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RET and Energy Section
Clean Energy Regulator
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Dear Sir or Madam

Corporate Emissions Reduction Transparency report

Woodside Energy Limited ('Woodside') is pleased to respond to the Clean Energy Regulator ('CER') consultation paper about the proposed Corporate Emissions Reduction Target ('CERT') Report, and the associated draft Guidelines ('the Guidelines').

Woodside, Australia's largest liquefied natural gas ('LNG') producer, has set clear near- and medium-term targets to reduce its corporate equity net Scope 1 and 2 greenhouse gas emissions. These targets are to reduce by 15% (2025) and 30% (by 2030) from the 2016-20 gross annual average, on a pathway to achieve an aspiration of net zero equity Scope 1 and 2 emissions by 2050 or sooner. We welcome the opportunity to have our progress reported through an independent government publication, and we agree with the reported remarks of the Minister for Energy and Emissions Reduction that "many Australian businesses are making ambitious commitments to reduce emissions... this requires a practical plan, and a commitment to transparency and accountability."¹

CERT is proposed to be voluntary and will supplement other regulatory reporting and disclosure requirements, for example under the National Greenhouse and Energy Reporting Scheme (NGERS), the Corporations Act, and other State, Territory and Commonwealth legislation. It should therefore be designed with some key principles in mind:

- It must be simple to report against, utilising existing datasets such as NGERS;
- It must be simple to interpret, so that a non-technical audience is provided with an accurate picture in a "one stop shop";
- It must address the reporting company's position on an equity share basis.

Essential change from operated to equity emissions basis

An essential change is required to the Guidelines in order for CERT to be effective: reporting must be on an "equity" basis rather than an "operated" basis. The difference between the two is that:

- Equity emissions are the emissions attributable to a company based upon their ownership share in a facility. Thus, if two companies each own 50% of a given facility, they would each report a 50% share in that facility's emissions.
- Operated emissions are 100% of the emissions arising from the facility, attributed solely to its operator. Thus, if one of the two companies in the previous example was the operator of the facility, it would report 100% of the emissions on an operated basis whilst the other company would not report any.

As an example, Woodside owns 16.67% of the North West Shelf Project and 13% of Wheatstone. It operates the NWS Project but not Wheatstone. On an operated basis it would report 100% of the NWS Project emissions (with the other NWS participants reporting zero) and zero Wheatstone emissions. On an equity basis it would report its fair share of both, being 16.67% of NWS emissions and 13% of Wheatstone emissions.

¹ The Australian newspaper, 19 February 2021

Reporting emissions on an 'operated' basis is used by NGERS for administrative simplicity, to align with the operational control basis outlined in the GHG Protocol² guidelines and because regulatory baselines under the Safeguard Mechanism are applied at the facility level. Operator and non-operator joint venture participants in the facility can allocate the ensuing liability amongst themselves according to commercial agreement.

However, the purpose of CERT is to enable transparent reporting of *corporate* emissions reductions. This is appropriate because voluntary emissions reduction targets are typically undertaken at the corporate (or parent company) level, irrespective of operatorship and not necessarily tied to individual facilities. Facility operators are unlikely to be able to report, or even have knowledge of, the voluntary corporate efforts of their fellow joint venture participants. Non-operators should not be denied the opportunity to report their own equity emissions and targets, nor have them masked behind an aggregated facility calculation in another company's name. Conversely, it is important that Operators are not unfairly linked to the emissions and voluntary corporate efforts of others. For these reasons, CERT is unlikely to succeed unless it reports emissions on an equity basis.

A simple change can address this:

- Replace the seventh column in Table 1 of the consultation paper "Total Scope 1 emissions before surrenders (t-CO₂-e)" with a new column "Equity share of Scope 1 emissions before surrenders (t-CO₂-e)".³
- Update the Guidelines to instruct CERT reporters to aggregate their equity share of emissions from NGERS facilities in which they have an ownership stake, whether they operate the facility or not. They will have this data and it is not onerous to calculate.⁴
- Permit the use of the "Important Notes" column for CERT reporters to explain how the number is derived, should they wish to do so, perhaps through a link to their own website.

² <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

³ An alternative is to add the new "equity share" column alongside the existing one, but this would complicate the CERT report without adding any additional transparency because the "total" data is already reported via NGERS which will remain in place but is not relevant for the reasons described in this paper.

⁴ To avoid creating additional regulatory burden, there should be no need to report their equity share of emissions from any facilities that do not meet the NGERS thresholds. The CER may wish to consider explaining any discrepancy between the total emissions reported on NGERS and CERT, which would arise from CERT not being taken up by some owners of NGERS-reporting facilities.

Specific comments on the consultation paper

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

No, because as drafted it uses NGERs data on an “operated” basis, which does not correspond to corporate activity. A solution is proposed above. CERT is unlikely to attract companies to opt-in without this change and we regard it as critical to the proposal.

Column 10 of Table 1 “net scope 1 emissions...” is the key one and it should be appropriately emphasised in the presentation of the CERT report.

Caution should be exercised in respect of column 5 of Table 1 “Progress towards emissions targets”. Such progress is unlikely to be linear, especially when achieved by step-change engineered modification to facilities, which should not be disadvantaged by CERT. We recommend this column is removed so that the CERT report focusses more clearly on gross and net emissions performance, with companies free to explain this data outside CERT if they wish.

Caution should be exercised in respect of column 6 of Table 1 “Australian eligible units as a share of total eligible units used”. Whilst the development of an Australian offsets industry is a goal that Woodside supports and participates in, it is a goal of industrial policy. Emissions reduction policy should focus unambiguously on global emissions reduction performance, and corporations should not be disincentivised from seeking out the most efficient opportunities wherever they arise internationally. We recommend this column is removed so that the CERT report focusses more clearly on gross and net emissions performance, with companies free to explain this data outside CERT if they wish.

It is not clear how the CER will verify the accuracy of data reported on CERT, or indeed whether it has the capability to do so. Therefore, as with many other reporting obligations, we recommend that a Director or Officer of the reporting company should attest to the accuracy of their report, having regard to their obligations under the Corporations Act, and that CER accept that attestation.

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

Corporations can confirm they are opting-in when they provide the CER with their annual CERT data. If a corporation does not provide data, it can be assumed that they have opted out. This will also allow for participants to confirm acceptance of any updates to CERT from time to time.

Does CERT appropriately manage double counting?

Yes.

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

We take this question to refer to the scenario envisioned in sections 22XK and 22XN of the NGER Act 2007, where ACCUs are issued for emissions reductions at a facility. Under section 22XK, the emissions of the facility are reported to be the actual (i.e. reduced) emissions *plus* the number of credits issued. The intent is to prevent any double counting, because the issued credits are available to offset emissions elsewhere. However, when those credits are sold to the government, they are cancelled and thus are no longer available to offset any other emissions, so section 22XN provides for the facility to then only report the actual (i.e. reduced) emissions number. Woodside’s view is that CERT should reflect the intent of sections 22XK and 22XN of the NGER Act 2007.

We would also like to extend this principle to the issue of credits created by the enterprise for activities outside of the facility boundary. For example, Woodside has several projects that generate credits for forest growth. We could use those credits to offset our own emissions by voluntary cancellation or surrender under the Safeguard Mechanism. However, if we were to sell those credits to the government, they would be cancelled and not available for offsetting. This is a situation analogous to that captured by section 22XN of the NGER Act 2007. In that circumstance, Woodside believes that we should be able to claim the emissions reductions assigned to the cancelled credits.

Should the RPP be included in CERT using the proposed methodology

Given that the RPP LGCs are inherently embedded in any power purchased from the grid, then this should be reflected in the purchaser’s scope 2 emissions reduction.

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

This will not be possible without reporting on an equity basis rather than facility basis as recommended in the proposal above.

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

Companies with large global portfolios may not be able to apportion their global corporate targets on a country-basis. They might therefore appear to be making little progress in their Australian assets, when in fact they have prioritised better opportunities in their portfolio overseas. The provision of a free-text column to allow them to explain this context may prevent such companies from opting out of CERT altogether.

Column 2 of Table 1 should be clear that Reporters should only add targets and emissions which are Scope 1 and 2, and that Scope 3 targets do not form part of CERT.

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

(1) Columns 5 and 6 of Table 1, which Woodside is recommending are removed at this stage (see above), could be considered for later phases of CERT.

(2) The market is showing increasing interest in the delivery of "green cargoes", such as of LNG, where some or all of the lifecycle greenhouse gas emissions are offset as an integral part of the transaction. The methodologies by which the parties to such transactions agree to allocate costs and execute the acquisition and surrender of the offsets are still evolving. Potentially several parties will wish to claim a share of the credit cancellations; and potentially the surrender may be conducted by an agent who is named on the relevant registry instead of the actual parties. It is Woodside's preliminary view that for the purposes of CERT, any offsets should accrue to the entity for whom the associated emission was Scope 1 or 2, and not to any parties for whom the associated emission is scope 3, notwithstanding how the costs or allocated or by whom the trade is executed. However, as this is a developing area, CERT may wish to directly consider its methodology in a future consultation.

Thank you for the opportunity to contribute to this consultation about the CERT. Woodside would be pleased to meet with the CER to provide further information and discussion, at your convenience.

Yours faithfully



Dr Tom Ridsdill-Smith
Senior Vice President, Climate