Australia's property industry
Creating for Generations

5 November 2021

Energy Policy and Partnerships Section
Clean Energy Regulator
GPO Box 621
CANBERRA ACT 2601

Via email: CER-Cert@cer.gov.au

Dear Energy Policy and Partnerships team,

Property Council response to Corporate Emissions Reduction Transparency public consultation

The Property Council of Australia welcomes the opportunity to make a submission second phase of the Corporate Emissions Reduction Transparency (CERT) public consultation and thank the Clean Energy Regulator for your clear and consultative process.

The Property Council's members are the leaders across every asset class of Australia's biggest industry which employs 1.4 million Australians and contribute 13 percent of GDP. Our members shape Australia's cities and towns as the owners, managers of and investors in office buildings, retirement villages, shopping centres, hotels, health precincts and the list goes on.

Australian Property leaders are world leaders in sustainability and consistently top international benchmarks such as the Global Real Estate Sustainability Benchmark and the Dow Jones Sustainability Index. A majority of our large members have commitments to reach net zero by 2030 or sooner.

The Property Council and its members welcome greater transparency in the disclosure of carbon emissions, but caution against unnecessary increases to reporting burdens by deviating from existing and well utilised frameworks.

Property Council members already engage in *substantial* voluntary, public reporting of their ESG performance through existing frameworks such as NABERS, Green Star, the Task Force on Climate-related Financial Disclosure (TCFD), and the Global Real Estate Sustainability Benchmark (GRESB). The CER should avoid any deviation from alignment with these well-established and trusted tools to avoid creating unnecessary reporting burden.

The following issues represent our immediate priorities in relation to the CERT.

- **Aligning with global reporting standards** – the consultation paper states that:

  '*Leading voluntary frameworks (such as the Global Reporting Initiative, TCFD and Sustainability Accounting Standards Board) recommend emissions reduction reporting by companies but currently do not specify a reporting framework.*'

  However, the Global Reporting Initiative's GRI Emissions 2016[1] provides that:

  'The reporting requirements for GHG emissions in this Standard are based on the requirements of the 'GHG Protocol Corporate Accounting and Reporting Standard' ('GHG Protocol Corporate Standard') and the 'GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard' ('GHG Protocol Corporate Value Chain Standard'). These two standards are part of the GHG Protocol developed by the World Resources Institute (WRI) and the World Business Council on Sustainable Development (WBCSD)'
  The TCFD[2] also recommends that:
  '*GHG emissions should be calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organizations and jurisdictions*.'
  As the GHG Protocol is in common use by GRI, TCFD, CDP and many other emissions related quantification and reporting programs and helps to define the "market based" accounting method for scope 2 emissions it would be useful for the CERT to demonstrate alignment or explain any deviations.

  This action would also provide reporting organisations comfort that there is alignment with their voluntary disclosure and reduce their reporting burden.

- **Alignment with NABERS Renewable Energy Indicator –** NABERS is currently consulting on the inclusion of a Renewable Energy Indicator (REI) within their rating scheme. The Property Council and its members supported it from early stages and contributed to its introduction through participation on the NABERS Steering Committee.

  The CERT consultation paper references a similar yet unaligned reporting of renewable energy. The NABERS REI represents a more comprehensive approach to reporting on renewable energy as it also contains the percentage of natural gas and diesel. We recommend aligning with the NABERS REI as it forms part of a trusted and credible framework that is widely utilised by industry. While we are aware that the CERT reporting framework is intended for use in a context broader than the property sector, we encourage alignment with existing tools within our sector. We further recommend allowing some flexibility in reporting periods to allow for alignment with NABERS ratings cycles.
- **Using consistent terminology –** The consultation paper refers to renewable electricity and renewable energy interchangeably (e.g. Figure 1, page 6). As these are two separate concepts, they should not be used interchangeably in the CERT reporting framework.

- **Communicating achievements and progress –** visual communications should be refined so as not to lead to misinterpretation of achievements and progress. The chart below may lead to

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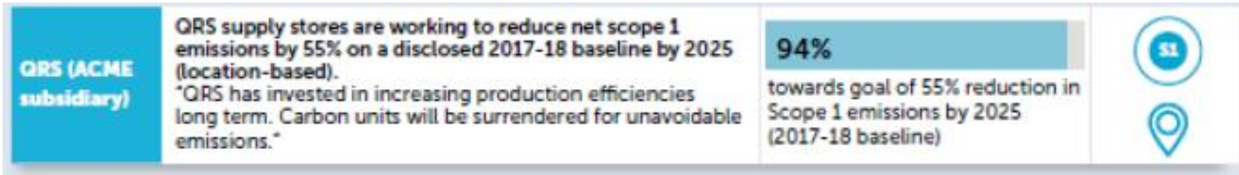
[1] https://www.globalreporting.org/standards/media/1012/gri-305-emissions-2016.pdf
[2] Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures. Page 17.

confusion as the goal is set at 55% reduction in scope 1 emissions, rather than 100%. We urge government to engage a visual communications consultant and run focus groups to ensure understanding of key figures is supported.



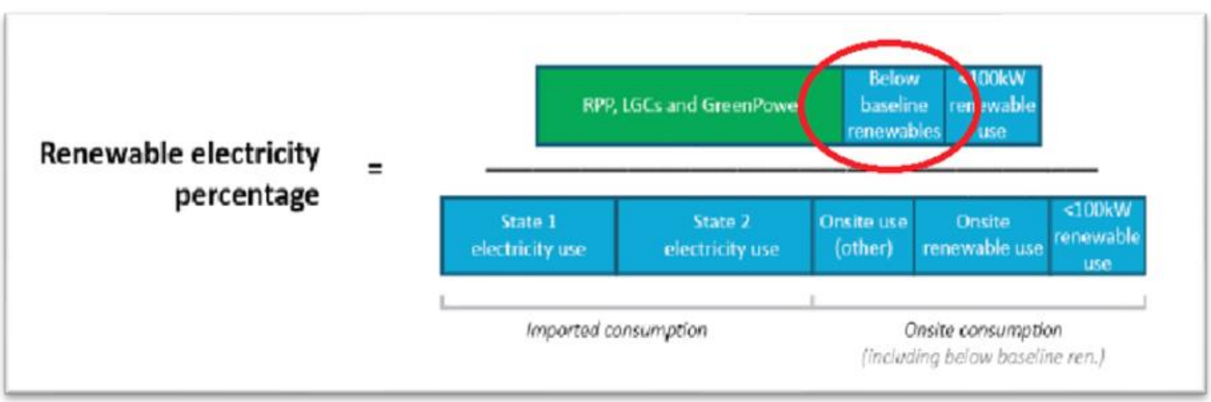
- **Eligible units**- Section 4 of the CERT Report Guidelines (page 7) provides the definition of eligible units that includes ACCUs, CERs, VCUs, VERs and LGCs. We support the recognition of these mechanisms in the CERT.
- We particularly support the use of LGCs as a mechanism to demonstrate the purchase of renewable electricity and excluding them being used as an offset against scope 1 emissions. It seems the Guidelines support this principle and 4.1.1 f) could be made more definite in this regard. Proposed alternative wording:

  > f) LGCs may only be included in market-based Scope 2 emissions accounting (see Section 5.3). They must be surrendered in accordance with 5.3.11

- **Surrender of Largescale Generation Certificates** - The draft CERT Report Guidelines states at 5.3.10 e) that '*LGCs surrendered is defined at 5.3.10*'

  This is a circular reference and LGCs surrendered should be defined, especially so that there is clarity between LGCs surrendered in accordance with the RET and those voluntarily surrendered. The explanation at 5.3.11 is unclear because of the omission of LGCs surrendered for the RET.

- **Renewable electricity percentage calculation** - The formula provided in section 6 includes "Below baseline renewables". A definition of this renewable electricity and how it has been allocated to consumers is required to ensure the source and allocation of this energy can be understood.



- **Reporting boundaries -** The CERT Reporting Guideline at 7.2 provides the options for reporting boundaries: operational control or equity-based control. Financial control is an alternative that should be added as another option. Further information can be found in the "The Greenhouse Gas Protocol – A corporate accounting and reporting standard"[3].

- **Residual mix factor** - The guideline at 5.3.9 describes the Residual Mix Factor (RMF) deferring to Climate Active guidance to determine the factor. The Climate Active RMF is a "best estimates" factor based on the Renewable Power Percentage (RPP) and the National Electricity Emission Factor. Until now, LGC retirement has been predominantly to meet RET requirements and therefore aligned with the RPP. In future, voluntary retirement will begin to dominate and will need to be factored into the RMF.

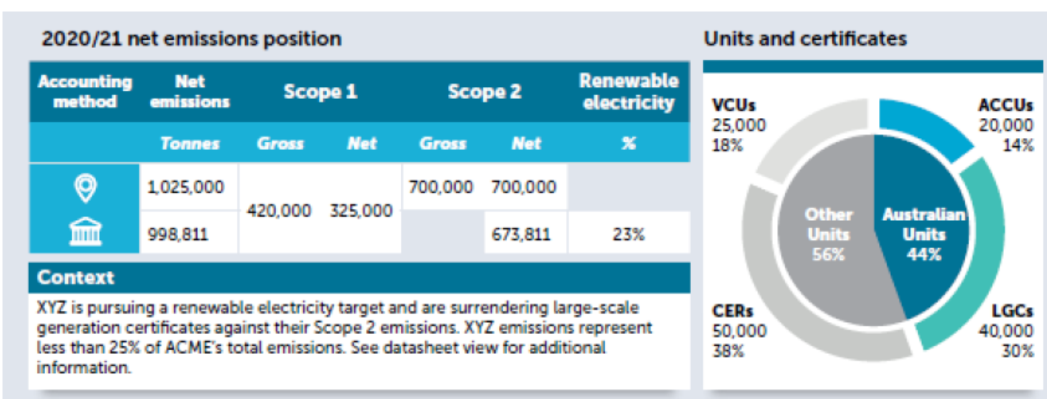
  For clarity and to ensure confidence in scope 2 market based accounting it would be preferable to have the Clean Energy Regulator or those responsible for the Australian National Greenhouse Accounts provide the RMF from primary consumption and emissions data.

  Having a reliable residual mix factor is not only important to organisations reporting through the CERT, it is a necessary and important factor for all Australian organisations reporting emissions in accordance with the GHG Protocol. The calculation of the RMF must be shown to be applicable to NEM consumers as well as non NEM consumers (WA and NT).

  Providing a "single source of truth" for the RMF is aligned with the Government's strategy 3.1 "Enabling technology deployment across all economic sectors" from Australia's Long Term Emissions Reduction Plan, particularly supporting:

  Providing the high integrity accounting systems and trading infrastructure necessary to grown voluntary carbon markets

- **Disclosure of offsets** – The proposed dashboard shown below contains some potentially confusing elements. LGCs measured in MWh's are included in the doughnut chart with offset certificates measured in tonnes CO2e which can be confusing. It's unclear in this view if the renewable electricity % is inclusive of both RET and voluntary purchased/retired LGCs. The GHG Protocol provides good guidance for this type of disclosure, especially related to the disclosure of offsets that are recommended to be shown outside the emissions inventory. We urge the CER to redesign this dashboard with additional consideration to the clarity of the information presented.



[3] https://ghgprotocol.org/corporate-standard Page 17.

- **Jurisdictional surrenders and CERT reporting** - Under Section 3.4 of the consultation paper (October 2021), it is proposed that *"[…]LGCs surrendered by state or territory governments to meet jurisdictional renewable energy targets will not be accepted*.".

  We understand this is not aligned with the market-based approach and is a disadvantage to any consumer with facilities in the relevant jurisdiction. This will also be inconsistent with how other programs such as Climate Active, the Green Building Council of Australia, and NABERS are looking to implement market based carbon accounting. Under these programs, jurisdictional targets such as the ACT's 100% renewable electricity target (where LGCs are being surrendered on behalf of the consumers) will be recognised.

  As per the calculation method established under Section 5.3.11 of the draft guidelines document, "*LGCs surrendered*" are defined as including any " '*Third party LGCs surrendered' […] on behalf of the participant*". This is how the ACT jurisdictional target works, by surrendering LGCs on behalf of consumers within the territory. The ACT has voluntarily surrendered 88% (2.2 million) of all LGCs voluntarily surrendered in June Quarter of 2021 as per the Quarterly Market Report.

  The ACT Government has previously provided Annual Reporting to demonstrate the coverage of the renewables procurement program which, along with the use of registered LGCs, should help to alleviate concerns of double counting.

  We believe that having an aligned approach between all schemes will result in greater clarity and efficiency for those seeking or needing several certifications. It also ensures all programs are driving the same outcomes and that any future jurisdictional procurement of renewable electricity can be accounted for similarly.

- **Treatment of on-site generation and exports** - As per Section 10.2.10 of the draft guidelines, electricity consumed from on-site renewable generators will be able to be claimed towards their renewable electricity claims. NABERS agrees with the rules established to make this claim, but recommends these same rules applies for exported electricity. This is, a participant would be able to claim exports of renewable electricity generated on site, where there are no LGCs created or LGCs created from this generation are surrendered on behalf of the participant.

  Again, this approach would align with the market-based accounting methodology and the electricity accounting rules established by Climate Active, ensuring that the principles of unique claims and avoidance of double counting are maintained.

Please feel encouraged to reach out to Tim Wheeler, A/g National Policy Manager – Sustainability at twheeler@propertycouncil.com.au or 04 9173 1496 should you wish to discuss further.

Yours sincerely and with thanks,

Mike Zorbas

Group Executive, Policy

Property Council of Australia