

ClimateWorks Australia submission to the Climate Change Authority's Review of the National Greenhouse and Energy Reporting legislation.

CHAPTER 2 The NGERs scheme

Q. 1 Do the National Greenhouse and Energy Reporting scheme reporting thresholds balance coverage with administrative costs? Should thresholds be increased, decreased or kept as is?

The thresholds are appropriate at present – they are balanced between good coverage of emissions and avoiding administrative burden on businesses with relatively minor emissions. The data from the National Greenhouse and Energy Reporting system provides policy makers and researchers with the ability to analyse what is happening in a substantial portion of the Australian economy with respect to scope 1 and 2 emissions.

The information recorded at the facility level adds value for policy analysis as it allows consideration of how sectoral policy does or could affect emissions at a more granular level and hence assists with accuracy.

Q. 2 Should the scope of reporting under the National Greenhouse and Energy Reporting scheme be expanded or reduced e.g. to include or exclude certain greenhouse gases, emissions sources, inventory sectors or types of entities who report?

National Greenhouse and Energy Reporting scheme should reflect Australia's obligation under the UNFCCC and Paris Agreement and other relevant international agreements where possible – particularly as regards coverage of gases and inventory sectors. Reporting scope should therefore be amended when necessary to ensure good compatibility between NGERs data and that needed for Australia's international obligations.

The coverage of both Scope 1 and 2 remains important for understanding what is happening to Australia's emissions – especially as industry moves to a greater use of Power Purchase Agreements and on-site generation to source their electricity. In 2016, the industry and waste sectors were responsible for around 30 per cent of Australia's emissions without end usage of electricity and over 40 per cent including it (ClimateWorks 2018 based on government inventory and energy data). This gives an indication of the importance of understanding scope 2 emissions.

ClimateWorks is of the view that including agricultural emissions and LULUCF could add helpful additional information about these sources. Any such expansion should ensure it is compatible with the existing national system on LULUCF and avoids unnecessary additional burden on those reporting through the use of good systems and reporting tools.

ClimateWorks 2018 *Tracking Progress to net zero emissions*

<https://climateworks.com.au/sites/default/files/documents/publications/climateworksaustralia-tracking-progress-report-2018.pdf>

Q. 4 Are the methods for reporting emissions and energy in the measurement determination fit for purpose?

Methods 2, 3 and 4 which create more accurate estimates of emissions and therefore create data that is more useful for analysing how emissions and energy use are changing in the economy. The use of these methods should continue to be encouraged where feasible. ClimateWorks recognises that this use of more detailed methods for estimation needs to be balanced with the need to keep the administration requirements on companies at a reasonable level.

Q. 8 Are there opportunities to streamline emissions and energy reporting obligations under the National Greenhouse and Energy Reporting scheme and other programs?

Any efforts to streamline reporting obligations should be balanced with the importance of maintaining a robust source of granular data on emissions and on energy production and use.

Q. 9 How does the National Greenhouse and Energy Reporting scheme contribute to providing useful information for climate-related risk disclosure or other data users and are any enhancements to the reporting scheme desirable?

ClimateWorks recognises that there may be issues for perceived commercial confidentiality around the NGERs data, particularly at the facility level. However we also consider that emissions and energy use data is valuable for investors and broader stakeholders to understand the potential exposure to climate change transitions and associated risks. The Financial Stability Board's Taskforce on Climate-related Financial Disclosures recommended that disclosure of climate related risks should be a key priority for firms and investors around the world. The disclosure of greater levels of NGERs data would be helpful to ensure that these risks are properly priced into the market and support financial stability in light of climate change.

ClimateWorks has used NGERs data in the past in our work and we find it valuable to understand industry performance. Our use has included analysis that remained confidential because it used NGERs data that was not publicly available, but has significantly supported decision making by government departments and agencies.

From our experience of using NGERs data, ClimateWorks would find useful the following additions to NGERs data reporting requirements and to data released by the Clean Energy Regulator:

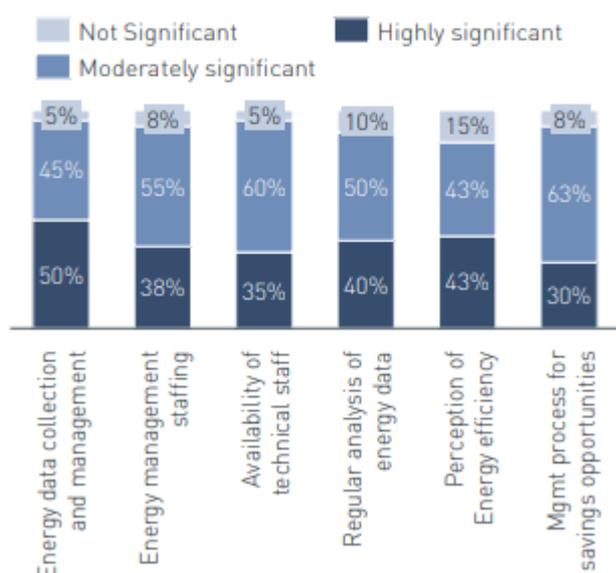
- An indication of emissions by sector and state
- An indication of the offsets purchased, and if they're domestic or international
- Energy type split in net energy consumed
- Listing the ANZSIC categorisation of the company

Q. 10 Is reporting of emissions and energy data meeting the needs of data users and inducing change in business operations? If so, how?

Any efforts to streamline reporting obligations should be balanced with the importance of maintaining a robust source of granular data on emissions and energy use for use in policy formation. It is also important to note that an obligation on companies to report energy data has been shown to improve their focus and action on energy efficiency.

In 2013, ClimateWorks interviewed 47 companies that comprised 70 per cent of energy use of large industrial companies. The companies reported that having systems in place to collect and manage energy data were significant in improving their energy efficiency. 50 per cent said that data collection and management was highly significant and a further 45 per cent said it was moderately significant. This was the most important internal practice for influencing past energy efficiency – see chart below.

Respondents' perception of the internal practices that have the strongest influence on their past energy efficiency activity (ranked by average impact score), % of respondents, top 6 answers (ClimateWorks team analysis)



ClimateWorks Australia 2013: *Tracking Progress towards a low carbon economy 6. Special Report on factors influencing large industrial energy efficiency July 2013*

https://climateworks.com.au/sites/default/files/documents/publications/climateworks_trackingprogress_specialreport_summary_july2013.pdf

CHAPTER 3 Safeguard Mechanism

Q. 12 Is the safeguard mechanism delivering on its objectives and fit for purpose?

The safeguard mechanism is meant to prevent increases in emissions in other parts of the Australian economy outweighing the reductions achieved by the crediting and purchasing elements of the Emissions Reduction Fund. However, emissions in most sectors of the economy have been increasing since 2013. According to the government inventory, there has been a small fall in electricity emissions but all other sectors that are covered by the Safeguard Mechanism have risen. This strongly suggests that the safeguard mechanism is not yet creating a sufficient limit on emissions - recognising that it differs in its coverage because of company and facility thresholds.

The safeguard mechanism is a major part of federal government policy to help meet Australia's international obligations under the Paris Agreement – along with crediting and purchasing elements of the Emissions Reduction Fund and the Renewable Energy Target. This policy suite has not yet put Australia on track to meet its commitments under the Paris Agreement. ClimateWorks analysis for *Tracking Progress* (ClimateWorks 2018 – referenced above) found that emissions would be at around 11 per cent below 2005 levels in 2030, if existing policy were retained and already proposed policy comes into force (including a 26 per cent reduction target for the National Electricity Market and vehicle fuel efficiency standards).

In ClimateWorks' view therefore, the safeguard mechanism is not currently fit for purpose. Although the safeguard mechanism creates a policy framework that has the potential to reduce Australia's emissions and meet our international obligations under the Paris Agreement, its settings are not yet correct for it to do so. In order for the safeguard mechanism to be effective it requires it to be

amended to move from static baselines to those that fit with a trajectory to a long-term emissions reduction target for covered emissions. In ClimateWorks view the mechanism should support Australia to move onto a pathway that reaches net zero emissions by 2050 or earlier.

Q. 15 Should the provision allowing baseline variations in response to a change in global warming potentials be extended to other changes that may occur in the measurement determination?

The data measured through NGERs should use rules and systems that are compatible with the rules and systems used to measure greenhouse gas emissions internationally – and therefore be in line with the rules used by the UNFCCC and the Montreal Protocol and other relevant agreements.

Q. 17 Should facilities be able to use the same emission reductions to meet safeguard mechanism and Emissions Reduction Fund contract obligations?

The way a facility meets these two obligations should avoid double counting of the reductions, otherwise it is not acting to prevent higher emissions in one part of the economy negating emissions improvements through the Emissions Reductions Fund.

CHAPTER 6 Governance and compliance

Q. 35 Are there any other matters relevant to this review you wish to raise?

As mentioned, federal government policy has not yet put Australia on track to meet its obligations under the Paris Agreement to contribute to limiting global warming and avoiding dangerous climate change. The government has committed to develop a long term emissions reduction strategy, as requested by the Paris Agreement, by 2020. This strategy should set a target for net zero emissions by 2050, which reflects goals set by states and territories covering over 80 per cent of Australia's emissions and review the safeguard mechanism so that it sets clear obligations for emissions reductions – and a flexibility for business to meet these obligations in a cost-effective manner. ClimateWorks research for *Tracking Progress*, updated from research in collaboration with ANU, CSIRO and CoPPs (ClimateWorks et al 2014), shows that Australia has opportunities to reduce emissions to net zero by 2050 and has three times as much emissions saving potential as needed to meet the current 2030 target. The safeguard mechanism has the ability to unlock this potential and provide much needed investment confidence and guidance for industry and investors.

ClimateWorks Australia, ANU, CSIRO and CoPS 2014, *Pathways to Deep Decarbonisation in 2050: How Australia can prosper in a low carbon world: Technical report*, ClimateWorks Australia https://climateworks.com.au/sites/default/files/documents/publications/climateworks_pdd2050_technicalreport_20140923.pdf