

19 March 2021

RET and Energy Section
Clean Energy Regulator
Canberra ACT 2601

Via email: CER-RETandEnergySection@cleanenergyregulator.gov.au

Consultation — Corporate Emissions Reduction Transparency (CERT) report and guidelines

The Business Council welcomes the opportunity to comment on the proposed Corporate Emissions Reduction Transparency (CERT) scheme.

Our members are among organisations increasingly taking action to reduce emissions and are generally supportive of the stated intent behind the proposed scheme, to:

- demonstrate the net position of participating National Greenhouse and Energy Reporting Scheme (NGER) reporters' annual energy and emissions profile;
- support business' climate action claims by providing a trusted and independent source; and
- encourage voluntary participation in Australia's carbon market.

It is important to acknowledge three key points upfront with respect to the CERT proposal:

1. Corporations don't make public climate commitments and targets lightly because they are already accountable to their stakeholders, including financial institutions, investors, corporate regulators, customers, staff and shareholders. Strong disclosure of climate commitments and targets is compelled by several existing vehicles, including annual general meeting rules, mandatory disclosure under ASX listing rules and voluntary financial disclosure under the Task Force on Climate-related Financial Disclosures (TCFD) (which is increasingly being adopted by corporations).
2. Many of our members already report similar information under multiple emissions reporting frameworks nationally and internationally. It is crucial that any new scheme is designed and implemented carefully to minimise wasteful duplication.
3. The CERT is a voluntary scheme with a specific purpose, which is being designed around an existing mandatory scheme (NGER) which has a different purpose. There is scope for inconsistencies to arise between the two schemes which the CERT's design will need to be flexible enough to accommodate.

We offer the following specific comments on the proposed scheme design.

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?

Reporting on an equity basis rather than an operated basis

The CERT is unlikely to fulfill its intent unless it is structured to accommodate emissions being reported on an equity basis and/or an operated basis (at the election of the participant). The difference between the two is that:

- on an **equity basis**, emissions are attributable to a corporation based upon their ownership share in a facility — for example, if two corporations each own 50 per cent of a given facility, they would each report a 50 per cent share of that facility's emissions.
- on an **operated basis**, all emissions created at a facility are attributed to its sole operator corporation, even if there are multiple (non-operator) corporation owners of the one facility.

Where a given facility is wholly owned by a single corporation, these two reporting approaches are equivalent. However, where a facility is owned by more than one corporation, reporting on an operated basis is potentially confusing and misleading with respect to transparency of the actual emissions performance and ambitions of multiple corporation owners.

The CERT needs to be structured so that participating corporations under the CERT can elect whether they want to report their commitments/targets on an equity share of any NGER facilities they have an ownership share in, or on an operated basis.

Offsets for scope 2 emissions

Leading electricity retailers and wholesalers are increasingly offering their business customers the opportunity to have emissions associated with their electricity usage offset through the purchase, on their behalf, of offsets that meet the National Carbon Offset Standard for organisations consistent with the seller's Climate Active certification. In this way, the scope 2 emissions of participating electricity users can be neutralised without the purchase of large-scale generation certificates (LGC).

The CERT needs to be able to capture the percentage of a company's scope 2 emissions offset by a Climate Active accredited energy retailer or wholesaler.

Further, the CERT should allow for corporates to record direct purchases of offsets against scope 2 emissions to ensure alignment with the Climate Active framework and reporting approach.

Avoiding disincentives to use international offsets

Caution needs to be exercised when requesting and framing information from CERT participants about their use of domestic offsets and international offsets. The presentation of information about emissions performance and ambition needs to be neutral to the actual source of credible, environmentally sound offsets. Otherwise, the risk is that CERT participants are disincentivised from seeking out the most efficient offset opportunities where they arise from international sources.

The CERT's focus ought to be clearly on gross and net emissions performance, with participants free to elaborate on the source of offsets if they wish.

Greater flexibility of reporting level

Limiting reporting under CERT to the organisation (registered entity) level is unnecessary and inconsistent with how many corporations approach their commitment/target setting — which could be at the global,

country, division, business unit, or facility level. Greater participation under the CERT would be encouraged if there was greater flexibility around reporting level (i.e. including but not limited to the registered entity).

Verifying the accuracy of reported information

It is not clear how the Regulator will verify the accuracy of data reported under the CERT framework, or indeed whether it has the capability to do so. One way to approach this is to require a Director or Officer of the reporting corporation to attest to the accuracy of the information in their report, having regard to their obligations under the Corporations Act, and that the Regulator accept that attestation. Another way is with reference to a Climate Active Disclosure Statement for offsets, where this is relevant to a corporation participating under the CERT.

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

The reporting burden of participating in the CERT needs to be minimised where possible. Post the initial opt-in, participation of a corporation under the CERT should be assumed to continue until the corporation opts-out.

3. Does CERT appropriately manage double counting?

The proposed CERT framework appears capable of managing the potential for double counting provided all efforts by corporations to reduce or neutralise emissions are appropriately categorised/labelled as either scope 1 or scope 2. The clear distinction between offset units held in a registry and those that have been surrendered to and cancelled by the Regulator in a given year, is also critical to avoiding the potential for double counting.

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

A corporation that creates offset units for supply/use by another party, is contributing to the emissions reduction effort overall, but as referred to above, the CERT needs to be transparent about how offsets are disposed of in order to avoid double counting. This would include identifying in the CERT whether or not ACCUs were surrendered voluntarily (or as part of a corporation's Safeguard mechanism liability for example).

The CERT framework ought to enable a participating corporation to claim the emission reduction value of offset units sold to and cancelled by the Government under an Emissions Reduction Fund contract.

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

We note that under the proposed methodology renewable power purchases, such as certified Greenpower, would be excluded where the supplier of that power has already voluntarily surrendered the LGCs. The problem with such an exclusion is that a significant proportion of a corporation's effort and progress towards reducing their scope 2 emissions may also be excluded.

The methodology adopted under the CERT needs to include a corporation's full efforts and progress towards reducing their scope 2 emissions, and it needs to align with how reporting under Scope 2 GHG Protocol Standard (market based emissions reporting) and the Climate Active certification scheme address this issue.

We also note that this is a complex area that needs further consideration and consultation with industry to determine a suitable methodology for inclusion of the RPP in the CERT.

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

It is proposed that CERT will also allow for the tracking of NGER reporters' progress against their voluntary emissions reduction and energy use commitments. Two approaches have been put forward to demonstrate progress and both have their merits:

- Allow NGER reporters to provide a summary of their corporate group's commitments/targets and show the per cent change of total scope 1 and scope 2 emissions from the previous year as an indicator of their progress against this commitment/targets each year — this might work best for corporations with absolute emissions targets.
- Allow NGER reporters to provide a projection of their desired scope 1 and scope 2 emissions over the commitment/target period, and then track their actual performance against this projection each year.

The CERT needs to offer multiple, optional approaches such as these, so that participants can elect the most appropriate framing for their particular commitments/targets and progress towards these. It would also be best that once elected, participants continue their tracking in this way, for comparative purposes over time.

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

Several possible enhancements for consideration are listed below:

- The CERT would be served by a clear introductory explanation each year that outlined: what is (and is not) being reported on; emphasized that corporate commitments/targets are voluntary and going above and beyond any legal requirements in Australia; explained the difference between operational and equity reporting; and briefly discussed the technical differences in possible voluntary commitments (different metrics, reporting years, base years, short/medium/long term horizons etc).
- The structure of the CERT needs to align with other credible national and international emissions reporting frameworks as far as possible, to cut down on the resources required to participate, particularly for global corporations already participating in multiple reporting frameworks — including with the Scope 2 GHG Protocol Standard (market based emissions reporting) and the Climate Active certification scheme.
- To improve the accuracy in scope 2 emissions reporting, the CERT needs to include a tracking mechanism of all renewable energy claims and provide a residual emission factor in each State that is net of those claims (which would be in alignment with the Climate Active certification scheme).
- There should be an option for a corporation's existing published emissions reporting efforts, such as sustainability reports, to be used to provide context for their reporting under CERT.
- The CERT ought to include use of Certified Renewable Gas Certificates, once these have been developed, recognised by the Regulator, and adopted in the Australian market.
- Global corporations may not be able to apportion their global corporate commitments/targets on a country-basis and as such may appear to be making little progress in their Australian assets, when in fact they have prioritised better opportunities in their portfolio overseas — the provision of a free-text column to allow them to explain this context may encourage greater participation in CERT.

- It needs to be emphasised that CERT participants are only to include commitments/targets that relate to scope 1 and scope 2 emissions, and that scope 3 related commitments/targets do not form part of the CERT framework (at least not at this stage).
- A strong linkage to the Climate Active Product Disclosure Statement should be central to CERT reporting, such that Climate Active certification is an important proof point in emissions performance and ambition measurement and tracking.
- Make the physical reporting platform compatible with other well used reporting platforms, such as Envizi, SoFi and Excel.

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

After an evaluation of the CERT's initial implementation phase, possible future elements (including improvements) ought to be formally considered in consultation with industry.

Please don't hesitate to contact the BCA's Executive Director, Policy, Jessica Wilson, at jessica.wilson@bca.com.au should you wish to discuss our submission.

Yours sincerely



Jennifer A. Westacott AO
Chief Executive
Business Council of Australia