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26 September 2022

Dear Regulator

***Re: 2023 Corporate Emissions Reduction Transparency Report - Consultation paper***

The Australian Aluminium Council (the Council) represents Australia's bauxite mining, alumina refining, aluminium smelting and downstream processing industries. The Australian aluminium industry has been operating in Australia since 1955, and over the decades has been a significant contributor to the Australian economy. Alongside many decades of economic contribution, the industry is globally comparatively young and well maintained. The industry includes six bauxite mines which collectively produce over 100 Mt per annum making Australia the world's largest producer of bauxite. The six alumina refineries produce around 20 Mt per annum of alumina and Australia is the world's largest exporter of alumina. There are four aluminium smelters; in addition to downstream processing including more than 20 extrusion presses and Australia is the seventh largest global producer of aluminium. Aluminium is Australia's largest manufacturing export. The industry directly employs more than 17,000 people, including 4,000 full time equivalent contractors. The industry also indirectly supports around 60,000 families in regional Australia.

The Australian Aluminium Council (the Council) welcomes the opportunity to provide feedback to the 2023 Corporate Emissions Reduction Transparency Report (CERT) - Consultation paper (the Paper). The Council notes and appreciates the ongoing consultation by the Regulator on the CERT over the last two years. Council members were involved directly in the co-design, in dedicated discussions and through open dialogue via the Australian Industry Greenhouse Network (AIGN). One of the Council's members was involved directly in the CERT pilot earlier in 2022. As a participant of the pilot study, South32 have provided their comments directly to the Department.

In 2021, Scope 1 and 2 emissions from Australia's integrated aluminium industry (bauxite, alumina, aluminium) were about 34 Mt CO<sub>2</sub>-e, which was 7% of Australia's national emissions. As such, the industry has a long history of reporting under the National Greenhouse and Energy Reporting (NGER) scheme, through the relevant liable entity.

The majority of the Council's members report under NGER. These companies are typically also those which have stated emission reduction targets and aspirations, however, these are usually set at a multinational level; which does not align with Australian NGER data at the controlling corporation level. The Council also has an increasing number of smaller entities, which are not required to report under NGER; and are therefore not eligible to report under CERT; but these entities typically are those

which would be setting emissions aspirations only within Australia. Opportunity for these non-NGER facilities to participate in CERT in the future would be welcome.

#### *Independent assurance of commitments and supporting information*

As outlined in the Paper, in the pilot year, commitments in the CERT report could be presented as either 'progress data verified' or 'company assured'. The evaluation of the pilot found that stakeholders would value the CERT report's recognition of commitments and commitment-specific data that has received independent assurance. The Paper proposes that companies which engage independent assurers for their climate and/or sustainability reporting may have their commitments and/or progress recognised.

The Council supports the recognition of the independent assurance of company commitments and/or progress statements increase transparency where progress data cannot otherwise be verified by the Clean Energy Regulator (e.g., international, scope 3 and emissions intensity commitments) and believes that limited assurance is a sufficient standard for the CERT report. We would encourage CER to also recognise international auditors. For the purposes of international reporting, many multinational corporations may not have used an Australian NGER accredited auditor. The audit being completed in accordance with ASAE 3000/ASAE 3410 for Australian operations; or ISO 14064-3 and/or ISAE 3000/3410 for international commitments, as applicable, should be sufficient.

#### *Jurisdictional surrenders of LGCs*

The Council notes that only Large-scale generation certificates (LGCs) voluntarily surrendered for the purpose of reducing the emissions intensity of electricity consumed by the company are eligible for the CERT report. However, the existence of a power purchase agreement (PPA) for renewable electricity will not be accepted in lieu of voluntarily surrendered LGCs. The Council is concerned that some PPAs signed with renewable generators may not meet these specific requirements and that LGCs only cover and allow recognition of part of the overall renewable energy supply in Australia.

#### *Residual Mix Factor (RMF)*

The RMF represents the emissions intensity of imported grid electricity and is used to calculate market-based scope 2 emissions. For the pilot year, the CERT report used Climate Active's National Scope 2 RMF calculation to determine residual electricity emissions. The Paper proposes a new approach to calculate the RMF that considers changes that have been made to the methodology that underpins the National Greenhouse Accounts (NGA) Scope 2 emission factors and appropriately adjusts for all large-scale and small-scale renewables that can be claimed in a company's CERT report under the market-based approach. The proposed RMF approach replaces the Renewable Power Percentage (RPP) in the existing RMF equation with a 'Claimable Renewables Percentage', based on actual renewable electricity generation that can be claimed by participants for the relevant period.

The Council welcomes the recognition that the RPP not a suitable proxy to represent the share of renewables in the grid. The Council also recognises that considerable work was undertaken by the Department of Industry, Science, Energy and Resources earlier in 2022 to review grid factors in NGER1. The Council has previously expressed a desire to have national RMF calculated at the same time as the location based factors and published in the Measurement Determination. The current method using the RPP likely overestimates the factor. The proposed approach is appropriate if the number of LGCs surrendered equals the volume created. The Council encourages CER to also consider how/if the methodology will be updated if additional renewable energy certificates are created, as is under consultation as part of the hydrogen guarantees of origin scheme.

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<sup>1</sup> <https://consult.industry.gov.au/2022-nger-scheme-proposed-updates>

The Council is concerned the RMF methodology results a subjective calculated value because of the limitations in the inclusion of renewables data, there can be double counting when there are RECs surrendered, especially those that have already been accounted for in the grid.

Given the importance of climate and energy policy to the sector, the Council would like to continue to work with the Regulator, on this, and other policy developments.

Yours sincerely,



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