

19 March 2021

RET and Energy Section
Clean Energy Regulator
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Canberra ACT 2601
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RE: Proposed Corporate Emissions Reduction Transparency report consultation paper

Hydro Tasmania welcomes the opportunity to make a submission to the *Corporate Emissions Reduction Transparency report consultation paper*. The Clean Energy Regulator's (CER) Corporate Emissions Reduction Transparency report (CERT) will be important in increasing transparency and consistency by tracking progress towards meeting corporate emission reduction and offsetting targets. In addition, the CERT can be an important tool to support Australia's decarbonisation objectives and the Federal Government's Technology Roadmap.

Hydro Tasmania is Australia's largest producer of renewable energy, generating approximately 10,000GWh from our hydropower and wind assets annually. We are internationally recognised for our expertise in renewable energy operation and development and committed to assisting in the transition to a low carbon economy. Hydro Tasmania has worked constructively with the CER for a number of years in the context of both annual NGERs reporting and the Renewable Energy Target (RET).

As the largest producer of renewable energy in Australia Hydro Tasmania has a relatively low level of annual emissions. Through our international power and water consulting arm Entura, and initiatives such as Battery of the Nation we are supporting progress in Australia and overseas towards zero and low emissions generation sources. This submission highlights our fundamental support of the CERT as a means to improve emissions reporting and increase transparency. It also makes note of a number of key challenges associated with emissions and renewable energy target reporting, in particular:

- the list of eligible units should be specific enough to promote abatement activities within Australia, whilst simultaneously recognising all genuine renewable energy and emissions reductions. The CERT's design should consider the potential future introduction of a Guarantee of Origin scheme (consistent with international precedents) that can underpin competitive energy exports and domestic renewable energy tracing;
- the CERT should present cascading data focussed initially on total business emissions and (where practical) the emissions intensity of product/operations and then subsequently on emissions/renewable targets and progress towards these; and
- the CERT should provide the opportunity to highlight where business activities are supporting the broader transition to a low-emissions economy including where these facilitate the reduction of customer or another entity's emissions (e.g. the provision of energy storage in the NEM to support increased deployment of wind/solar generation).

Attachment A provides Hydro Tasmania's additional suggestions with respect to eligible units, equal treatment of renewable energy generation and the hierarchy of information provided in the CERT. Attachment B offers Hydro Tasmania's responses to the CER's specific consultation questions.

We welcome the opportunity to discuss the contents of this submission further with the CER. Please contact Colin Wain (colin.wain@hydro.com.au; 03 8612 6443) for further discussion.

Yours sincerely,



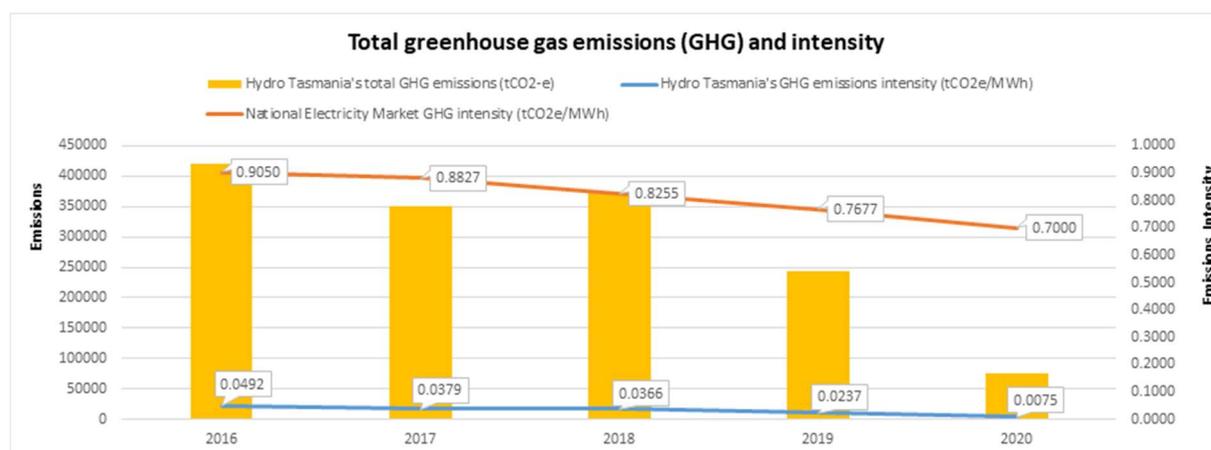
Alex Beckitt
Head of Strategic Policy

Attachment A: Additional comments on the CERT

General Comments

Hydro Tasmania is a very low emissions business relative to our peers. Our annual NGERs reported emissions are shown below. Hydro Tasmania supports the development of the CERT in particular because of its potential to improve and clarify current reporting frameworks and increase transparency, including where these are company-led. With the growing complexity of company targets and reporting, the risk of potentially misleading or inaccurate claims remains high. While the CERT has the potential to address this, it is important that the presentation of the information will give users a strong and clear picture of overall company performance and emissions footprint. Once established, there is a strong likelihood that the CERT becomes a key resource for both customers and for a diverse group of stakeholders including investors/shareholders, commentators and environmental groups looking to assess corporate performance. Hydro Tasmania believes that over the medium-term the CERT could complement an Australian (and internationally consistent) Guarantee of Origin certification scheme. The list of eligible units should be specific enough to promote abatement activities within Australia, whilst simultaneously recognising all genuine renewable energy and emissions reductions.

Year	Scope 1 (tCO ₂ e)	Scope 2 (tCO ₂ e)	Net Energy Consumed (GJ)	Hydro Tasmania Emissions intensity (tCO ₂ e /MWh)
2020	59,315	15,118	147,7175	0.0075
2019	225,254	18,969	334,8216	0.0237
2018	361,641	13,890	507,3592	0.0366
2017	338,528	11,408	443,7737	0.0379



Eligible Units

The CER's document states, through the CERT: "Eligible corporations will be able to opt-in to show how their emissions and electricity consumption is covered by the surrender of eligible units".

There is now a body of international literature on reporting renewable energy purchases against voluntary commitments – in particular the work carried out by the Climate Group's RE100 programme.ⁱ This work highlights best practice criteria for making renewable energy usage claims, and by extension

guidance related to qualifying procurement arrangements. An important observation from this work is the equal treatment of renewable energy generation. In the absence of any other attribute tracking system in Australia, Largescale Generation Certificates (LGCs) established under the Renewable Energy Target (RET) have effectively become the de-facto standard for supporting renewable energy claims. However, this ignores a substantial volume of renewable energyⁱⁱ that is subject to an LRET baseline, and therefore does not qualify for LGC creation.

Similarly the CERT as currently designed does not accommodate this renewable energy generation, which will commercially disadvantage generators with LRET baselines including Hydro Tasmania - operating 26 power stations that are subject to baselines. Currently the energy generation from these power stations that is below the LRET baseline is not recognised as renewable energy in reporting frameworks. Consequently, commercial customers of such generators are unable to receive appropriate recognition towards meeting climate objectives through purchasing this energy. While this renewable energy does not have the same legal status as above baseline generation in regard to LRET compliance, it is important that CERT reporting facilitate its inclusion and therefore the ability to realise the value of its renewable energy status and low emissions footprint.

The CERT should therefore be designed in a manner that enables the incorporation of renewable energy generation subject to an LRET baseline, through either recognition of acceptable contractual arrangements that retain the integrity of reporting, or an alternative credible tracking methodology. Over the medium term, the development of low/zero emissions energy exports (including hydrogen) as well as the Federal Government's Technology Roadmap will be supported through the tracing and tracking of renewable energy and renewable-produced products. An effective Guarantee of Origin certification scheme would support these aims.

Hierarchy of information provision

The intent of the CER's proposed publication structure is sound and would provide useful metrics. Hydro Tasmania proposes that to promote understanding of business operations the columns could be reordered by first disclosing the overall environmental footprint (and where appropriate) emissions intensity of business operations – please see Table 1 below. Hydro Tasmania's view is that the CERT should present cascading data focussed initially on total business emissions and (where practical) the emissions intensity of product/operations and then subsequently on emissions/renewable targets and progress towards these. The registry must be accessible to businesses of all sizes seeking greater sustainability and energy procurement options. It should appropriately capture the range of businesses within Australia and allow understanding and comparison of their emissions footprints and respective emissions intensities.

The ease of calculating the emissions intensity of operations will vary significantly by sector and could be considered for inclusion in the CERT over the medium term. If there is merit in the inclusion of emissions intensity data, the CER could look to existing metrics such as those developed through the Emissions Intensive Trade Exposed industries (EITEs) framework, including potentially a comparison with the Australian average where this is known.

Hydro Tasmania also believes that the CERT needs to distinguish between where participants are referring to a renewable electricity procurement target and when they are referring to a renewable energy target - given the potential use of biomass and alternative renewable energy fuels (including direct heating and cooling for example).

Supporting the development of a low/zero emissions economy

Hydro Tasmania has in recent years materially reduced our emissions through reductions in the operation of our gas-fired power station. Hydro Tasmania is seeking to play a material role in the

de-carbonisation of the National Electricity Market (NEM) through continued renewable energy development and initiatives such as Battery of the Nation. These actions act to drive the development of a low emissions economy by providing access to flexible, dispatchable hydropower resources and energy storage that can be used to firm additional variable renewable generation - significantly reducing overall emissions in the electricity sector.

For example, the table could be presented as follows:

Table 1. Proposed re-ordered CERT table with Emissions Intensity of production Column added:

Organisation name	Total Scope 1 Emissions before surrenders (tCO2-e)	Total Scope 2 Emissions before surrenders (tCO2-e)	Net Energy Consumed (GJ)	Net scope 1 emissions (total scope 1 minus total ACCUs, VCUs and VERs cancelled) (tCO2-e)	Scope 2 Electricity Consumed (MWh)	Renewable Energy as a percentage of total electricity consumed	Emissions Intensity of production – where applicable (measured using EITE framework)	Total ACCUs cancelled (tCO2-e)	Total CERs, VERs and VCUs cancelled (tCO2-e)	LGCs voluntarily surrendered (MWh)	Voluntary emissions target	Voluntary renewable energy target	Climate Active participant	Progress towards emissions target (including all eligible units) (%)	Australian eligible units as a share of total eligible units used (%)	Important Notes
Org 1																
Org 2 ...																

Attachment B: Addressing the CER's submissions questions

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

Hydro Tasmania supports the improved transparency regarding material contributions towards the Paris Agreement from those companies with a high emissions footprint. The CER's proposed register reporting structure encourages material reductions in net scope 1 and 2 emissions, however it does not facilitate actions beyond a company's 'own patch'. The proposed register does not allow companies that are already low emissions or close to zero emissions to demonstrate their contributions to driving a low emissions economy.

The proposed register as it stands will only highlight the significant reductions of emissions from big emitting companies who are still producing significant amounts emissions. Without prioritising total emissions or allowing for the acknowledging of emissions intensity, the register may not be able to capture low emissions companies that may be facilitating emissions reductions elsewhere. The CERT will become the default scheme for all customers who have made public commitments for renewable energy adoption and therefore must be able to capture the positive contributions to national emissions reduction targets from an increasing number low emissions corporations well into the future.

Hydro Tasmania agrees with the CER recommendation that ACCUs, CERs, VCU and VERs should not be eligible as an offset for scope 2 electricity consumption and voluntary surrenders of LGCs should not be eligible as an offset for scope 1 electricity generation or emissions.

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

Hydro Tasmania supports the idea that participation of corporations should be assumed to continue while their operations continue in Australia and they maintain their net zero voluntary commitment. In order to maintain consistency and integrity of the register, once committed, the option to withdraw from the register should have a minimum of two financial years notice.

Does CERT appropriately manage double counting?

"A principle of CERT is no double counting of carbon abatement and alignment with National Greenhouse and Energy Reporting scheme and the Safeguard Mechanism accounting rules. Note that the double counting principles only impact a relatively small subset of potential CERT participants."

Hydro Tasmania supports the principle to "appropriately manage double counting". Hydro Tasmania's preference is that the CERT's focus be on Australian Units and emissions, as this will cement the framework in NGERs and allow transparency and ease of comparison for consumers and stakeholders. The acceptance of international units in the CERT register could pose the risk of creating a false impression of the progress being made to reduce the emissions intensity of Australia's economy. Hydro Tasmania also agrees with the CERs decision to not accept a PPA in lieu of voluntarily surrendered LGCs.

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

Where renewable energy has been generated or abatement achieved, the benefit of this should sit with that party until it is surrendered, sold or transferred. This is the basis of the current LGC framework. Similarly, where an NGER facility has delivered abatement under the ERF, the taxpayer (via the Federal Government) has become the purchaser and owner of that abatement. It would therefore be double-counting for the NGERs facility to also report the emissions reduction through this CERT framework. As a result, the ACCUs credited should be added back at the facility level and only subtracted if the operating party surrenders the ACCUs created.

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

Similar to the point above (ACCUs delivered as part of the ERF) where renewable energy is delivered as part of the Federal Large-scale Renewable Energy Target (LRET) the LGCs are no longer owned by the power station operator. Instead, the renewable energy has been delivered due to the LRET and on behalf of all electricity users in the NEM. It is therefore appropriate that the RPP could be allocated to customers.

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

As stated earlier in this submission the CERT should cascade, with Total Scope 1 and 2 emissions disclosed initially. This would allow consistency with the NGERs framework and provides an accurate picture of the emissions footprint and subsequent actions of the entity.

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

Hydro Tasmania supports the facilitation of the CERT to be able to capture positive contributions of corporations beyond scope 1 and 2 emissions. Scope 3 is an area of significant interest over the medium and long-term horizons. For a business such as Hydro Tasmania, that already has a small emissions footprint, it is a primary focus of our sustainability actions. We support the exploration of Scope 3 for future inclusion and reporting transparency.

In addition, where a business is undertaking actions that can substantially assist in the decarbonisation of other sectors of the economy, or facilitating abatement on behalf of other customers or stakeholders, this information could be noted in the CERT framework.

ⁱ Making credible renewable electricity usage claims, RE100 Technical Advisory Group.
<https://www.there100.org/sites/re100/files/2020-09/RE100%20Making%20Credible%20Claims.pdf>

ⁱⁱ A defined in the Renewable Energy (Electricity) Act 2000