade electricity and renewable electricity. In such situations there needs to be a market based approach that applies basic debit and credit rules to the electricity and renewable electricity traded across the border, unless the different nations agree to treat the cross border grid as one grid, in which case it will be the same market.

Where there is an absolute disconnect of grids and nations renewable electricity as Energy Attribute Certificates, RECs or other equivalent certificates should not be traded or claimed. Claims using certificates from disconnected jurisdictions defy the principles of Scope 2 accounting which is about energy being produced in one location, but passing through a wire or a pipeline to be consumed in another location.

Where there is no pipeline or wire and an absolute geographic and jurisdictional disconnect, such certificates should be converted into a Scope 3 carbon offset, with appropriate debit and credit rules that apply to the Seller and Jurisdiction of the seller, to enable an end consumer to make a claim. Renewable electricity is not transferred and at best, a negative Scope 3 emission only could be transferred.

Chapter 7: Scope 2 Quality Criteria presents eight specific quality criteria.

40. Please provide any additional considerations related to any of these criteria and/or potential additional criteria that could improve the application of location-based and/or market-based Scope 2 reporting (see Scope 2 Guidance, Chapter 4 for additional detail on how these methods contribute to GHG reductions in the electricity sector). Please briefly explain or use the proposal template for a detailed reply.

RESPONSE

The Scope 2 Guidance Quality criteria is the strength and weakness of the document due to the contradictory statements and loopholes enabled through the text. This feedback will respond to each criteria element and draw attention to the strengths, weaknesses and contradictions.

Internal (COUNCIL ONLY) Note - The Scope 2 Guidance text is shown in All Caps in readiness for providing feedback using the online response tool. The use of Caps should prevent confusion between the Guidance text and response.

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.

This criterion is fundamental yet ignored in the Australian jurisdiction with neither the National Greenhouse and Energy Reporting Legislative framework nor the Renewable Energy (Electricity) Act 2000 establishing market based accounting or integrating attributes with Australia's Energy Attribute Certificates - LGCs. Instead, the market based framework is entirely based on a Government led perception or as the Clean Energy Regulator describes: "a common industry view" that is unsupported in legislation and double counted.

The Criteria should be strengthened to require that the Guidance is enabled through legislative market based accounting instruments in local jurisdictions for claims to be claimed with reference to the GHG Protocol and ensure legitimacy and integrity.

2. BE THE ONLY INSTRUMENTS THAT CARRY THE GHG EMISSION RATE ATTRIBUTE CLAIM ASSOCIATED WITH THAT QUANTITY OF ELECTRICITY GENERATION.

RESPONSE

Again, this is a worthy criterion but in practice it is completely ignored in Australia, where location based reporting and claims are also used at the same time. The location based accounting used by NGER liable Corporations and used for all default electricity billing and Government policy and scheme modelling, also convey the emission rate attribute claim in a different way to consumers so creating systemic double counting, inequality, pricing unfairness and loss of integrity.

The only way for the Scope 2 Guidance to be enabled is for location based accounting to be discontinued as a method/or choice for end users to make reputational, product or service based claims. In practice, location based accounting is only continuing for the purposes of free riding.

To achieve this outcome, the criteria needs to be strengthened to require that market based accounting is underpinned by legislation in the local jurisdiction to ensure only market based claims are used for reputation product and service claims. Where this is not achieved, the Scope 2 Guidance Quality Criteria is not complied with, and as such no claims should be made with reference to the Scope 2 Guidance.

3. BE TRACKED AND REDEEMED, RETIRED, OR CANCELED BY OR ON BEHALF OF THE REPORTING ENTITY.

RESPONSE

This is an important criterion but additional guidance is required. In Australia, the Clean Energy Regulator has the role to perform this function as part of its duties to maintain the Australian REC Register. However, safeguards are required to ensure that what it is tracking is appropriate and complete.

It is as important for the Clean Energy Regulator and equivalent bodies in other nations to track renewable electricity that should not be counted towards diluting emissions factors, as it is to track renewables sold in voluntary markets. This means that:

- The Clean Energy Regulator should track small scale and large scale renewables produced and consumed behind the meter, whilst also ensuring that these are not counted towards diluting grid factors (either location based or the RMF).
- The Clean Energy Regulator should track and prevent large scale renewables produced and consumed behind the meter, from creating and selling Energy Attribute Certificates such as LGCs that undermine the integrity of the market when others buy the certificates towards a second renewable electricity end use claim. The expired surplus calculated on a net average basis across a year is fine, but not those renewables consumed and claimed on site.
- Mandatory renewable percentage renewables should be allocated to those consumers that have already paid for those renewables, but should not be allowed to be allocated to customers of

facility activities that have been exempt from mandatory contributions.

The Scope 2 Guidance should be strengthened to describe that these and any other matters are addressed in local jurisdictions to prevent systemic double counting.

4. BE ISSUED AND REDEEMED AS CLOSE AS POSSIBLE TO THE PERIOD OF ENERGY CONSUMPTION TO WHICH THE INSTRUMENT IS APPLIED.

This criterion is supported in its current form to allow some flexibility on annual average accounting and emission timeframes. Consultation on schemes in Australia has proposed alternatives to provide greater flexibility on the vintage. This would enable banking and borrowing to further incentivise derivative markets that would further erode the integrity of renewable electricity markets. Banking and borrowing to expand derivative markets is bad news for consumers because it invites market speculative buying for profit creating upward pressure on prices.

5. BE SOURCED FROM THE SAME MARKET IN WHICH THE REPORTING ENTITY'S ELECTRICITY-CONSUMING OPERATIONS ARE LOCATED AND TO WHICH THE INSTRUMENT IS APPLIED.

RESPONSE

This criterion is fully supported.

The market definition would best be applied to a grid without distortions from state and local jurisdictions as these are not required for market based accounting. It is also acceptable for several major separate grids within one country and jurisdiction to be pooled as the common market, particularly where consumers across the country have contributed equally to mandatory renewables and made voluntary renewable purchases without constraints on state borders.

Where renewable electricity is sourced from a completely separate county and disconnected grid then there should not be trading of certificates as it would be virtually impossible to make appropriate debit and credit adjustments of the attributes to each grid and jurisdiction. This would be contrary to the concept of Scope 2 emissions being conveyed within a transmission wire or pipeline.

Where there is a cross border connection across countries such as adjacent countries using a connected grid or a transmission connection across the sea such as an Australia to Asia proposal then there is a need for cross border adjustments using appropriate debit and credit rules to prevent double counting at both the corporation level and jurisdiction level.

Where two different countries that share a connected grid agree to pool the grids, then it would be appropriate to define the single grid as the same market.

Separate isolated micro grids and town sized grids which claim the generation and use of renewables within those grids should not be creating and selling LGCs and should not be regarded as part of the main grid or grids.

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.

RESPONSE

Care needs to be taken to prevent over complexity from supplier specific claims that are not for renewable electricity. Such claims may risk the integrity of the RMF and additional accounting effort

would be required to ensure that these too, are removed from distorting grid factors.

The appropriate choice of renewable electricity versus standard grid electricity, or blend of the two is best made at the customer level when purchasing electricity rather than individual utilities operating outside of the accounting framework.

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.

RESPONSE

In Australia, the continuation of location based accounting for reputational, product and service based claims means that the contractual instrument such as the EAC equivalent being the LGC, is not the only instrument. Both the legislative instrument of the NGER Determination and the non-legislated National Greenhouse Accounts (NGA) Factors allocate the emissions reductions and by implication, the renewable electricity use in a different way to all consumers by default. All electricity bills show location based emissions by default.

Unless this criterion is strengthened with additional information to explicitly rule out the co-existence of market based accounting and location based accounting for reputational, product and service based claims, then there will continue to be systemic double counting, confusion, unfair pricing and free riding.

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.

This criterion must be strengthened to explicitly describe the types of renewable electricity that need to be removed from diluting the RMF including:

1. Mandatory renewables that are allocated to consumers without additional charge.

Australia's Climate Active RMX does this well by allocating the renewable power percentage charged to all consumers (other than those exempted from the scheme) to those consumers without additional charge. Further improvements are required because:

- The automatic allocation can only be claimed by Climate Active participants with ordinary GreenPower customers that are not part of the scheme charged for the mandatory renewables twice when buying 100% renewables.
 - The corporations that are directly exempt from or have Emissions Intensive Trade Exposed (EITE) activities that are exempt from mandatory contributions, are allocated the emissions reductions from the renewables that all others have paid for. This is a free ride of 18% renewable electricity.
2. Small scale and household solar electricity produced and consumed behind the meter. In addition, no tradable EACs /RECs/LGCs should be created and sold for the electricity produced and consumed behind the meter.
 3. Large scale renewable electricity produced and consumed behind the meter. In addition, no tradable EACs /RECs/LGCs should be created and sold for the electricity produced and consumed behind the meter.

4. All renewable electricity sold in voluntary markets should be prevented from diluting the RMF.

That concludes comments on the actual criteria, but there is also a need to address accompanying text that creates massive loopholes and is preventing reforms to enable the Scope 2 Guidance to be implemented in jurisdictions with integrity.

- IF A RESIDUAL MIX IS NOT CURRENTLY AVAILABLE, REPORTERS SHALL NOTE THAT AN ADJUSTED EMISSIONS FACTOR IS NOT AVAILABLE OR HAS NOT BEEN ESTIMATED TO ACCOUNT FOR VOLUNTARY PURCHASES AND THIS MAY RESULT IN DOUBLE COUNTING BETWEEN ELECTRICITY CONSUMERS INVENTORY TOTALS.

RESPONSE

This guidance is inadequate and is not followed enabling the continuation of both location based accounting and market based claims in the same market for the same renewable electricity at the same time.

Australia's RMF is not provided to apply to all consumers in a consistent way. It is not published in the widely used National Greenhouse Accounts (NGA) Factors workbook. The factor itself is not fit for purpose as it still includes dilution from all voluntary renewable electricity and all small scale and household renewable electricity produced and consumed behind the meter.

The guidance needs to be tightened to advise stakeholders and users of the Guidance that if an RMF is not available and/or not appropriately prepared and/or the jurisdiction is simultaneously allowing location based reputational, product and service based claims, then the claim is double counted and must not be made with any reference to the GHG Protocol.

Furthermore, the GHG Protocol administration should engage with other major guidance platforms and schemes to establish equivalent guidance to prevent corporations and jurisdictions from shopping around to associate with a framework that doesn't prevent double counting.

FOR COMPANIES ADDING TOGETHER SCOPE 1 AND SCOPE 2 FOR A FINAL INVENTORY TOTAL, COMPANIES MAY EITHER REPORT TWO CORPORATE INVENTORY TOTALS (ONE REFLECTING EACH SCOPE 2 METHOD), OR MAY REPORT A SINGLE CORPORATE INVENTORY TOTAL REFLECTING ONE OF THE SCOPE 2 METHODS.

- IF REPORTING A SINGLE CORPORATE INVENTORY TOTAL, THE SCOPE 2 METHOD USED SHOULD BE THE SAME AS THE ONE USED FOR GOAL SETTING. COMPANIES SHALL DISCLOSE WHICH METHOD WAS CHOSEN FOR THIS PURPOSE.

RESPONSE

Not supported

If the text is being interpreted correctly, it creates a loophole that undoes the entire Quality Criteria Table by suggesting that a choice is possible between location based and market based methods. Loopholes such as this are fully exploited and must be closed to prevent systemic double counting, unfair pricing, free riding and policy misinterpretation and confusion.

Only the market based method should be used for goal setting and claims where users have the choice to buy renewable electricity or accept the residual mix standard grid electricity.

Additional Feedback on the Scope 2 Guidance

41. Please provide any additional considerations or context related to new clarifications or guidance in scope 2, maintaining the existing Scope 2 Guidance without changes, changes in the current location-based and/or market-based methods, or new methodological options that account for indirect reductions and meet GHG Protocol decision criteria (for more information on the decision criteria, please see the annex of the

proposal template)? You may enter brief comments here or submit a more detailed proposal using the proposal template.

The Scope 2 Guidance has not paid enough attention on the need to describe 100% renewable electricity for end consumers. There is currently considerable uncertainty in jurisdictions about what exactly is 100% renewable electricity in the market based context. The clash with location based accounting just makes this worse.

Ideally, use of renewable electricity at zero emissions would be achieved through a market based contract where the renewable electricity generation is tracked through as a sale to consumers, assured by the EACs/LGCs/RECs and with any necessary firming costs incorporated in the contract.

However, in Australia the disconnects are unmanageable.

- Emissions are allocated by default based on state emission factors. In South Australia, renewable electricity generation sits between 65% and 70% for an annual year and default emissions reflect this. However, consumers are not permitted to claim 65% to 70% renewable electricity use alongside this allocation.
- In Tasmania which is at or near 100% renewable electricity generation, consumers are not permitted to claim renewable electricity use without paying for accredited renewable electricity. The Australian Competition and Consumer Commission prevented electricity generated in Tasmania being sold as renewable electricity without the inclusion of LGCs, resulting in consumers in Tasmania being able to claim near zero emissions, but not use of renewable electricity.
- Australia as a whole, sits at about 30% renewable electricity generation, but it is state location based factors used for NGER reporting and default billing, despite Australia's renewables being funded equally across the nation through mandatory contributions and voluntary purchasing.
- When buying accredited renewable electricity, ordinary GreenPower customers are charged for 100% renewables plus 18% Mandatory renewables plus the 27% small scale and household renewables – a total of 145%.
- Whilst it was understood that the mandatory payment for 27% small scale renewables was just a charge to household and small scale systems, it has been discovered that the Department of Climate Change, Energy, the Environment and Water has been double counting small scale renewables and allocating it to the grid. Large corporations receive this 27% as a free ride but ordinary GreenPower customers are charged twice.
- The massive growth in large scale renewables produced and consumed behind the meter in the water, mining, resources processing and on large warehouse and shopping centre rooftops is exploiting a loophole where renewables can be claimed on site and certificates (LGCs) sold as well for 100% double counting and free riding.
- Because there is no actual legislated market based accounting rules to guide claims for renewable electricity use and related zero emissions there are a variety of other methods and claims that don't even include EACs/LGCs/RECs. These include the 'RECless' Power Purchase Agreements directly with generators or the time of day use claims.

There are issues in Australia with government schemes referring to the GHG Protocol Scope 2 Guidance in promotions and webinars, yet there has not been formal support or integration of market based accounting in legislation and there are both market based and location based claims being made for the same renewable electricity and abatement at the same time.

The Scope 2 Guidance needs to clearly outline how market based accounting should work, that it cannot coexist with location based accounting for claims, and that it must be supported by legislation in local jurisdictions to work with integrity and fairness whilst preventing systemic double counting. If local jurisdictions are not prepared to do this, the Scope 2 Guidance should not allow any latitude for any association with the GHG Protocol. Those jurisdictions making 'Adapted from' statements should be called out and not able to continue to use such claims.

The Town of Gawler is able to provide additional feedback in relation to the GHG Protocol and would appreciate any opportunity to further discuss our feedback and proposals with the GHG Protocol Team. Furthermore, the Town of Gawler would welcome any opportunities to participate in any working groups that may be formed to assist in the further development of market based accounting approaches.