

GreenPower Submission

2023 Corporate Emissions Reduction Transparency report – consultation paper

September 2022

The National GreenPower Accreditation Program (GreenPower) welcomes the opportunity to comment further on the Clean Energy Regulator's (CER) Corporate Emissions Reduction Transparency (CERT) Report following previous submissions and the first iteration of the CERT report in July 2022.

GreenPower is supportive of the continuation of the CERT report and commends the CER on the design of the pilot report, which is easy to understand and provides a useful overview of corporate commitments to emissions reductions and/or renewable energy use.

The CERT report provides an important mechanism for voluntary action that is not considered under the NGER reporting framework to be reported and independently verified by the CER. This complements accreditation schemes like GreenPower and encourages voluntary commitments. It would be useful if the report distinguished between GreenPower and non-GreenPower LGC surrenders to increase transparency of how renewable energy targets are met.

Several proposed changes in the current consultation paper relate to GreenPower. This response discusses the proposed changes and provides an introduction to GreenPower's Renewable Gas Certification Pilot, which is a new voluntary mechanism currently under development that could be included in future iterations of the CERT report.

About GreenPower

GreenPower enables business and household customers to offset their electricity use with renewable energy, which is added to the grid on their behalf. The National GreenPower Accreditation Program is an independent, NSW Government-managed accreditation program run through the National GreenPower Steering Group. This submission is made on behalf of the program and does not represent the positions of the individual jurisdictions participating in GreenPower.

Consumer interest in renewable energy and emissions reduction has increased in recent years. The 2021 GreenPower audit report, released this month, shows increasing GreenPower purchases in all customer segments of over 90% compared to 2020. In the commercial sector, the increase is over 100%. This showcases that GreenPower remains an important pathway for businesses to reduce their Scope 2 emissions and achieve renewable energy targets in a simple and flexible fashion.

Response to the 2023 CERT consultation paper

1. Enabling independent assurance of commitments and supporting information

GreenPower recognises the importance of flexibility for businesses to design and select the types of commitments and mechanisms that meet their needs. The pilot CERT report clearly states which commitments were not verified by the CER, and this contributes to the level of trust placed in the report. A change to private sector verification, and/or a change to sampling rather than verifying all reported information, could impact this trust and should be carefully considered.

2. Recognising jurisdictional surrenders of Large-scale Generation Certificates (LGCs)

GreenPower supports the inclusion of jurisdictional commitments in the market-based reporting method, and the proposed calculation method. The CER should consider how entities that are exempt from jurisdictional charges and schemes should be treated, where applicable.

3. Updating the residual mix factor (RMF) used for calculating the emissions intensity of electricity used

GreenPower has a keen interest in the definition of the RMF used by Australian market bodies and in corporate emissions reporting. We currently considering how to incorporate the Renewable Energy Target and small-scale renewable generation in our definition of 100% renewable electricity for GreenPower accredited retail products. Aligning with the CER and Climate Active's definition of what should be considered 'claimable' is important to ensure consistency across government schemes.

Concerns raised by GreenPower stakeholders regarding RMFs in recent consultations mainly relate to how the RMF accounts for small-scale generation, whether it is calculated for each grid, and how it considers generation that doesn't receive LGCs but is selling its electricity as 'renewable', e.g. some of the below-baseline generation under the Renewable Energy Target.

GreenPower supports the introduction of a 'Claimable Renewables Percentage' and the proposed calculation method.

The proposed calculation method takes into account that all LGCs can be claimed by a market participant and that small-scale renewable energy generation is generally claimed by the system owner in their Scope 2 reporting. These are important considerations and, if adopted, we will work to ensure GreenPower products also consider small-scale generation as 'claimed' by the system owner in our definition of 100% renewable electricity products. This matches the approach discussed in GreenPower's Program Review consultation conducted in July-August this year. For completeness, the CER should provide clarity that the 'MWh small-scale solar generation' includes both solar exports and direct solar consumption, i.e. the solar generation that is not exported to the grid.

- **Regarding grid-specific RMFs:** if the CER is considering developing different RMFs and Claimable Renewables Percentages for different Australian electricity grids (mainly the NEM, SWIS, and Darwin-Katherine grids), this could impact GreenPower and we would

welcome further consultation. A grid-specific RMF would be more accurate but also raises questions, such as whether the Renewable Energy Target is allocated to the separate grids by electricity demand or by where the LGC generators are located.

- **Regarding non-RET renewable (below-baseline) generation;** several stakeholders are developing proposals and models for renewable generators that are not eligible under the RET to create renewable energy certificates. These 'below-baseline' certificates could be purchased and claimed by consumers. To ensure the RMF remains accurate, any such certificates would also need to be included in the 'Claimable Renewables Percentage' alongside LGCs and small-scale generation.
- **Regarding LGCs created in the year after generation occurred;** it is unclear how the proposed approach will support accurate renewable energy accounting. Additional information would be useful to understand the rationale and impact of this proposal.
- **Regarding terminology;** 'Claimable Renewables Percentage' could be understood to mean 'can be claimed by all electricity users'. Alternatives such as 'market-allocated percentage' or similar may be clearer.

GreenPower's Renewable Gas Certification Pilot

To help establish a voluntary market for renewable gases, GreenPower is developing the Renewable Gas Certification Pilot.

The pilot will enable network-connected commercial and industrial gas customers to offset their gas use with Renewable Gas Certificates (RGCs). It will initially focus on biogas, biomethane (upgraded biogas), and renewable hydrogen as these technologies are relatively mature with projects operational or close to operation.

GreenPower will ensure that each RGC represents accredited renewable gas that displaces fossil fuel natural gas in Australia. This directly supports Australian renewable gas projects.

The role of renewable gas in decarbonisation

Natural gas is a large contributor to Australia's greenhouse gas emissions. Switching appliances from gas to renewable electricity is an efficient way to reduce emissions but is not always feasible, especially in industrial processes.

We see a role for renewable gas to be used in hard-to-abate sectors to replace fossil fuel natural gas, for example in steel production and for chemical feedstocks. Renewable gas also allows existing large gas equipment to operate until its end of life, for example, public swimming pool heaters that are expensive to replace. At the end of life, the equipment can then be replaced with an electric or other low-emissions alternative.

We generally recommend that gas users look at all decarbonisation options prior to deciding to use gas technology and renewable gas. This is important because electrification or other options may lead to better financial and environmental outcomes in many cases. However, if the right mechanisms are put in place, renewable gas markets and a trusted certification scheme will lead

to efficient outcomes. As it is unclear whether there is a continued role for gas in residential energy use, our certification pilot will only allow surrender of RGCs on behalf of commercial and industrial customers, and will not include residential end-users.

Independent and transparent renewable gas certification is therefore essential to ensuring renewable gas is used where it is the most efficient energy carrier and where it is the best option to decarbonise.

The pilot will enable emissions reporting related to renewable gas use

There is currently no independent certification for renewable gas available in Australia. Some private sector initiatives operate at an international level and a Hydrogen Guarantee of Origin is under development under the National Hydrogen Strategy. The Australian Government has signalled interest in establishing certification for biomethane in the medium term.

The purpose of our certification pilot is to bridge the gap until a permanent certification scheme is available and to inform its development. This means providing a fully functioning certificate mechanism with independent verification of production data, tracking of certificate ownership, and reliable data capture that will enable detailed emissions reporting.

Under the pilot, renewable gas attributes will be captured on the RGCs, including the emissions related to renewable gas production. These attributes can be claimed by the end-user of the certificate. This provides a 'decoupled' mechanism (attributes can be claimed separately to ownership the molecules), identical to the current mechanism for electricity using LGCs. This 'decoupled' mechanism provides flexibility for the market to find the most efficient location for gas production and gives gas users the ability to directly support new renewable gas projects.

Recognition in the CERT Report is important to signal the potential of the renewable gas sector

As a nation-leading recognition of voluntary action and market-based mechanisms, the CERT report is well placed to support the uptake of renewable gas. Including renewable gas certificates from our pilot in the CERT as an eligible emissions reduction mechanism would help drive use of renewable gas by entities with an NGER reporting obligation.

With GreenPower's pilot providing the certification and registry, recognition in the CERT report would establish a fully functioning market-based mechanism for renewable gas, creating a new pathway to decarbonise hard-to-abate sectors cost-effectively.

We look forward to working with the CERT team on the details of integrating RGCs in the CERT report. It is likely that recognition of RGCs in the CERT will not be feasible for the 2023 CERT report noting that we expect our pilot's rules will be finalised by the end of 2022 and the certification to start operating in early 2023.