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NEOEN RESPONSE

Consultation for CERT Report

01/11/2021

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TO: Energy Policy and Partnerships Section

Lodged via email at CER-CERT@cer.gov.au

Dear CERT Team,

Neoen welcomes the opportunity to respond to the Clean Energy Regulator's consultation on emissions reporting guidelines.

About Neoen

Neoen is the leading French, and one of the world's leading independent producers of renewable energy. Neoen is a responsible company with a long-term vision that translates into a strategy seeking strong, sustainable growth. We have 4.8 GW of projects globally in operation and under construction, including in the NEM: Hornsdale Wind Farm (309 MW in SA); Parkes, Griffith, Dubbo, and Coleambally Solar Farms (combined 255 MW in NSW); Bulgana Green Power Hub (hybrid wind/battery system), Numurkah Solar Farm, and Victorian Big Battery (combined 614 MW in VIC); and the Degrussa Hybrid Power System (10.6 MW in WA). Neoen is also the owner of Hornsdale Power Reserve (150 MW battery system) in SA.

Accounting methodology

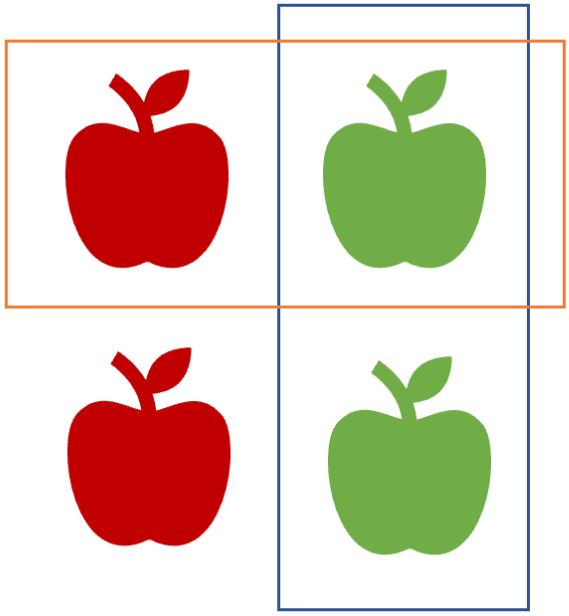
The words "commitment" and "flexibility" are contradictory – if a company is committed to emissions reduction, that should mean a commitment to buying clean electricity and planning to electrify their transport, heating, and other processes. Offsets alone are not a credible emissions reduction strategy, but they can fill in the gaps for a serious plan.
Therefore any company making claims of emissions reduction must use an accounting method that recognises the individual contributions of themselves and others.

Rename the locational method as the NGERs method. This method should be kept solely to provide accurate national accounting of emissions. It is not suitable for assessing emissions reduction goals of individual companies.
This method could also be used by companies who do not have any particular emissions goals if it is easier for them.

Companies making emissions claims must use the market method to avoid double counting.

Neoen has seen a few corporations seeking to use the locational method to deliberately reduce initially reported emissions to make their goals easier to achieve. This accounting optionality further discourages the purchase of renewable energy because the use of LGCs requires the market method. This behaviour is counterproductive to the straightforward plan above – clean electricity and an electric economy.

Imagine an apple seller has two green apples and two red apples. Two customers each buy two apples.[1] Customer J decides to support the green apple grower by giving them a little extra money to expand their orchard. They claim both of the green apples as their consumption. Customer K does not support the growth of green apples but says “on average half the apples sold are green so half the apples I buy are also green”. Between these two customers three green apples are reported to be consumed, and only one red apple is reported. They must use a consistent accounting methodology. Given that the purchase of clean electricity is the rate limiting step, an accounting methodology that recognises renewable energy purchases correctly must be used.



Customer K:
I bought one of two green apples.

Customer J:
I bought both green apples.

Residual Mix Factor

Additional clarity is needed for corporations to easily use the residual factor. Neoen has heard confusion from corporations around the residual factor with respect to state by state differences and rolling averages.

Neoen agrees that there is a benefit to a NEM wide residual factor given that the ability to trade between states means additional renewable capacity will regularly influence generated volumes in other states. A national residual factor seems to make less sense as there is no ability to trade between grids, even though LGCs themselves are tradeable.

Emissions factors need to be specific to a reporting year.

[1] All three people are red-green colour blind and do not know what colour the customers are receiving.

Renewable %

We mostly agree with the rationale for accounting for renewable energy. There is some inconsistency between not allowing STCs to count towards emissions goals (we agree), and the allowance to report small scale generation towards RE%. If this is differentiated between emissions reporting and renewable power, then it's less of an issue.

Onsite generation that created STCs and sold them should not count towards RE%, this is already accounted for in the residual emissions factor.

Consider a reporting stretch goal of "direct RE%" which is the minimum of the entities contracted renewable production or their consumption every 5 minutes, averaged over 1 year. This could include on site generation. This would encourage a diverse mix of contracts rather than simply buying a large oversupply of solar and claiming to be 100% renewable.

Public transparency

The company view mock-up is an excellent example. This kind of standard can help assess the credibility of climate goals and company progress.

The structure of the guideline reporting structure should encourage the best behaviours by highlighting renewable power, and electrification of processes explicitly.

Another suggestion would be to have an "unaccounted for emissions" segment to the certificates chart, or perhaps a total emissions comparison. As it stands the certificates chart implies full emissions reduction if you don't compare volumes properly.

Additionality

Many carbon credits are of spurious quality with little additionality. By reporting on the source of certificates corporations can demonstrate credible activity rather than cheap virtue signalling.

Examples of non-additionality include:

- Credits created through grandfathering a previous accounting structure that was too generous with emissions limits.
- Activity counted by another nation towards its own emissions reductions.
- Activity already occurring before the sale of credits commenced.
- Deliberate creation and subsequent destruction of CFCs or other gases with high greenhouse potential.

Reporting Australian credits likely reduces the worst of the additionality concerns, however some of the ACCUs are created with limited additionality. For example, landfill gas combustion that was already operational for the purpose of creating LGCs before becoming registered for ACCUs. Another significant source of ACCUs is avoided land clearing which is easy to claim on any land with clearing rights whether or not it was likely to ever be cleared. The Australia Institute & Australian Conservation Foundation estimate that the rate of land clearing did not significantly change with the introduction of ACCUs, yet the claimed volumes are enormous. https://www.acf.org.au/questionable_integrity

Greenpeace also have suggested ranking the renewable energy goals of corporations, and they suggest the contracting of new renewable facilities is the highest standard achievable. Neoen agrees that this is the most beneficial from an environmental perspective as it stimulates project financing, however this option may simply be too difficult for many smaller corporations to achieve. In any case, contracting for longer time

periods rather than purchasing credits on the spot market is helpful in aggregate for renewable generators to commit to building new plant.

Example:

Credits		**Additionality**
ACCUs	15%	Sourced 75% from methane combustion projects
LGCs	30%	Sourced 85% from long term contracts
VCUs	20%	Sourced 60% from afforestation
CERs	35%	Sourced 55% from grandfathered credits

Another metric that helps gauge the quality of carbon credits is the price of those credits. If corporations reported the weighted average of credits, it would demonstrate if many cheap and useless credits were being purchased. A carbon credit with near zero cost has likely no additionality and the carbon reduction is fake or would have happened anyway.

Neoen is available at your convenience to discuss these topics further.

Yours sincerely,

Tom Geiser,
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