26 March 2021

Clean Energy Regulator
GPO Box 621
Canberra ACT 2601

Sent via email: CER-RETandEnergySection@cleanenergyregulator.gov.au

Dear Mr Parker,

RE: CONSULTATION FOR THE CORPORATE EMISSIONS REDUCTION TRANSPARENCY REPORT

The Chamber of Minerals and Energy of Western Australia (CME) welcomes the opportunity to provide a submission to the Clean Energy Regulatory (CER) on the proposed Corporate Emissions Reduction Transparency (CERT) report.

CME is the peak resources sector representative body in Western Australia (WA). CME is funded by member companies responsible for more than 86 per cent of the State's mineral and energy workforce employment.[1]

The mineral and petroleum industry are a key sector regulated by the CER under the National Greenhouse and Energy Reporting (NGER) scheme and other regulatory functions of the CER. A recent survey of CME ordinary members showed 90% were NGER reporters with 65% covered by the Safeguard Mechanism[2][3]. Additionally, CME members have adopted various voluntary corporate emissions reduction targets and have volunteered as signatories, members or participants of a variety of existing certification, reporting or other schemes including; Task Force on Climate-related Financial Disclosures (TCFD), CDP, Paris Pledge for Action, Dow Jones Sustainability Index, Aluminium Stewardship Initiative, FTSE4Good, EcoVadis, Methane Guiding Principles, UN Global Compact, World Bank Zero Flaring Initiative, Oil & Gas Climate Initiative, International Council on Mining & Metals Climate Change Position Statement and Carbon Market Institute.

CME strongly supports Australia maintaining a single national inventory of Scope 1 and 2 emissions through the NGER Scheme as regulated by the CER. This scheme has successfully built a nationally trusted, transparent public emissions inventory that is and will remain essential to Australia's decarbonisation efforts and achieving its commitments under the Paris Agreement.

Feedback on CERT Proposal

The consultation paper states that the proposed CERT report "will help National Greenhouse and Energy Reporting scheme reporters show how they are meeting their emissions reduction goals". CME is however concerned that the proposed report may be misleading and result in information being presented to the public that is incomplete and inconsistent with other accurate, published information. Should this occur, this would be counter to the objectives of the report as these inconsistencies would likely erode (rather than strengthen) public confidence in corporate emissions reduction statements.

CME provides the following comments and areas for further clarification to CER to assist with the further development of their proposal:

- It is common in the resources sector to set efficiency or emissions intensity targets (eg emissions per unit of saleable product). This is aligned with recent amendments to the Safeguard Mechanism which

[1] Full-time employees and contractors onsite in 2019-20, excludes non-operating sites. Government of Western Australia, *2019-20 Economic indicators resources data*, Safety Regulation System, Department of Mines, Industry Regulation and Safety, 25 September 2020.

[2] Survey conduction of CME ordinary members during February – March 2021.

[3] Survey results indicated the percentage covered by the Safeguard Mechanism is expected to increase to 74% in the near term in line with planned increases in production for several ordinary members.

is transitioning to use emissions intensity factors. It does not appear that efficiency or emissions intensity metrics would be catered for as emissions reduction targets. Corporate entities with efficiency targets generally will not have absolute targets meaning that, despite having emissions reduction targets, the corporate entity would need to incorrectly respond “No”.

- Many resource sector projects are joint ventures. It does not appear that reporting on an equity basis is possible despite companies often setting targets at a corporate level on an equity basis. Equity based targets can be necessary for example, as different partners in a joint venture may take different approaches to emission reduction priorities and ambitions, offsets and other climate related initiatives and research. Again, this would result in inconsistent reporting for those corporate entities compared to the proposed CERT report.
- The proposed report appears to poorly cater for multinational companies which will generally set corporate (parent) level emissions reduction targets and optimise investment in reduction initiatives across their global assets rather than proportionately at every single facility. Given climate change is a global issue, multinational companies should rightly prioritise their emissions reduction investments to provide the greatest global reductions, which may at times not be in Australia. Global corporate targets may not readily translate in to an Australian-level target which would then produce an inconsistency between the CERT data for targets and performance compared with the company’s own reporting. Multinational companies are common in the resources sector.
- Resources sector projects typically occur in remote and regional areas and it is common for these projects to generate their own electricity. It is increasingly common for this to include a higher percentage of renewable energy with some large scale battery storage also now being implemented in the resources sector. These projects are effectively Scope 1 emissions reductions only. These onsite renewables will not be accounted for in the CERT despite these being legitimate renewables. Further, given the limitations regarding renewables (as LGTs only) in the proposed CERT report, these entities would likely be required to response “No” for the renewable energy target column, unfairly and inaccurately presenting them as not adopting renewable energy.
- Some entities have targets as Scope 1 and 2 combined, as in some instances significant reductions in emissions can be achieved either by connecting to grid (eg: to remove reliance on onsite diesel generation) or reducing reliance on the grid (eg. by establishing localised renewable generation with battery backup). It does not appear that the CERT report proposal could cater for these target metrics or legitimate emissions reductions initiatives.
- Some, but by no means all, entities prioritise Scope 3 emissions target reductions due to the nature of their products but this does not appear to be catered for. These Scope 3 emission reductions also may not occur within Australia.
- There appears to be a timing practicality issue with the proposed reporting. Timing of combining RET (calendar year) and NGERS (financial year) is difficult and would require allocation across time periods. For example, splitting RET to become financial year allocations, and the EAS and LGC surrender is due by 14 February but surrenders for CERT have to be declared by 15 January and surrendered by 31 January. For EITEs, exemption certificates may not be ready to allow EASs to be completed 2 weeks early. Further, Safeguard Mechanism compliance surrender is not due until the end of February which does not align with the CERT timelines. Further consultation on the content and reporting of the CERT would benefit from a detailed timeline of availability of all the component information and how financial versus calendar year reporting will be treated. If estimates or allocation assumptions are required to meet timing requirements, this will result in inconsistent numbers being publicly reported.
- Avoiding double accounting is essential, however the inability to include power purchase agreements is problematic. Power purchase agreements are a legitimate means for electricity users to gain increased access to renewable electricity and these agreements increase demand for renewables. LGCs (only) as a proxy for renewable power is problematic.

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- To be effective at improving transparency, the framework needs to be simple enough for a member of the general public to understand without much background or technical knowledge. CME is concerned that the proposal has not achieved this and therefore may generate more public confusion and / or distrust of corporate reporting.
- Although the consultation paper states it would be voluntary for corporate entities to opt-in to the CERT report, it is anticipated that participation will be quasi-compulsory through public pressure or compulsory in future through government regulation. It is also difficult to see how a corporate entity could in practice opt-in for one reporting period and then opt-out for future reporting periods, having identified issues with the reporting available through the scheme (such as inconsistent reporting occurring). Given the issues above with the current CERT proposal, ensuring the scheme truly is voluntary is important. Adopting an initially CERT period as a limited pilot only to selected participants may be alternative approach as this will ensure it is voluntary in practice and will allow for refinement and confirmation that policy objectives can be achieved, prior to a wider rolloutubmission
- Combined with this, the consultation paper notes the report is to be implemented for the coming financial year. This does not provide sufficient time for consideration of the complexities of this matter.

Specific Consultation Questions

In response to the specific questions asked in the consultation paper:

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

  No – due to the issues raised above, the current proposal would not accurately or completely reflect corporate emissions reductions targets or performance. This may add to the confusion or distrust in corporate reporting rather than aid transparency. Further, the CERT focussed largely on offsets and renewable electricity but depending on the nature of a business, other climate related activity may (rightly) be the priority for that corporation as part of their decarbonisation plans.

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

  Corporations should be able to opt-in or opt-out each year, however in practice this may not be possible. It is difficult to envisage how a corporation could opt-in one year under an Australian Government transparency initiative and then opt-out the following year without being called out for being less transparency even if the structure of the CERT (noting the issues raised above) warranted the corporation ceasing reporting to avoid conflicting or inconsistencies in reporting.
  Opting in or opting-out should be as administratively easy as possible. For example, noon-response from an entity that had previously opted in, should be taken as opting out.

- Does CERT appropriately manage double counting?
  Managing double accounting is important however the approach taken for renewables (to prevent double accounting) results in the renewables incompletely and inaccurately being presented. In particularly, those that integrate renewables in to on site generation activities (as is common in the resources sector) or use power purchase agreements are particularly disadvantaged.

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

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

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Please refer to above comments regarding issues with the proposal and voluntary corporate targets. Use of NGER controlling entities and the limited scope of targets catered for is problematic.

CME has recently completed a survey of its members (February – March 2021) on a range of climate, emissions and energy related matters and is still analysing responses. This survey did include related information on voluntary public targets, and once this analysis is complete, CME may be able to provide further information on this question.

- Are there any other enhancements to CERT that could help build participation?
  Based on issues with the current proposal, it is difficult to see how participation could benefit some corporations as the CERT would likely lead to incomplete, inaccurate or conflicting reporting when compared to corporate reporting. Further consultation with potential participants and refinement of the proposal prior to launch would likely help build participation.

- Are there other elements that should be considered in future phases of CERT?
  Please refer to above comments about further consultation and refinement prior to the first phase (rather than a future phase).

CME would greatly appreciate an opportunity to discuss this matter in more detail with the CER in the near term and prior to the implementation of the report. Should you have questions in the interim, please contact [redacted]

Yours sincerely,

[redacted]

[redacted]

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