



11 April 2022

Mr Grant King
Chair
Climate Change Authority
51 Allara St
Canberra City ACT 2601

Dear Mr King

RE: Review of international offsets

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to respond to the Climate Change Authority's (CCA) Review of International Offsets consultation paper.

About Shell Energy in Australia

Shell Energy is Shell's renewables and energy solutions business in Australia, helping its customers to decarbonise and reduce their environmental footprint.

Shell Energy delivers business energy solutions and innovation across a portfolio of electricity, gas, environmental products and energy productivity for commercial and industrial customers, while our residential energy retailing business Powershop, acquired in 2022, serves more than 185,000 households and small business customers in Australia.

As the second largest electricity provider to commercial and industrial businesses in Australia¹, Shell Energy offers integrated solutions and market-leading² customer satisfaction, built on industry expertise and personalised relationships. The company's generation assets include 662 megawatts of gas-fired peaking power stations in Western Australia and Queensland, supporting the transition to renewables, and the 120 megawatt Gangarri solar energy development in Queensland.

Shell Energy Australia Pty Ltd and its subsidiaries trade as Shell Energy, while Powershop Australia Pty Ltd trades as Powershop. Further information about Shell Energy and our operations can be found on our website [here](#).

General comments

Shell Energy is pleased to offer a range of comments on the role of international offsets in Australia. As the CCA notes in its consultation paper, demand for offsets is growing as companies seek to meet emissions reduction targets and net zero ambitions.

Shell's global target is to become a net-zero emissions energy business by 2050, in step with society's progress in achieving the goal of the UN Paris Agreement on climate change.

¹By load, based on Shell Energy analysis of publicly available data.

² Utility Market Intelligence (UMI) survey of large commercial and industrial electricity customers of major electricity retailers, including ERM Power (now known as Shell Energy) by independent research company NTF Group in 2011-2021.



In October 2021 Shell set a global target to reduce absolute emissions by 50% by 2030, compared to 2016 levels on a net basis. This covers all emissions in Scope 1, which come directly from our operations, and in Scope 2, from the energy we buy to run our operations, under our operational control.

Becoming a net-zero emissions energy business means that we are reducing emissions from our operations, and from the fuels and other energy products we sell to our customers. It also means capturing and storing any remaining emissions using technology or balancing them with offsets. Shell supports the use of the best quality nature-based offsets to compensate for hard-to-abate emissions.

Shell Energy supports the use of international credits in Australia, and between other jurisdictions where carbon pricing exists, provided the credits are of comparable environmental integrity to domestic credits and provided there are appropriate limits on the quantity of international credits. We see that a reasonable limit on the use of international offsets should apply in order to allow access to international offsets while also ensuring that a robust market for domestic offsets can develop.

Setting a limit on the use of international offsets in Australia ensures that there are still incentives to engage in emissions reduction activities within Australia and to develop a domestic market for offsets. It also helps to ensure that Australia is not entirely susceptible to price fluctuations in international markets.

In terms of taking into account non-carbon benefits and avoiding adverse impacts, we support the use of the 'Climate, Community & Biodiversity' (CCB) standard. The CCB Standards assess projects not only for their climate change benefits, but also for other positive social and environmental impacts, including the protection of biodiversity. Developing an equivalent standard for Australia could create a clear signal that recognises the co-benefits of domestic offset projects.

The CCA asks whether the criteria for accepting emissions offsets should apply at a scheme level, by classes of units or project types, or at an individual project level. To assist market efficiency and liquidity, Shell Energy considers criteria should apply at a scheme level or by classes of units, or potentially project types, but not at a level of individual projects. Formal or informal attributes of market design which reduce the fungibility of units lead to reduced liquidity in the market and inhibit the market from functioning efficiently and effectively as a mechanism to provide price signals and drive environmental outcomes.

Shell Energy considers that the vintage of units should not be relevant to their use as offsets provided that the vintage is 2013 or later. This aligns with the beginning of the second Kyoto commitment period. This also aligns with the ability for Clean Development Mechanism (CDM) units to be used to meet first Nationally Determined Contributions (NDCs) under the Paris Agreement.

However, Shell Energy does not support the continued use of Certified Emissions Reductions (CERs) from projects registered under the Clean Development Mechanism (CDM) in Australia. These should be phased out over a reasonable period to ensure that higher quality offsets are being used and allow those currently using CERs to source alternative offsets. As the CCA establishes in the consultation paper, CERs do not meet the definition of an internationally transferred mitigation obligation (ITMO), which must represent mitigation from 2021 onwards. The continued use of CERs in Australia would allow for cheap, but low quality and risky offsets to be used, distorting the market for high-quality offsets or domestic action.

For more detail on this submission, please contact Ben Pryor (ben.pryor@shellenergy.com.au or 0437 305 547).

Yours sincerely

[signed]

Libby Hawker
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