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RE: Consultation on the Corporate Emissions Reporting Transparency (CERT) Scheme

Dear RET and Energy Section

Please accept this submission on the CERT.

Many and most of the issues identified in this submission have been identified and presented to Government Departments, Agencies, Authorities and Regulators multiple times for many years, with the renewable electricity issues being communicated to Government some sixteen years ago. Not once have the issues been adequately acknowledged, reflected upon or addressed through the consultation processes. I am hoping that the Clean Energy Regulator has regard for its role which is determined by Australia's climate change law and acknowledges that the current National Greenhouse and Energy Reporting Framework does not support the CERT and requires reform to legally incorporate market based accounting before it could support the CERT.

I request to discuss this submission with the Clean Energy Regulator RET and Energy Section Team if this is possible.

SUMMARY

Legitimacy

Without a legal foundation to support the trading and claims of Zero scope 2 emissions and use of renewable electricity, and trading and claims for offset emissions reduction, the CERT will not be legitimate and is open to international criticism, legal challenge and ridicule.

Integrity for end use of renewables

Without the proper adoption of market based accounting for renewable electricity in the NGER Framework to incorporate the use of a residual mix factor for dual reporting, and for all end users whether they are making voluntary claims or not, the CERT will not have integrity and will continue the double counting of every MWh of renewable electricity and related zero scope 2

emissions claimed. It will also not prevent the multiple double counting methods that exist across the markets outside accreditation schemes.

Integrity for end use of carbon offsets

Without the proper adoption of market based accounting for carbon offsets in the NGER Framework including for ACCUs to legally incorporate the negative scope 3 emissions and basic debit and credit rules, the CER will not have integrity and will support the continued double counting of emissions reductions associated with carbon offset creation and use.

Market situation

Without genuine reform of the NGER Framework to support concepts such as carbon neutrality, green steel, renewable hydrogen, renewable electric vehicles, GreenPower and customer low carbon products, then Australia's clean energy markets will remain farcical, riddled with double counting, free riding, unfair pricing structures, lack of certainty and genuine confusion as market participants, regulators, scheme providers and consultants continue to make up their own rules to suit short term needs without regard to climate change law or the long term sustainability and health of low carbon and clean energy markets.

The CER as proposed sits outside climate change law, in contradiction to established Climate Change law and therefore lacks integrity and legitimacy.

There is a solution for the Federal Government to first reform the NGER Framework to properly incorporate based market based accounting to support customer renewable electricity use, zero scope 2 emissions, customer use of carbon offsets with negative scope 3 emissions and basic debit and credit rules.

How can the CER and Federal Government regulate clean energy markets without market based accounting and basic rules to support and guide those markets?

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GENERAL FEEDBACK

The CERT appears to be a rushed attempt to enable NGER liable corporations to claim offsets and renewables for the Renewable Hydrogen Green Steel and other purposes. The Clean Energy Regulator (CER) proposal of CERT, is not a genuine attempt to establish market based accounting for valid claims under legislation with integrity.

The CERT disregards the current NGER Determination, NGER Technical Guidelines and defined methods which are legal instruments. This CERT proposal has no such legal foundation. The Clean Energy Regulator has confirmed that "It is an additional layer of information on top of NGER and does not modify the data collected under the NGER legislation".

It is not true to say that the CERT "will be underpinned by the National Greenhouse and Energy Reporting scheme". The CERT is attempting to claim market based outcomes whilst not using market based accounting and this simply results in double counting, lack of integrity, confusion and market unfairness.

The CERT is a perversion of market based accounting for renewable electricity, carbon offsets and in how it proposes to change Scope 1 values. The best market based accounting approach for renewable electricity is described by the GHG Protocol Scope 2 accounting guidelines. The CERT is presented with a fundamental lack of proper accounting, no basic debit and credit trading rules and mechanisms for the prevention of double counting of emission reductions associated with renewable electricity and carbon offsets.

In reality, it is s second accounting system that acts in contradiction to the NGER Reporting Framework and seeks to claim legitimacy for double counting in relation to carbon offsets, renewable electricity use and zero scope 2 emissions. It does nothing to stop the growing triple counting of renewable electricity or start to reform a farcical situation of anarchy, confusion and pricing unfairness, free riding and multiple made up methods all in play at the same time.

The double counting and legal issues of for renewable electricity have been communicated to the Department of Industry Science, Energy and Resources (DISER) and its previous incarnations. The issues were communicated to government through the consultation processes to establish the NGER Framework in 2007 and were well known in 2010 when the DCEE undertook consultation on scope 2 emissions accounting. Even then, the majority of submissions supported reform to bring integrity into market based renewables claims. The lack of a legal foundation has also been communicated to the Clean Energy Regulator (CER) on numerous occasions and yet there is no mention of any of the accounting issues as they relate to legislation in the CERT Discussion Paper

The CER is acting outside its role as a Regulator and the CERT sits outside Climate Change Law.

The CER in recent correspondence with me stated that "… the Clean Energy Regulator's role is to administer legislation as it stands while development of policy and legislative change are the responsibility of the Department of Industry, Science, Energy and Resources (the Department).

So why has the Clean Energy Regulator proposed a framework for a policy that sits outside of legislation and regulation and is contradictory to established legal instruments? Why is the Clean Energy Regulator doing the work that it has clearly identified as not being its role? Why is the CER doing the work that DISER should be doing for all consumers?

The Role Statement of the Clean Energy Regulator states that:

> Our role is determined by climate change law. We have administrative responsibilities for the:
>
> - National Greenhouse and Energy Reporting Scheme, under the *National Greenhouse and Energy Reporting Act 2007*
> - Emissions Reduction Fund, under the *Carbon Credits (Carbon Farming Initiative) Act 2011*
> - Renewable Energy Target, under the *Renewable Energy (Electricity) Act 2000*, and
> - Australian National Registry of Emissions Units, under the *Australian National Registry of Emissions Units Act 2011*.
>
> None of these support the CERT without reform.

The CER has also stated that "The Clean Energy Regulator does not have a role in verifying the accuracy of claims by businesses around the use of renewable energy", and yet now the CER is creating an entire framework that sits outside the legal NGER Framework seeking to establish some kind of scheme that implies verification of voluntary claims for end use of renewables and offsets.

Under the Clean Energy Regulator Act 2011, the CER has the following prescribed functions:

> **12 Functions of the Regulator**
>
> The Regulator has the following functions:
>
> (a)such functions as are conferred on the Regulator by a climate change law;
>
> (b)such functions as are conferred on the Regulator by any other law of the Commonwealth;
>
> (c)to do anything incidental to or conducive to the performance of any of the above functions.

The proposed CERT sits outside of climate change law and in contradiction to climate change law.

Proposing the CERT has nothing to do with functions conferred on the CER by any other law

The CERT is not incidental to or conducive to the performance to its functions covered under 12 (a) or 12 (B).

How does the CERT compare with NGER Legislation

The CERT is not complementary to the NGER Framework, nor is it additional information on top of the NGER Framework. It is entirely contradictory to the NGER Framework and an entirely double counted scheme.

- It can also be likened to the Motor Accident Commission issuing a different set of road rules for commercial and industrial vehicles to drive on the right hand side of the road, calling it voluntary and ignoring the carnage of crashes simply because they are not seen immediately in physical terms
- It is like keeping a double set of books for a business,

The Clean Energy Regulator recently advised that:

> Importantly, CERT is a voluntary initiative where participating corporation's opt-in to provide additional information not required by the NGER legislation, and have their data matched and published. It is an additional layer of information on top of NGER and does not modify the data collected under the NGER legislation.
>
> As you'll note from the Climate Active determination, they have formalised arrangements for dual reporting of location and market-based calculations of emissions and energy. NGER is a location-based accounting framework, and as you have identified the concepts accounting for the RPP and residual mix factors are associated with the market-based accounting approach. CERT has been designed to take elements of the Climate Active market-based approach and where possible align them with NGER but does not modify the legislated calculations such as state emission factors.

Under the GHG Protocol Scope 2 Guidelines for market based accounting, it is not possible to take elements to mix and match without double counting, creating free riding and destroying the integrity of a scheme.

There is no part of market based accounting that aligns with physical based accounting. Every single factor, calculation and method is different.

The CER suggestion of an opt in or opt out choice communicates a fundamental lack of understanding of GHG accounting, or a disregard for integrity. The "additional information" is contradictory information and in the case renewable claims it violates the NGER Technical Guidelines which clearly state "there is no other method for this section".

How does the CERT compare with the GHG Protocol Scope 2 Guidelines.

The proposed CERT which combines the NGER Physical based accounting, established as climate law with the non-legal market based accounting at the same time	**WRI-WBCSD Greenhouse Gas Protocol Scope 2 Guidelines**
Scope 2 Emissions are still calculated in the following way: $EFG\ scope2_i^t = \frac{Combustion\ emissions\ from\ electricity\ consumed\ from\ the\ grid\ in\ state\ i\ (CE\_C_i^t)}{Electricity\ sent\ out\ consumed\ from\ the\ grid\ in\ state\ i\ (ESO\_C_i^t)}$ And, Note: There is no other method for this section	Scope 2 emissions may be calculated using a market based claim subject to: • Jurisdictions adopting market based accounting as an alternative to location based accounting. • Dual reporting is required of those making claims using a national residual grid mix factor.
CERT ignores the Australia's current NGER Law and proposes to establish further encourage double counted claims which are not supported by legislation.	Market based accounting is the combination of contractual claims and a residual grid mix factor applying to all other consumers. For jurisdictions to adopt market based accounting means that physical accounting methods are no longer used by corporations, small business or households in product claims, customer claims. All other participants within the jurisdiction use the residual grid mix factor to report their emissions.
CERT embeds double counting and seeks to suggest that this would have integrity: • Zero emissions from renewables are allocated across all customers under NGER and are claimed again through the out of law CERT • Businesses can opt to use the state NGER Factor or the market claim and seemingly ignoring the residual grid mix factor • The EITE organisations that can claim exemption certificates still receive lower scope 2 emissions using the NGER factor paid for by all other customers. • EITEIs can in addition, build their own renewables and claim zero scope 2 emissions produced and consumed. • EITEIs can in addition, sell the LGCs from their own produced renewables and choose to make claims outside the CERT	The GHG Protocol Scope 2 Guidelines guide jurisdictions to prevent double counting across the whole market.

which is not a market wide method and not legislated	
CERT abandons ordinary consumers seeking to buy and use accredited renewable electricity as there is no market wide scheme • GreenPower is not a federal scheme, sits outside legal methods • The CERT counts the RPP towards 100% whilst GreenPower demands ordinary household and small business customers to pay for 120% + LGC/Renewables just to claim 100%	The market based accounting if implemented in Australia in accordance with the GHG Protocol would apply market wide and provide a level playing ground for all customers. It would be integrated with an expanded NGER Framework that properly enables market based scope 2 trading and claims.
The CERT and NGER fail to establish market wide renewable rules applied in law so consumers and consultants are free to continue inventing their own methods to claim renewables outside the scheme with many different permutations of multiple counting including • Buying electricity from a renewable generator (without voluntary surrender of LGCs) • Being near a renewable generator and claiming that must mean renewables use • Aligning consumption to peak renewables generation and claiming that that means they are using renewables • Building renewable energy and consuming electricity from behind the meter or in front of the meter schemes, selling the LGCs and still claiming renewables use outside of the CERT. • Claiming that the State Generation percentage is their renewables percentage (rather than the RPP) and making up the difference with another claim (SA 60% + and Tas 98%+)	The GHG Protocol Scope 2 Guidelines are designed to guide economy market based accounting for jurisdictions that adopt the approach, establishing uniform rules, standards and fairness The GHG Scope 2 protocol if adopted would establish one method and one standard to guide market based claims, rather than the farcical anarchy, double and triple counting, free riding and pricing unfairness that currently exists.
Carbon Offsets The NGER Framework makes no provision for basic debit and credit rules or trading of negative scope 3 emissions in carbon offsets such as ACCUs ACCUs allow the creator to claim reduced emissions and the purchaser to claim offset emissions.	The GHG Protocol does not fully address carbon offset accounting. Many other offset certificates do not yet incorporate basic rules for trading negative scope 3 emissions. Australia could lead the world if it reformed the NGER Framework to properly incorporate carbon offsets as negative scope 3 emissions or address this matter**.**

Differences between CERT and Genuine Market Based Accounting

The proposed CERT combines the NGER Physical based accounting, established as climate law with the non-legal market based accounting at the same time	**Market based accounting as proposed by Climate Active**
Scope 2 Emissions are calculated in the following way: $EFG\ scope2_i^t = \frac{Combustion\ emissions\ from\ electricity\ consumed\ from\ the\ grid\ in\ state\ i\ (CE\_C_i^t)}{Electricity\ sent\ out\ consumed\ from\ the\ grid\ in\ state\ i\ (ESO\_C_i^t)}$ And, Note: There is no other method for this section	Scope 2 emissions may be calculated using a market based claim subject to: • LGCs being voluntarily surrendered • Dual reporting using a national residual grid mix factor.
CERT ignores the legal requirements to support market based double counted claims at the same time	All other participants (within the Climate Active Program) not making market based claims must use the residual grid mix factor.
CERT embeds double counting and seeks to suggest that this would have integrity: • Zero emissions from renewables are allocated across all customers under NGER and are claimed again through the out of law CERT • Businesses can opt to use the state NGER Factor or the market claim and seemingly ignoring the residual grid mix factor • The EITE organisations that can claim exemption certificates still receive lower scope 2 emissions using the NGER factor paid for by all other customers. • EITEIs can in addition, build their own renewables and claim zero scope 2 emissions produced and consumed. • EITEIs can in addition, sell the LGCs from their own produced renewables and choose to make claims outside the CERT which is not a market wide method and not legislated	Climate active takes some steps towards preventing double counting within the scheme, but because its rules are not founded in law, it continues double counting in the scheme and does not prevent double counting across the whole market.
CERT does nothing for ordinary consumers seeking to buy and use accredited renewable electricity as there is no market wide scheme • GreenPower is not a federal scheme and sits outside legal methods • Large scale certificates do not	Climate Active also does nothing for ordinary consumers seeking to buy and use accredited renewable electricity as there is no market wide scheme. • GreenPower is not a federal scheme and sits outside legal methods

incorporate renewables use or zero scope 2 emissions in law • The CERT counts the RPP towards 100% whilst GreenPower demands ordinary household and small business customers to pay for 120% + LGC/Renewables just to claim 100%	• Large scale certificates do not incorporate renewables use or zero scope 2 emissions in law • Climate Active counts the RPP towards 100% whilst GreenPower demands ordinary household and small business customers to pay for 120% + LGC/Renewables just to claim 100%
The CERT and NGER fail to establish market wide renewable rules applied in law so consumers and consultants are free to continue inventing their own methods to claim renewables outside the scheme with many different permutations of multiple counting including • Buying electricity from a renewable generator (without voluntary surrender of LGCs) • Being near a renewable generator and claiming that must mean renewables use • Aligning consumption to peak renewables generation and claiming that that means they are using renewables • Building renewable energy and consuming electricity from behind the meter or in front of the meter schemes, selling the LGCs and still claiming renewables use outside of the CERT. • Claiming that the State Generation percentage is their renewables percentage (rather than the RPP) and making up the difference with another claim (SA 60% + and Tas 98%+)	Climate Active prevents double counting within the scheme, but the scheme is only available to a minor percentage of the market and is unsupported by legislation and contrary to NGER Climate Law.
Carbon Offsets The NGER Framework makes no provision for basic debit and credit rules or trading of negative scope 3 emissions in carbon offsets such as ACCUs ACCUs allow the creator to claim reduced emissions and the purchaser to claim offset emissions.	The Climate Active Scheme treats offsets as if they were legal products with tradable attributes and integrity but this is false in law.

LOOPHOLES AND ABSURDITIES OF CURRENT CLEAN ENERGY MARKETS OPERATING IN ANARCHY

Organisations building renewables, claiming renewables use whilst selling LGCs

There is a rapid growth area for utilities mining, smelting and other companies building renewable electricity infrastructure and claiming or alluding to use of renewable electricity whilst some are also selling Large Scale Certificates for third parties to meet their mandatory requirements or for others to claim voluntary renewables use. It has been suggested in the Discussion Paper that corporations which sell LGCs may not be able to make such a claim under the CERT. However because the CERT is not mandatory or based on any legal accounting rules, organisations could simply opt out of the CERT and continue to make such claims.

Energy Intensive Trade Exposed Industries should not get a free ride on lower emissions

Avoidance of contributing to the RET is about ten times greater than Australia's accredited voluntary renewables markets. 4 million Large Scale Certificates are expected to be voluntary surrendered this year which is compared against 38 million RET Exemption Certificates issued last year to large scale energy intensive (EITE) industries.

If the CER is suggesting that NGER Liable Corporations should be able to claim zero scope 2 emissions surrendering Large Scale Certificates, then the NGER Liable corporations claiming 38 million RET Exemption certificates whilst still receiving the lower emissions benefits from the grid factor, should add on the indirect scope 2 emissions based on the State Grid Factor applied to every RET Exemption Certificate received. This is a basic debit and credit approach that is reasonable on the basis that only those that are paying for renewables should be able to claim reduced emissions from those renewables.

The better approach would be to fully establish market based accounting and apply a residual mix factor to all customers. EITEIs receiving RET Exemption Certificates would not be permitted to claim the RPP as part of any claim for 100% renewables and would also need to add on scope 2 emissions using the Residual Mix Factor applied for every RET Exemption Certificate. Voluntary claims would be made through dual reporting of both the residual mix and supplier provided accredited renewables as per the GHG Protocol Scope 2 method.

The logical place to establish market based accounting is by reforming the National Greenhouse and Energy Reporting Framework to establish economy wide market greenhouse accounting with debit and credit rules to support the end use of renewables.

EITEIs - double perverse outcomes

The CERT in its proposed form will allow those EITEIs not paying for the RET but still receiving a grid factor greenhouse reduction to then build renewables (behind or in front of the grid), claim renewables use and sell the LGCs. This is because the CERT is not a mandatory scheme and does not establish market wide rules.

State Grid Factors don't work for market based claims

Using the State Grid factors without segregating the Renewable Power Percentage and voluntary renewables from its calculation has caused the continuous decrease in the emissions intensity of state grid factors. This is fine for those getting a free ride, but for those buying accredited renewables to reduce emissions there has been a continuous artificial loss of benefit in their equations as the renewable options are increasingly being compared against increasing renewables content.

Renewables should be assessed against fossil fuels, not against the mix of renewables plus fossil fuels.

In states like Tasmania and in South Australia in a few short years, there will be a situation where the NGA grid factor is zero, but there is no law that defines that customers in those states can claim renewables use by default. If they did, what would this mean for consumers in NSW, Victoria and Queensland that have contributed the large amount of RET contributions that funded renewables in states like South Australia?

THE CERT PROPOSAL IS NOT COMPLEMENTARY, IT IS ENTIRELY OUTSIDE THE NGER METHODS OR CONTRADICTORY TO THE NGER LEGAL FRAMEWORK

Carbon Offsets

Australian Carbon Credit Units (ACCUs) are not established in a way that includes emissions reductions as tradable attributes meaning and no basic debit and credit rules apply for using carbon offsets as tradable negative scape 3 emissions. Organisations creating and selling ACCUs can claim the emissions reductions whilst third parties buying those offsets also claim the same reductions.

There are some limitations on constraining the creation and sale of ACCUs in some circumstances but this by itself does not address the underlying accounting and double counting issue for ACCUs created then surrendered or sold.

There is confusion and addiction to the double counting that surrounds the poorly defined ACCUs.

Similar issues have not been adequately addressed regarding overseas certificate units such as Voluntary Emissions Reduction units (VERs), Certified Emissions Reductions (CERs) and Verified Carbon Units (VCUs), including that emissions are not added to the emissions inventory of the country of sale.

Renewable Electricity

The National Greenhouse and Energy Reporting Framework requires NGER liable corporations reporting electricity emissions, to use the following physical accounting method as per the NGER Determination and NGER Technical Guidelines 2017-18 pg. 529:

The NGER scheme only applies to around 415 related corporations but some connected documents such as the National Greenhouse Accounts (NGA) Factors are selectively used in the broader market despite the documents not legally applying to the broader market. There is no accounting, allocation or claims framework for the rest of the market and end use customers.

LGCs used to underpin end use claims, do not legally include the tradable attributes of renewable electricity use or zero scope 2 emissions.

In the absence of a clear set of legal rules, market participants, scheme creators including DISER the National GreenPower Steering Group, the CER, large customers and consultants have established many different methods to make renewable electricity claims which contradict the NGER legislation. These include but are not limited to:

- Buying GreenPower and LGCs - surrendered to the Clean Energy Regulator
- Being close to renewable generation
- Being in state with lots of renewable generation
- Buying GreenPower or LGCs from a state with lots of renewable generation
- Buying electricity from renewable generator but without LGCs
- Buying LGCs from a renewable generator but without the electricity
- Claiming the renewable generation % in a state first and making up the difference in GreenPower or LGCs
- Claiming the mandatory Renewable Power Percentage first and making up the difference in GreenPower or LGCs
- Establishing behind the meter or in front of the meter renewables (>100 KW size) and claiming use whilst selling LGCs to third parties.

There is often a fallacy argument that because some kind of certificate can only be created once, that double counting is prevented. This ignores the situations above, all existing at the same time without legal guidance.

The double and triple counting has been at farcical levels for years. Initially the Department (including previous incarnations) regarded it as insignificant and failed to heed the advanced warnings. Throughout a decade and a half the Department and regulators have ignored and or denied the problems, even as scope 2 emissions accounting was being talked about internationally by the World Business Council for Sustainable Development and World Resources Institute via the Greenhouse Gas Protocol. Even now when double and triple counting are somewhat entrenched and becoming normalized in Australia, the Federal Government, the CER the ACCC and the Climate Change Authority are failing to even

adequately acknowledge and reflect an accurate understanding of the issues and concerns when presented to them in detail.

Instead, there now appears to be a hurried approach to give the large NGER liable corporations special treatment to provide non legal assurance and false transparency presumably for Green Steel and Renewable Hydrogen and other claims, whilst ignoring the rest of the market and GreenPower customers that have been treated with absolute disregard for so long.

GreenPower customers are still expected to pay for approximately 120% renewables to claim 100% for renewable electricity use and reduced emissions that are not allocated to them in law.

The situation is not consistent, legal or fair and cannot be fixed by carving out special treatment for multiple schemes. It needs to be fixed once by reforming the NGER Framework to support market based accounting. Then, every scheme would be following a common set of rules and accounting practice.

OPT IN OR OPT OUT IS NOT A FEATURE OF A MARKET BASED SYSTEM

RE: ***Eligible corporations will be able to opt-in to show how their emissions and electricity consumption is covered by the surrender of eligible units, regardless of whether such surrenders are voluntary or required under state, territory or commonwealth laws. This will provide consistency and transparency across reporters.***

Under the GHG Protocol Scope 2 Guidelines, individual companies are not permitted to opt in and out of the market based method in its entirety and should report using the residual grid mix factor as a minimum requirement. The GHG Protocol Scope 2 guidance recognises that jurisdictions may adopt either physical accounting (as per Australia's current climate change law) or market based accounting. This CERT proposal in its current form does not align with the GHG Protocol Scope 2 Guidelines market based method because Australia still maintains the location based method in law.

Where market based accounting is established, there is a separation of voluntary renewables from the grid factors used by those not seeking to make market based claims. Chapter 4 Scope 2 accounting methods Pg. 27 of the GHG Protocol Scope 2 guidance describes that:

> *The emissions from all untracked and unclaimed energy comprise a residual mix emission factor. Consumers who do not make specified purchases or who do not have access to supplier data should use the residual mix emission factor to calculate their market-based total.*

This means that the residual mix factor is part of calculating a market based total. Because the CERT is not proposing to use the residual mix factor at all, there is a major question over the credibility and integrity of the scheme.

Dual reporting is recommended for those customers that seek to make market based claims, ensuring that all consumers report via the residual mix factor first, but enabling customers to also opt in to report their market based claims through dual reporting. The GHG Protocol considers that market based accounting where adopted for a jurisdiction, would apply to the whole market in that jurisdiction. This would provide certainty to all and prevent against double and triple counting of renewable claims and offsets.

Recommendation

1. It is recommended that market based methods for renewable electricity are established in the NGER Framework to create a single market wide accounting allocation and claims framework for all customers regardless of a which scheme or product they are seeking to use.

2. It is recommended that NGER reforms for renewable electricity use and zero scope 2 emissions and fully align with the GHG Scope 2 Guidance.

RESPONSES TO CERT 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?

Scope 1 emissions are direct emissions from a source and cannot be changed. The proposed method suggesting that voluntary renewables and offsets might change scope 1 emissions, fails to establish the proper use of market based accounting.

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

The GHG Protocol Scope 2 guidance does not envisage opting in or out of a market based system. Market based accounting is an economy wide choice. Consumers could choose to buy offsets or renewables or choose not to and report their scope 1 emissions and scope 2 emissions using the RMF at any time.

Marked based accounting must be adopted by the Federal government for clean energy markets to be legitimate.

Allowing huge areas of the market to not be covered by legal guidance or to opt out and use location based accounting, would lock in continued uncertainty and market unfairness.

• Does CERT appropriately manage double counting?

The CERT in its current form sits outside the law and suggests methods that contradict the law, double count and lock in continued double counting.

Current climate change law does not incorporate tradable attributes of renewable electricity use and zero scope 2 emissions into LGCs, nor does it incorporate negative scope 3 emissions into ACCUs. As a consequence, even where certificates may not be claimed more than once, emissions reductions are counted multiple times regardless of the certificates. The certificate schemes are not designed to prevent double counting.

For Renewable Electricity:

The CERT does not formerly establish the method for claiming the mandatory Renewable Power Percentage first and to make up the difference in GreenPower or LGCs to achieve 100% Renewable Electricity use from the grid.

Double counting occurs because:

- Zero emissions from renewables are allocated across all customers under NGER climate change law
- The CERT is supporting that an additional claim is made by NGER liable corporations with no adjustment made for voluntary renewables to be excluded from calculations through a universally applied RMF
- GreenPower makes a second claim for the use of renewables and zero scope 2 emissions for its customers, despite these already being allocated across all customers via the NGER Framework
- Corporations may build their own renewables (>100 kW behind or in front of the meter) and claim zero scope 2 emissions produced and consumed, whilst creating and selling LGCs to third parties. Even where such a practice may be prevented by Climate Active and the CERT, it may continue outside these schemes if it suits.
- The CERT does not prevent non-participants from claiming that to be close to a renewable energy facility equates to renewable electricity use
- The CERT does not prevent non-participants from establishing a purchasing agreement with a renewable generator but without LGCs and claiming that that equates to renewable electricity use
- The CERT does not prevent non-participants from claiming the renewable generation percentage in a state generation mix and then making up the difference in GreenPower or LGCs.

The GHG Protocol Scope 2 Guidance provides the best blueprint to prevent against double counting, but requires formal integration into the NGER Framework to meaningfully implement market based accounting with fairness and integrity.

Recommendation

3. It is recommended that the NGER Framework be reformed in accordance with the GHG Protocol to formerly support market based accounting with integrity and fairness. For Carbon Offsets

The CERT does not manage double counting for offset emissions as it does not establish the fundamental attributes of carbon offsets in law, nor does it apply debit and credit rules to for scope 3 emissions reductions to support carbon offset markets.

Recommendation

4. It is recommended that the NGER Framework be reformed to integrate tradable negative scope 3 emissions as the functional component of Australian Carbon Credit Units, and that market based debit rules be established to reflect the impacts of the trades in the carbon accounts of buyers and sellers, where accounts are required or in relation to any public claims.

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

CFI and ERF sales

Subject to negative scope 3 emissions being legally established as the functional attribute of carbon offsets then this net equation can be supported. However it must be transparent that scope 1 emissions have not changed. It is the net balance across scope 1, 2 and 3 emissions that is to be reported and this will require some market based changes to the NGER Framework to support market based accounting.

The Australian Government is a large consumer of ACCUs as part of the Carbon Farming Initiative and the Emissions Reduction Fund. In this case the Government has allowed the sellers to keep the emissions reduction and not report a scope 3 emission from the sale on the seller's greenhouse account. A special mechanism is required for this concept to work so that the function of ACCUs in voluntary markets is not compromised.

Alternatively if the Government seeks to own the emission reduction, then a scope 3 emission must be added to the sellers account.

Recommendation

5. If the Government is intending that the emission reduction achieved through Government purchasing of ACCUs is to stay with the seller, it is recommended that the sale of an ACCU to the Government should be treated as purchased surrender of an ACCU (similar to the voluntary surrender of LGCs) enabling the seller to keep the emissions reduction on their accounts. This would enable a consistent logic to apply.

6. If the Government is seeking to buy the emission reduction for itself, then the seller should add a scope 3 emission to their account.

Third party and voluntary market sales

Beyond the tracking of certificates, there is a need to transparently describe the emissions accounting aspects of voluntary carbon offset markets. This requires the negative scope 3 attributes to be integrated into the ACCUs, with debit and credit rules to apply.

Recommendation

7. It is recommended that market participants that create and sell ACCUs to third parties should add the corresponding scope 3 emissions to their account (the sellers account) so that they can be deducted from the buyers account without double counting.

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

The RPP should be applied for the benefit of all customers to recognise those who have already paid for a mandatory renewable electricity component through the Federal Government's Renewable Energy Target (RET) obligations. This method has been recommended to GreenPower and the Federal Government for a decade and is long overdue. It is noticed that large customers such as the ACT Government and some capital city councils have been accounting for renewables this way for several years now without waiting for the Government schemes or guidance to catch up. It is however still not available for ordinary household and small to medium business 100% GreenPower customers.

Recommendation

8. Reform the NGER Framework for the claiming of the Renewable Power Percentage as part of defining 100% *renewable electricity use* for all electricity customers.

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

The CERT cannot align with the NGER Framework until the NGER Framework is reformed encompass market based accounting. This requires:

- establishment of a residual mix factor that replaces the state based location based factors and is adopted economy wide
- Establishing the market based voluntary methods for claiming zero scope 2 emissions and use of renewable electricity from the grid
- Establishing the market based mechanism for negative scope 3 emissions to be integrated with ACCUs for trading and claiming using basic debit and credit rules.

NGER reform is required for customers and organisations to be able to have targets that align with the NGER legislated framework

It is understood that the Federal Government does not wish to impose full scope 3 accounting on NGER liable Corporations. This policy choice does not prevent methods described for market based accounting from being established and being used by corporations that are already participating in voluntary markets for renewable electricity and offset markets for use or sale.

Where Corporations make broader carbon neutral claims then Climate Active and community expectations will put pressure on companies for more complete accounting, including to include major scope 3 emission sources.

Recommendation

9. It is recommended that the CER acknowledge and support that net targets be established across scope 1, 2 and 3 emission categories, where there is NGER reform to enable:
    - Renewable electricity to be claimed as both a percentage of use and as zero scope 2 emissions
    - Carbon offsets to be claimed by end users as negative scope 3 emissions that can offset the net target (but does not change their Scope 1 value)
    - ACCUs that are created and sold to be an added scope 3 emission to the sellers account
    - ACCUs that are sold to the Federal Government as part of the Carbon Farming Initiative to be treated as *purchased surrender* enabling the seller to keep the reduction against their account.

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

The CERT and climate active allowances are no substitute for climate change law reform that would support clean energy and carbon offset markets for all consumers. The Greenhouse Gas Protocol Scope 2 guidelines provide a sound blueprint for legally establishing market based accounting for renewable electricity in Australia, creating a level playing ground for all consumers of electricity.

There is a need to establish basic debit and credit rules for emissions accounting in carbon and clean energy trades. The use of certificates is not sufficient where these do not legally contain tradable attributes.

• Are there other elements that should be considered in future phases of CERT?

At the earliest opportunity include the establishment of a National RMF to replace the state based grid factors. Then, at a suitable time, further consideration should be made to establish grid specific RMFs for the Eastern Australia Grid, Darwin - Katherine Grid and South West - Western Australia Grid. The physical accounting still serve some planning but should be removed entirely from end use markets as they are harmful to choice and distort decision making for renewable projects and purchasing.

As the Renewable Energy (Electricity) Act 2000 has already achieved the objective of achieving 20% renewable electricity for Australia, consideration should be given to whether the scheme as currently established, should continue to 2030:

> ***Does the RET still have a functional purpose or is it adding cost to consumers for no further outcome?***
>
> ***When should the Waste Coal Mine Gas provisions be removed from the RET Mechanism?***

If there is a greater appetite for voluntary markets to take over from the RET, then this should be facilitated.

There is also opportunity to enable all renewable electricity to be purchased from the market including pre 1997 renewables subject to adequate disclosure about its source.

PREVIOUS SUBMISSIONS

- **Climate Active Accounting for Electricity Emissions Discussion Paper**

  https://drive.google.com/open?id=1qjiV1_bkSIpODeVGkW5TEl1TIVEgcuAY

- **2020 NGER Determination**

  https://drive.google.com/file/d/14XY3beOwIwy1fHntVGbTpT1GgcW9bBDm/view?usp=sharing

- **Climate Change Authority review of the National Greenhouse and Energy Reporting Act**

https://drive.google.com/open?id=1SuZl5QBVEGCDDMAXrexjLxJLIjAc1r2e

- **The Climate Change Authority 2020 Review of the Emissions reduction Fund**

  https://drive.google.com/open?id=1YKvH7pIFijKXLEvgeuVpPHaeK-F1Tf5T

- **Clean Energy Regulator Draft guidance on the Emissions Reduction Fund's regulatory additionality requirement**
  https://drive.google.com/open?id=1bpwJkovyBD9cuir9p1fSoGed3NZ0A1cv

- **Carbon Market Institute: Independent Review of the Carbon Industry Code of Conduct**

  https://drive.google.com/open?id=1h69IznYLAEip-551LrpwoTE-KIoJDp2L