GreenPower submission to CER CERT Report

Submitted by GreenPower | March 2021

GreenPower™

Overview of this submission

GreenPower welcomes the CER's collaborative approach and looks forward to working with the CER and other organisations to deliver consistent and transparent energy and emissions reduction mechanisms for Australian consumers.

Overall, GreenPower is supportive of the proposed CERT Report which should increase transparency and help businesses understand and achieve their emissions reduction targets. However, there are opportunities to improve the CERT, such as:

- explicit adoption of the WRI Greenhouse Protocol carbon reporting guidelines
- featuring and recognising GreenPower more prominently to provide clarity
- supporting best practice Scope 2 emissions reductions by considering only renewable energy certificates
- accounting for 'below-baseline' renewable energy
- consideration of emerging renewable energy technologies to get to net zero.

The following section describes GreenPower's view and understanding of market needs, followed by a more detailed description of some of the key issues. Finally, the submission provides responses to the consultation questions.

This submission is based on recent extensive consultations with industry representatives in the National GreenPower Stakeholder Advisory Group, the National GreenPower Steering Group, through targeted consultations and market engagements.

About GreenPower

The National GreenPower Accreditation Program (GreenPower) welcomes the opportunity to make a submission to the Clean Energy Regulator (CER) on the Corporate Emissions Reduction Transparency (CERT) Report consultation paper and draft guidelines.

GreenPower enables business and household customers to offset their electricity use with renewable energy, which is added to the grid on their behalf. GreenPower is an independent, NSW Government managed accreditation program run through the National GreenPower Steering Group. However, the position presented in this submission is only representative of GreenPower.

Since 2005, GreenPower has made a significant contribution to the Australian renewable energy industry including:

› almost $900 million investment to the renewable energy sector

› supported voluntary action to reduce Australia's grid emissions by at least 16 Mt CO_2-e

› provided energy consumers with a robust, easy to access mechanism for renewable energy purchasing.

The need for consistency and completeness

The WRI Greenhouse Protocol provides an opportunity for aligned reporting methods

Energy markets are rapidly evolving and energy market bodies are working to provide the services and support consumers need. As the market evolves, it is crucial that there is alignment between the different energy and emissions schemes to provide clarity to energy users and their stakeholders on the benefits of voluntary action.

In recent months, GreenPower has engaged with our stakeholders about suitable carbon reporting methods for renewable energy. We support an approach that builds on international guidance and support the World Resources Institute's (WRI) Greenhouse Gas Protocol (GHG Protocol), which has published Guidance for Scope 2 reporting. The recommended dual reporting approach has recently been adopted by Climate Active, the Property Council of Australia and is under consideration by the National Australian Built Environment Rating System (NABERS).

GreenPower focuses on products that are additional to any mandated renewable energy targets. GreenPower can be used under the market-based Scope 2 reporting method to top up an organisation's renewable energy claim. In the coming months, GreenPower will be working to adjust the design of our products to include consideration of the Renewable Energy Target, while ensuring consumers get the renewable energy benefits they pay for, and supporting additional renewable energy investment. This work aims to align GreenPower with the GHG Protocol.

Removing ambiguity by including GreenPower in the report template

The proposed CERT Report consultation paper recognises GreenPower as net zero emissions energy. However, GreenPower should also be included in the CERT Report template. In guidance material, GreenPower should be noted as a best practice renewable energy product due to its strict generator accreditation and marketing criteria and its independent auditing process.

In the coming weeks, GreenPower will launch a product pilot that enables large energy users who voluntarily surrender Large Generation Certificates (LGCs) to participate in GreenPower while managing their own LGC surrenders. The product will be run as a pilot for 2021 initially, however it is expected that this option will become available permanently. Inclusion of GreenPower in the report template will provide clarity both regarding this new product and standard GreenPower.

Voluntary markets for new energy carriers need trusted, transparent certificate systems

Modern renewable energy is no longer focused solely on the electricity sector. The success of our economy's transition to net zero emissions will also rely on new technologies and transition pathways for other sectors, such as transport, process heat and chemical feedstocks. GreenPower is investigating how we can support voluntary markets for renewable gases, such as biomethane and renewable hydrogen, to support voluntary action for emissions reductions. Quality, transparent, trusted certificate registries are key to the success of voluntary markets, and national bodies like the CER are best placed to deliver them.

GreenPower calls for the establishment of a national database or registry for other energy carriers that provides the level of transparency and accessibility that has led to the success of the RET and the renewable energy technologies that underpin it. In the short-term, hydrogen and biomethane seem obvious candidates as governments around Australia and globally invest billions in low-emission energy supply chains. GreenPower hopes to work closely with the CER on pilots, trials and early design while new legislative frameworks to enable these activities are developed.

A complete account of renewable energy is imperative for uptake in competitive markets

Renewable energy generation is becoming less expensive, which means that many new emission reduction technologies will likely rely on electricity as an initial energy carrier. Electricity can be converted into fuels like hydrogen, ammonia or synthetic methane. However, there is currently no framework for accreditation or verification of renewable energy outside of the Renewable Energy Target Scheme, which was designed to incentivise new renewable electricity generators (and small thermal systems). There is no alternative renewable energy register for ineligible generators. This limits the number of certificates available in the market and thereby increases the cost of renewable energy products, which is a challenge for uptake of renewable energy especially in large industries, such as hydrogen production and electrical industrial processes.

GreenPower calls for a registry or certificate system that recognises renewable generators that are currently not eligible to create LGCs ('below-baseline') to enable consistent treatment of renewable energy and to reduce complexity and cost for consumers. Without an official registry to capture 'below-baseline' renewable generation there are significant and unnecessary barriers to renewable energy uptake, especially by heavy industry. This could be resolved with a separate registry for RET-ineligible renewable energy generation or could be a subset of the existing registry. This system could operate beyond the end of the RET in 2030, allowing energy users and market participants to enter into long-term agreements extending beyond 2030.

It is worth noting that GreenPower does not plan to allow 'below baseline' generation to participate in the program as one of GreenPower's aims is to support additional renewable energy capacity being built.

Detailed discussion

Consistent alignment of carbon reporting

The proposed CERT Report is a valuable initiative to validate alignment across different voluntary reporting and abatement programs. However, as mentioned above, the are other reporting related issues that CERT doesn't address:

- The lack of official residual mix factors at a national or electricity-network level, and guidance on whether sub-sections of electricity networks (for example the state of Tasmania on its own rather than the entire National Electricity Market) can have a specific residual mix factor
- Consideration of 'below-baseline' renewable energy generation, and how the CER or another body can provide or verify renewable energy claims related to generation that is unable to create renewable energy certificates under existing schemes
- Clarity for users of CERT that the report aligns with the GHG Protocol, which is especially relevant for international corporations.

Consideration of emerging renewable energy technologies

GreenPower is investigating its role in supporting voluntary markets for emerging renewable energy technologies and fuels, such as biomethane and hydrogen. GreenPower is calling for the CER to give in-principle consideration of these in the CERT Report design.

Inclusion of GreenPower in the CERT Report template

The proposed CERT Report consultation paper recognises GreenPower as net zero emissions energy. However, GreenPower should also be included in the CERT report, either as a separate column or as part of the column listing voluntary LGC surrenders.

GreenPower plays an important role in the voluntary surrender of LGCs. In the latest CER Carbon Market Report for Q4 2020, over 500,000 LGCs were surrendered through the GreenPower program which represents almost one third of all voluntary surrenders (excluding the ACT government surrenders). Without specific inclusion in the report, energy users who don't have the ability to manage their own LGC purchases and surrenders may be unsure whether their GreenPower purchase is recognised.

In the coming weeks, GreenPower will launch a product pilot that enables large energy users who voluntarily surrender LGCs to participate in GreenPower while managing their own voluntary surrenders. The product will be run as a pilot for 2021 initially, however it is expected that this option will become available permanently. Inclusion of GreenPower in the CERT Report will provide clarity both regarding this new product and standard GreenPower.

GreenPower's new product will also give energy users that are not eligible for CERT the ability to get independent validation of their voluntary renewable energy purchases. Building on recent growth in GreenPower sales we expect significant uptake of the pilot by medium to large corporate purchasers of renewable energy. An inclusion of GreenPower in the report template

and the final report is also recommended to future-proof CERT should it become available to energy users more broadly in future.

CERT's role in informing best practice Scope 2 offsetting practices

Voluntary action to offset Scope 2 emissions has been a strong driver of renewable energy uptake in Australia and globally. To support our electricity sector to transition to renewabl energy, Scope 2 emissions should only be offset with renewable energy certificates. Other forms of offsets should be used only where there is no suitable renewable alternative, which is not the case for electricity.

GreenPower calls for the CERT Report to define and foster best practice by only allowing renewable energy certificates to be used to offset Scope 2 emissions in CERT. This supports Australia's transition to a 100% renewable energy sector and avoids diverting investment into areas that have no lasting impact on our electricity system. This best practice should be clearly defined and should only take into account renewable energy certificates that are mandated or voluntarily surrendered through programs such as GreenPower.

A clear position is also required in CERT on what constitutes best practice carbon abatement including how behind-the-meter renewable generation and Small-scale Technology Certificates (STCs) should be treated in carbon reporting.

Response to the consultation questions

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

GreenPower's position is that the reporting structure should include a column for GreenPower purchases. The CERT Report could be more valuable by also clearly identify how businesses are surrendering LGCs, such as through jurisdictional governments or voluntary initiatives such as GreenPower. This information could be featured in the table which would strengthen organisations' credibility and transparency on the range of methods used to achieving emissions reduction targets.

Does CERT appropriately manage double counting risks?

GreenPower supports the proposed approach to prevent double counting in the report.

Should the Renewable Power Percentage (RPP) be included in CERT using the proposed methodology?

GreenPower supports recognising the RPP in the CERT as this aligns with GHG Protocol Scope 2 Guidance. GreenPower supports a nationally aligned and well defined best practice methodology for Scope 2 reporting. We recommend the use of dual reporting using market-based and location-based methods as recommended in the GHG Protocol Scope 2 Guidance.

The CER is likely best placed to determine nationally applicable residual mix factors, namely what the factor is for each year and whether it applies nationally, at the level of interconnected grids, or by jurisdiction. GreenPower supports a national residual mix factor as the RET also functions nationally and LGCs are traded across jurisdictions.

GreenPower can already be used under the market-based Scope 2 reporting method to top up an organisation's renewable energy claim in addition to mandated levels. In the coming months, GreenPower will be working to include consideration of the RPP in GreenPower products. This must be done with care as energy products are already complex and the concept of additionality is difficult to convey.

Are there other enhancements or elements that should be included?

GreenPower should be included in the CERT Report template, which could help build participation and crediblility of the reporting and future-proof CERT, as noted above.

GreenPower's position is that non-electricity technologies are important to a net zero future. The CERT structure should be have the ability to include emerging renewable technologies and fuels, such as biomethane and hydrogen.