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Dear Regulator

Re: Corporate Emissions Reduction Transparency Report

The Australian Aluminium Council (the Council) welcomes the opportunity to provide feedback to the Consultation Paper – Corporate Emissions Reduction Transparency (CERT) report (the Paper).

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 five large (>10 Mt per annum) bauxite mines plus several smaller producers which collectively produce over 100 Mt per annum making Australia the world's largest producer of bauxite (Figure 1). 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 sixth largest producer of aluminium. Aluminium is Australia's highest earning 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.

Figure 1. Bauxite mining, alumina refining and aluminium smelting operations

Australia's aluminium, alumina and bauxite industries combined have total Scope 1 and Scope 2 emissions of just under 35Mt CO_2-e, which is around 6% of 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. Corporations in this sector also have stated emission reduction targets and aspirations. Members of the Council are therefore interested in the development of the proposed voluntary CERT report. In framing its response, the Council has been guided by the questions posed in the consultation paper.

It is worth noting that NGER reporting is based on controlling corporations, as it was established to align with the former Carbon Pollution Reduction Scheme and Clean Energy Future policy. This is quite different to Corporate targets. Corporate targets are set as just that, for corporates at any level they choose. In the case of the Council's members, these targets include:

- Can be set on ownership, operational control or equity share basis which is different to NGER data at the controlling corporation level;
- Are frequently set at a multinational level; which does not align with Australian NGER data at the controlling corporation level;
- Can be Scope 1, Scope 1 plus Scope 2, intensity based, or may include Scope 3 which may not align with NGER data; and
- Can be reported on calendar or financial years (and financial years vary by corporation) which may not align with NGER data.

For these reasons, the CERT should remain as a voluntary opt in programme only as it may increase public confusion, rather than increase transparency for some organisations.

While the Paper references Climate Active as a complementary alternate branding, there are notable differences:

- NGER reporting applies to the largest emitters, which meet a threshold (e.g., >25 kt CO_2-e for a facility or 50 kt CO_2-e for a corporation) whereas Climate Active can apply at the discretion of an entity to all its emissions or a subset only (for example a single product line); and
- The CERT will be administered by the Australian Government's Clean Energy Regulator; which also administers NGER, the Emissions Reduction Fund and Renewable Energy Target. Therefore, any reporting by the Regulator on units under any of Australian Government Schemes must be consistent with the operation of the rest of that scheme, even if the CERT reporting is on a voluntary basis. External entities, such as Climate Active, while also voluntary do not have to meet the same reporting integrity threshold.

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

While the Council believes that the proposed structure is suitable for demonstrating how *some* corporations are further reducing its emissions, through offsets, in addition to the reductions which corporations are undertaking directly at their facilities. However, as NGER reporting usually does not align with corporation's target setting and reporting, it is not suitable for all.

The Council is concerned about the proposed methodology for treatment of electricity (in MWh); including Large-scale generation certificates (LGCs), Small-scale technology certificates (STCs) and the Renewable Power Percentage (RPP); as opposed to emissions (both Scope 1 and Scope 2). The Council addresses this in its response to the issue of treatment of electricity in Question 5.

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

The Council supports the assumption that once corporations opt in, they are included in the voluntary scheme, until such time as they opt out. However, the CERT should remain as a voluntary opt in programme only.

3. *Does CERT appropriately manage double counting?*

The Council has concerns about the proposed treatment of renewable energy, and the potential for double counting, given how renewable energy is treated in Scope 2 emissions, under state-based emission factors[1]. See also, the Council's response to Question 5. Treatment of Scope 2 emissions using state-based factors and inclusion of RPP leads to double counting at a national level.

4. *Should surrenders of ACCUs from NGER facilities delivered under Emissions Reduction Fund (ERF) contracts be included in the net emissions calculation?*

One of the key reasons a facility will be delivering Australian carbon credit units (ACCUs) to a contract with the CER is because a responsible emitter facility with safeguard mechanism baseline has:

- a baseline set with scope 1 improvements incorporated; or
- has generated ACCUs from scope 2 improvements; or
- has generated ACCUs from land use abatement.

All of these situations require entering into a CER contract to gain benefit under the ERF from the ACCUs a facility has generated if they are over their baseline caused by the adding on of these ACCUs to actual emissions under the ERF.

Since there are only 3 auctions allowable over a 7-year abatement period under the ERF, there will also be situations where the responsible emitter has been conservative in forecasting delivery of abatement (due to financial implications if forecasting is not exact) and may have to additionally surrender these ERF ACCUs to get below the baseline outside of a contract. In both these situations, it is genuine abatement that has occurred and reduction of CO_2-e under the ERF. Therefore, responsible emitters should be able to claim surrenders both to the CER inside and outside of a contract as abatement to reduce their net emissions number in the CERT.

5. *Should the RPP be included in CERT using the proposed methodology?*

The Council's principal concern with the proposal as framed in the Paper is framed in how electricity is treated.

The RPP is a defined term under the Renewable Energy Target (RET); defining the number of LGCs which liable entities (generally electricity retailers) are required to surrender to meet their Large-Scale Renewable Energy Target obligations.

However, the RET is a specific scheme aimed at providing additional funding for additional renewable generation, over and above that which existed prior to 2001. The RPP does not recognise existing renewable generation which existed prior to 2001 (e.g., the majority of Tasmanian hydro powered generation) nor does it recognise roof top solar. The use of RPP as a proxy for "renewable energy consumed" by a facility is therefore flawed:

- RPP does not apply to Emission Intense Trade Exposed (EITE) facilities;
- RPP does not recognise pre-existing renewables;
- RPP does not recognise self-generation;
- RPP does not recognise direct connections; and
- RPP does not recognise roof top solar STCs and their contribution.

In the example shown in the Paper, Organisation 2 a facility which has undertaken no voluntary surrender of LGCs, so the Renewable Energy Percentage is shown as 19% (the current RPP). If:

- The same organisation was an EITE, but located in Tasmania, a state which is predominantly supplied by renewable power[1]; under this methodology the organisation would show as having 0% renewable energy as a percentage of total energy;
- The same organisation was located in South Australia, a state where at times roof top solar provides 100% of the state's electricity needs[2]; it would still show as the RPP of 19%.

Even the current methodology for the calculation of state-based factors is leading to an underestimation of the percentage of renewables used:

1. *Exclusion of rooftop solar from the calculation* - To June 2019, the small-scale renewable energy capacity was 9,072 MW[3] in Australia and supply is estimated to be 20% of the relevant acquisitions by 2023. While small-scale renewables add complexity, they should not be ignored in their entirety, as is the case in the current calculations.
2. *Inconsistent allocation of generation facilities to different states in different data sets* - In the National Electricity Market (NEM) the physical location of generation facilities may not align with interconnectors. For example, the Australian Energy Market Operator (AEMO) allocates the Snowy Hydro Ltd, Murray 1 and 2 sites to Victoria but under NGERs they are included for New South Wales.
3. *Use of rolling average data*: The current method (using three years of a historical rolling average of NGER grid connected generators) creates a considerable time lag between the Scope 1 emissions from these generators and their publication.

These issues arise in respect of the NGER Measurement determination values for all State and Territory jurisdictions. This leads to reporting variations. For example, for a combination of these reasons, under the Victorian Renewable Energy Target (VRET), the Victorian emission intensity is reported at approximately 0.84 kg CO_2-e/kWh[4] for 2019/20 compared to the NGER figure of 1.02 kg CO_2-e/kWh.

The Paper references Climate Active as a complementary alternate branding. In their Technical Guidance Manual, February 2021, Climate Active outlines two accounting methodologies for Scope 2 emissions – Locational and Market Based. In the Locational based methodology, there is no separate accounting treatment for the RPP as it is already included in the state factors used to convert electricity into t CO_2-e. In the Market based methodology, electricity usage not matched by zero emission electricity attribute claims is converted into t CO_2-e by removing the RPP from the national scope 2 emission factor, essentially starting from a higher baseline. The Paper does not have an equivalent step to adjust the baseline and prevent double counting which would otherwise occur, and which has been identified under Climate Active.

The Council can see some merit in recognising the voluntary surrender of LGCs, one of the schemes currently within the remit of the Clean Energy Regulator. However, as this only recognises part of the overall renewable energy supply; its inclusion is premature.

The inclusion of renewable energy in the calculation of state-based emissions factors may also lead to double counting, which may undermine the credibility of the CERT. Including "renewable energy" increases the level of potential complication and double counting. The Council therefore does not

[1] https://www.industry.gov.au/sites/default/files/2020-10/national-greenhouse-accounts-factors-2020.pdf
[2] https://aemo.com.au/-/media/files/major-publications/qed/2020/qed-q4-2020.pdf?la=en
[3] http://www.cleanenergyregulator.gov.au/Infohub/Media-Centre/Pages/Resources/RET%20media%20resources/Small-scale-renewable-energy-tracker---Quarter-2-2019.asp
[4] https://www.energy.vic.gov.au/__data/assets/pdf_file/0026/506825/VRET_2019-20_Progress_Report.pdf

support the inclusion reporting on "renewable energy" at this time and believes the CERT should limit reporting to emissions only.

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

The progress against emissions targets as a percentage suggested in the table within the Guidelines is problematic for a number of reasons:

- Targets can be Scope 1, Scope 1&2, Scope 3, efficiency targets or a combination;
- Organisations often have global targets not broken down into Australian organisation basis;
- An organisation such as a joint venture might have two different targets from organisations;
- Some organisational targets are on an equity basis;
- Corporations can sometimes be across more than one organisational structure in NGER; and
- Targets and corporate tracking can be on a calendar year rather than an NGER financial year.

This category should be optional only and give CERT participants the option of providing a link to their corporate public disclosures rather than a percentage.

7. *Are there any other enhancements to CERT that could help build participation?*

As described in the consultation paper, it would appear that the timing and inclusion of the information within the NGER report is problematic since NGER reports are locked down on 31 October and any amendments require a full resubmission. It would be preferred to have a form in the Client Portal which allows submission of the information up until the Jan 2022 cut-off, something the CER has indicated in discussions it is considering. Reporters will be reluctant to submit future potential surrenders rather than actuals.

The Council supports a voluntary reporting structure which reflects the voluntary surrender of a range of units, the registries for which are controlled by the Clean Energy Regulator. Any scheme should be able to be easily interpreted by those who don't have knowledge of some of the complexities of the mechanisms, such as the RET, ERF and NGER. However, for the CERT scheme to have integrity and withstand scrutiny, it needs to ensure that it is simple, transparent and not open to a range of interpretations. The Council is concerned that the proposed structure, includes double counting, not aligned with corporate reporting and open to misinterpretation. To build participation, particularly from major emitters, Council therefore believes the scheme should start simply, be limited to surrenders in registries controlled by the Clean Energy Regulator, and then build from there in successive phases.

8. *Are there other elements that should be considered in future phases of CERT?*

As the Council does not support inclusion of renewable energy use commitments at this time, this could be included at a future phase once an appropriate methodology is developed.

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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