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REVIEW OF THE NATIONAL GREENHOUSE AND ENERGY REPORTING LEGISLATION

Thank you for the opportunity to provide a submission on the consultation paper: *Review of the National Greenhouse and Energy Reporting legislation* released by the Climate Change Authority (the Authority). This submission is made on behalf of Australia's aluminium industry.

Overall comments (relevant to questions 1 and 12 of the consultation paper)

Overall we believe that the National Greenhouse and Energy Reporting System (NGERS) and the Safeguard Mechanism are largely working as intended and our comments reflect the aluminium industry's interest in seeing incremental improvements rather than significant changes in direction.

NATIONAL GREENHOUSE AND ENERGY REPORTING SCHEME

A number of companies operating in the aluminium industry report under the National Greenhouse and Energy Reporting System and we draw the Authority's attention to their submissions to this review.

Materiality provisions (relevant to question 4 of the consultation paper)

The Council recommends that the Authority rigorously examine elements of the current reporting requirements with respect to the importance and value of the information gathered. There has been ample circumstantial evidence that significant expense is being incurred by liable entities to collect and report information that is minor with respect to energy or emission levels; and is in some cases not subsequently used.

We particularly recommend that the following issues be included in an examination of reporting requirements:

- Liable entities having to measure levels of a parameter (and therefore incurring a cost) in order to show that the parameter is not material;
- A requirement to measure a parameter, or measure to a level of accuracy, that is beyond the needs of normal business management;
- Reporting of small facilities that are part of a larger group, where those small facilities are not material for the larger group's emissions;
- Inflexibility in reporting methods or levels of accuracy for minor components of overall emissions;
- Requirement to report non-combusted fuels (such as oils and greases) which will not be material in overall energy use or emissions.

We would welcome the opportunity to have representatives of liable entities in our industry discuss with staff of the Authority some of the challenges within the current reporting rules.

Audit requirements *(relevant to questions 11, 25, and 26 of the consultation paper)*

The Council acknowledges that quality and veracity of data is critical to energy and emissions-reduction policies and the Government and public need confidence that information is accurate.

However, these are not principles that are new or unique to this policy in Australia. We believe there are many examples in Australia and overseas where data quality and public confidence are ensured through arrangements that are simpler and less costly than those imposed under NGERs.

We recommend that the Authority particularly examine the requirements for audit, with a view to reducing the cost of audit while still maintaining data quality and integrity. Specific areas that warrant consideration include:

- Using limited assurance audits rather than reasonable assurance;
- Reducing the frequency of audits; and
- Self-assessment in some circumstances;

Streamlining NGERs with other programs *(relevant to question 8 of the consultation paper)*

The Council advises caution on attempts to streamline NGERs with other programs. There is often a mismatch of scope, purpose, audit requirements, and parameters in such situations and attempts to combine and streamline may result in more costly requirements from one program being applied to others.

Scope, Frequency and Publication (relevant to questions 2, 5, 13, 14, 19, 20, and 21 of the consultation paper)

We note the range of questions in the consultation paper inviting comments on the scope and frequency, of reporting requirements and publication of data. The Council believes that the current settings for these factors within NGRS are appropriate. Should the authority consider any increase in reporting or publication requirements we ask that full consideration be given to the cost – particularly noting that the costs are borne by the liable entities, not the Government or those seeking additional information.

Consultation on updates to the measurement determination (relevant to question 3 of the consultation paper)

The Council requests that consultation on future updates to the measurement determination allow sufficient time for liable entities to assess proposed changes and provide a considered response. On a previous occasion, only a week was allowed.

SAFEGUARD MECHANISM

Submission on changes to the Safeguard Mechanism (relevant to question 12 of the consultation paper)

We note that the Government is currently consulting on proposed changes to the Safeguard Mechanism to bring baselines up-to-date and to make it fairer and simpler. The Council has made a submission to that review. We ask that the Authority also consider that submission when undertaking this review.

Aims of the Safeguard Mechanism (relevant to question 12 of the consultation paper)

In the consultation paper the Authority correctly notes that objective of the Safeguard Mechanism is to “ensure facilities covered by it do not exceed their greenhouse gas emissions limits (known as baselines)” and to “ensure emissions reductions purchased under the Emissions Reduction Fund are not offset by significant increases in emissions above business as usual levels elsewhere in the economy”. The Authority also notes that the Safeguard Mechanism “was designed to allow businesses to continue normal operations while at the same time providing an incentive to keep their emissions below their baseline”.

We believe that the Safeguard Mechanism is currently meeting these objectives. We are aware of other views regarding the effectiveness of the Safeguard Mechanism but in most, if not all, cases they reflect a desire that the Safeguard Mechanism should be achieving a different objective.

We urge the Authority to separate the question of whether the Safeguard Mechanism is achieving its stated objective (we believe it is) from questions about future policy which are more appropriately dealt with in a different forum or process.

For example, some of the previous recommendations of the Authority, as noted in Section 3.6.1 of the consultation paper, are possible inputs to a discussion of future policy, but less relevant to assessments of the effectiveness of the Safeguard Mechanism as currently formulated.

International Competitiveness *(relevant to question 12 of the consultation paper)*

Perhaps the most crucial issue for industry under climate change policy is the impact on international competitiveness of differing policies and costs in competing countries.

The current structure of the Safeguard Mechanism minimises the competitiveness impact on Australian operations by applying baselines that “allow businesses to continue normal operations” without penalty.

If the Safeguard Mechanism was to be adjusted in any way that would impose additional costs on the normal operations of trade-exposed business, there should also be consideration of whether this will impact the international competitiveness of those businesses and, if so, whether any mitigating measure should also be applied to prevent carbon leakage.

Inherent emissions variability criteria *(relevant to question 12 of the consultation paper)*

The inherent emissions variability criteria within the Safeguard Mechanism currently take into account that in the resource sector emissions efficiencies can decrease over time, for example due to increasing haul distance to the processing plant. The current legislation removes the criteria in 2025. However the conditions that could lead to emissions variations of this type will persist. The Council requests the continuation of the inherent emissions variability criteria and the extension to production adjusted baseline determinations.

Production adjusted baselines *(relevant to question 12 of the consultation paper)*

The Council proposes that the Safeguard Mechanism be adjusted to allow a facility to move to a production adjusted baseline with site-specific production variables without first applying for a transitional calculated baseline. This would avoid the need for the expense of preparing and auditing production and emissions-intensity forecasts. This change would be as an additional flexibility mechanism in addition to those currently being consulted on by the Government.

Updating baselines for methodology changes *(relevant to question 15 of the consultation paper)*

The Council requests that the Safeguard Mechanism be amended to ensure that baselines (calculated baselines and default emission-intensity values) be updated in all instances when the oxidation factors, global warming potentials, default factors and/or emission calculation methods, etc., are updated within the National Greenhouse and Energy

Reporting (Measurement) Determination, 2008 (Cth), to ensure valid comparisons of emission levels to baselines.

Thank you again for the opportunity to comment on the Review of the National Greenhouse and Energy Reporting legislation. I am happy to provide further information on any of the issues raised in this letter.

Yours sincerely



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