Australia's property industry
Creating for Generations

19 March 2021

RET and Energy Section
Clean Energy Regulator
GPO Box 621
Canberra ACT 2601

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

Dear RET and Energy Section team,

Property Council response to Corporate Emissions Reduction Transparency Report consultation

The Property Council appreciates the opportunity to provide a submission to the Clean Energy Regulator's consultation on the introduction of a Corporate Emissions Reduction Transparency Report, underpinned by the National Greenhouse and Energy Reporting scheme.

The Property Council welcomes the opportunity for greater transparency of emissions disclosure and more ambitious action to voluntarily reduce emissions among Australian businesses.

The Property Council of Australia is the leading advocate for Australia's biggest industry and biggest employer; our industry represents 13% of Australia's GDP and employs 1.4 million Australians. Our members invest in, design, build and manage homes, retirement villages, shopping centres, office buildings, industrial areas, education, research and health precincts, tourism and hospitality venues and more.

Buildings account for over half Australia's electricity usage and almost a quarter of emissions through their operations,[1] offering significant shovel-ready and largely untapped opportunities for emissions reduction, many of which are among the least-cost abatement opportunities for the economy.

Over the last decade, market leading Australian property companies have demonstrated the potential for emissions abatement and have reduced their emissions intensity by 55% compared to a 2005 baseline[2]. As a result, Australian property companies consistently top international benchmarks like the Global Real Estate Sustainability Benchmark and the Dow Jones Sustainability Index with many having committed to achieve net zero emissions by 2030 or sooner.

The Property Council believes the Corporate Emissions Reduction Transparency Report (CERT) is a positive step and will highlight the already considerable progress of Australian property companies in reducing their emissions.

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[1] ClimateWorks for ASBEC, *Low Carbon, High Performance,* 2016

[2] Better Buildings Partnership, Annual Results FY19, 2019

We provide several recommendations to enhance the design of the CERT and ensure that the full scope of voluntary action by Australian businesses can be represented transparently in this report. These include:

- **Recommending that adoption of market-based emissions reporting as well as location-based emissions reporting in the report** to align with international best practice set out in the Greenhouse Gas (GHG) Protocol, as several other Australian Government programs have including Climate Active, GreenPower, NABERS. This will require a slightly expanded format to the suggested table which we have provided as an attachment to this letter. Using both methods allow a comparison of the emissions intensity of the location of generation facilities with the actions taken to reduce emissions and thereby avoids selective reporting.
- **Recommending expansion of the scope of the National Greenhouse Accounts Factors published to include official residual mix factors for the NEM, WA and the NT to enable consistent and accurate market-based emissions reporting for corporate entities.** The Commonwealth has access to all the necessary data to produce such figures in an official capacity, however in the absence of such figures, any Australian company currently disclosing voluntary action to reduce emissions in corporate reporting must make assumptions on the calculation of these factors in a given market. International indices and benchmarks like the Carbon Disclosure Project require the use of residual mix factors and other countries produce official figures to assist businesses.
- **Recommending that voluntary action taken to reduce scope 2 emissions is clearly distinguished from any mandatory purchases under the RET and state based renewable energy schemes.** Voluntarily purchased renewable energy should be included as part of the same report and disclosure made to the public to show which entities are taking significant action to reduce their emissions, rather than just disclosing already mandatory reporting requirements.

Attached to this letter we provide some more specific responses to questions posed in the consultation paper and provide two attachments: a proposed alterative CERT report template and a handbook for the Australian property industry providing guidance on scope 2 emissions reporting, aligned with the GHG protocol.

We would welcome the opportunity to meet with the RET and Energy team responsible for developing the CERT and discuss our feedback in more detail. Please contact Frankie Muskovic, National Policy Manager – Sustainability and Regulatory Affairs to arrange a meeting at fmuskovic@propertycouncil.com.au.

Yours sincerely,

Mike Zorbas

Group Executive – Policy and Advocacy

Consultation paper questions

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

Response: As stated in our key recommendations, we recommend the CERT report aligns with international best practice set out in the GHG Protocol and includes market-based emissions reporting as well as location-based emissions reporting in the report. This would bring CERT into alignment with several other Australian Government programs including Climate Active, GreenPower, and NABERS, as well as commonly used international indices and benchmarks like the Carbon Disclosure Project and Global Real Estate Sustainability Benchmark. This would avoid organisations only disclosing the most favorable estimate of emissions, as using both methods allow a comparison of the emissions intensity of the location of generation facilities with the actions taken to reduce emissions. Please refer to Attachment A in our submission for a slightly expanded format to the suggested table.

Further, we suggest some caution is required around drawing direct comparisons on NGERs reported data with companies' public commitments on emissions reduction. These will not always neatly align with the boundaries considered by NGERs. For example, NGERs requires reporting on emissions bounded by what falls within an organisation's operational control, however many companies make commitments based on what falls within the financial control of the entity.

Additionally, some companies will have net zero emissions targets or commitments that go beyond scope 1 and 2 emissions and include some or all scope 3 emissions. The Climate Active certification available for buildings and used by some property companies requires some aspects of scope 3 emissions like waste, water, and wastewater to be offset. Clear communication from the CER around limitations on comparisons with public commitments and Climate Active certifications should address any potential confusion on this issue.

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

Response: We support the proposed approach for entities to opt-in and are presumed to stay in the report until the entity specifies otherwise

Question: *Does CERT appropriately manage double counting?*

Response: It is important that the report clearly distinguish between LGCs associated with the National RET and LGCs associated with state based renewable targets. These should be accounted for in separate columns. The best example is to consider the ACT, which as a territory government, has voluntarily retired LGCs to cover their entire scope 2 emissions, which has implications for bsuinesses based in the ACT.

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

Response: We agree with the position presented in the paper that ACCUs generated for scope 1 emissions reduction and associated with a NGERs facility should have these ACCUs added to the 'net scope 1 emissions' of the participant to avoid double counting.

We also support not adding ACCUs from land based or energy efficiency/scope 2 projects to 'net scope 1 emissions' as these emissions would not be double counted anywhere. ACCUs focused associated with projects reducing scope 2 emissions should be treated in the same way as certificates from state-based energy efficiency or 'white certificate' schemes: the CERT should be silent on these as they are not counted elsewhere and only appear in reported data associated with lower energy consumption figures.

Question: *Should the RPP be included in CERT using the proposed methodology?*

Response: Yes, we are strongly supportive of market-based emissions reporting and the inclusion of the RPP is consistent with international best practice outlined in the GHG protocol. Further, we strongly recommend the Commonwealth produces official Residual Mix Factors for the NEM, WA and the NT to enable consistent and accurate market-based emissions reporting for corporate entities. Please refer to Attachment B which includes property industry emissions reporting guidance to ensure all reporting by Australian property companies is aligned with the GHG protocol.

We note the issues raised by CER regarding the timing of RPP calculation and publication although suggest this is looked at alongside the NGA factors themselves which have historically been calculated as a three-year rolling average.

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

Response: See the following page for an updated proposed table and both attachments A and B.

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

Response: We are supportive of CERT promoting links to other Government-run programs like Climate Active, GreenPower and NABERS, though just note our previous comments on communications regarding possible differences in scope covered by these programs.

Question: *Are there other elements that should be considered in future phases of CERT?*

Response: We note that some property companies' emissions reduction commitments include aspects of scope 3 emissions for which offsets are used. We note the need for CER and Climate Active to continually review the offset programs recognised by the Commonwealth to encourage innovation and new approaches to biodiversity conservation.

Recommended CERT format:

Organisation name	[New Column] **Voluntary emissions target**	[New Column] **Voluntary renewable energy target**	[New Column] **Climate Active participant** [y/n]	[New Column] **Progress towards emissions target** %	[New Column] **Australian eligible units as a share of total eligible units used** [%]	**Total Scope 1 emissions before surrenders** [tonnes CO2e]	[New Column] **Total ACCUs cancelled** [tonnes CO2e]	[New Column] **Total CERs, VERS and VCUs cancelled** [tonnes CO2e]	[New Column] **Net Scope 1 emissions** [tonnes CO2e]	[New Column] **Total electricity consumed** [MWh]	[New Column] **LGCs retired under National Renewable Energy Target** [MWh]	[New Column] **LGCs retired under State renewable energy target** [MWh]	[New Column] **LGCs voluntary surrender** [MWh]	[New Column] **Residual electricity** [MWh]	**Scope 2 emissions (location based)** [tonnes CO2e]	[New Column] **Scope 2 emissions (market based)** [tonnes CO2e]	[New Column] **Renewable Electricity as a percentage of total electricity consumed** [%]	**Notes**
Org 1	No	No	No			10,000				10,000				10,000	10,000	15,000	-	EITE company
Org 2	Reduce operational emissions by x%	100% Renewable electricity by 2030	No		80%	10,000	4,000	1,000	5,000	10,000	1,900	8,100	-	-	10,000	-	100	ACT based
Org 3	Maintain scope 1 emissions below year XYZ	100% renewable electricity and energy by 2050	No		91%	10,000	4,000	1,000	5,000	10,000	1,900		8,100	-	10,000	-	100	

Notes: Scope 2 emissions should be reported in a similar way to support disclosure of net zero emissions. The current proposal includes Scope 2 emissions followed by disclosure of the electricity consumed and LGC's surrendered (both in MWh). We suggest:

- A column showing mandatory retirement of LGC's under the RET is important as it will identify those corporations that were not required to contribute to the target (Emissions Intensive, Trade Exposed)
- A column showing recognition of state based mandatory renewables (eg: ACT) is required
- Scope 2 emissions should be provided for both location and market-based methods calculated:

    *Scope 2 emissions = (Elec consumed- RET – State based LGCs – voluntary LGCs)*Residual Mix*