Attachment A

South East Water Feedback to CERT

We understand that the measurement of large-scale generation certificates (LGCs) requires alignment with electricity usage and more specifically Scope 2 emissions, however the framework should support the ability to also use LGCs as offsets against Scope 1 emissions if efficient to do so. Conversely, the same approach should be allowed for Australian Carbon Credit Units (ACCUs) or other offset investments for Scope 1. Examples included below.

The reasoning for this approach rests in the economic drivers for the offsets. If the offsets are rigidly fixed to the Scope 1 or 2 origin of the emissions, then the entity choosing to offset their emissions will be forced to purchase the relevant offset irrespective of price. Over time, the price of offsets for Scope 1 vs 2 may reverse due to the relative availability of those offsets, hence more expensive offsets may have been needlessly purchased. By de-coupling the offset to scope 1 or 2, then the supply-demand drivers will naturally respond in both offset 'markets', providing the most effective and cost effective offsets for all.

Further comments are provided for reference:

In regards to the reporting framework:

- It states 'Voluntary emissions target', as Victorian Water Corporations have government mandates to reduce greenhouse gas emissions we suggest removing the word voluntary to include all corporations.

- The calculation for 'Australian eligible units' doesn't take into account the LGCs in the draft guidelines.

- To help better understand the Renewable Energy percentage, Scope 2 electricity should be broken down into the following categories:
  - Electricity purchased from the grid
  - Renewable electricity used onsite
  - Renewable electricity exported to the grid
  - LGCs voluntarily surrendered

- Include reporting Net Scope 2 Emissions and Total Net Emissions – Total Net Emissions will allow for surplus abatement in Scope 1 to count for Scope 2 emissions and vice versa.
  - Example 1:

Emissions	Total	Offset	Net Total
Scope 1	5,000 tCO2e	6,000 ACCUs	-1,000 tCO2e
Scope 2	10,000 tCO2e	2,000 LGCs	8,040 tCO2e*
		Total	7,040 tCO2e

  *This takes into account the 2020/21 Victorian Emission Factor of 0.98.
  - Example 2:

Emissions	Total	Offset	Net Total

Scope 1	5,000 tCO2e	2,000 ACCUs	3,000 tCO2e
Scope 2	10,000 tCO2e	12,000 LGCs	-1,760 tCO2e*
		Total	1,240 tCO2e

*This takes into account the 2020/21 Victorian Emission Factor of 0.98.