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Submissions
Climate Change Authority
GPO Box 787
Canberra

By email to: submissions@climatechangeauthority.gov.au

Dear Sir/Madam

NAB SUBMISSION TO REVIEW OF THE NATIONAL GREENHOUSE AND ENERGY REPORTING LEGISLATION

National Australia Bank (NAB) welcomes the opportunity to provide a submission to the Climate Change Authority's (the Authority) review of the National Greenhouse and Energy Reporting (NGER) legislation.

Background

NAB provides a comprehensive and integrated range of financial products and services to both retail and corporate customers. We provide, among other things, retail and business banking services, wealth management services, custodian and insurance services, and debt, risk management and other investment products for corporate and institutional customers.

In Australia we operate a portfolio of just under 1000 buildings, including approximately 40 commercial buildings, with the remainder being bank branches, business banking centres and ATMs. We are covered by, and have been reporting under, the NGER scheme. We remain proud to have contributed to development of the NGER regulations in 2008.

We believe climate change is one of the most significant environmental, social and economic challenges facing governments, businesses and communities today and that businesses have an important role to play in addressing the issue of climate change. To this end, since 2004 we have been publicly reporting on our environment performance through an externally verified Sustainability Report. We have a robust Environmental Reporting and Offsets Management Policy which applies across our business. Additionally, in 2010 we were the first Australian-owned bank to become carbon neutral.

Internationally we participate in a number of working groups as part of our membership of the United Nations Environment Programme Finance Initiative (UNEP FI). In particular, we are participating in a UNEP FI pilot project with 15 other UNEP FI member banks to test recommendations made by the Financial Stability Board's (FSB) Taskforce on Climate-related Financial Disclosures (TCFD).

Overall Comment

We commend the Authority for undertaking this review and agree that it is timely now that the reporting scheme has been in operation for ten years. Overall, we believe the scheme has proved itself to be an effective and easy-to-use means for measuring and reporting greenhouse gas emissions and energy production and use. Based on our experience with similar reporting schemes in other international jurisdictions, we believe that Australia's reporting scheme is the benchmark in terms of utility, ease-of-use, and effectiveness in how emissions and energy are being managed throughout the economy. We also commend the Clean Energy Regulator for its practical approach to audits, in particular the availability of

quality accredited auditors, and for diligence in providing updated guidance, training and support. We make these comments as both a reporter under the scheme, and as a user of the published data.

Noting that the scheme has now been in operation for a decade, we believe there are some improvements that could be made to increase the effectiveness of the scheme. Firstly, there may be merit in the Authority exploring opportunities to expand the scope of reporting to other sectors. This would likely require consideration of suitable methodologies to support inclusion of other sectors. There may also be merit in reducing the threshold to capture an increased number of companies and associated greenhouse gas emissions. Lastly, expanding the set of Scope 3 factors available would assist Australian companies with voluntary reporting of Scope 3 greenhouse gas emissions. This would also be of great benefit to users of the data, like NAB, particularly as the need for quality data increases in coming years to support policy settings, modelling and decisions.

Responses to Consultation Questions

Annexed below are NAB's responses to the specific questions posed by the Authority in the discussion paper. Noting that we are not subject to the safeguard mechanism we have only provided responses to the questions for which we are in a position to respond.

Supporting the NGER scheme in Australia is important to NAB and we commend the consultation taking place. We look forward to continuing the dialogue with the Authority.

Should you wish to discuss this submission further, please contact Tomm Ben-David, Associate Director, Government Affairs and Public Policy at tomm.ben-david@nab.com.au or 0436 603 395.

Sincerely,



Andrew Lyon
General Manager Group Compliance

Att: NAB Responses to Consultation Questions (September 2018).



SUBMISSION TO NATIONAL GREENHOUSE AND ENERGY REPORTING LEGISLATION REVIEW

Responses to Consultation Questions

Question 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?

As a user of the information published by the scheme, we believe that thresholds should be kept as is, or otherwise decreased to capture a greater segment of Australia's non-safeguard reporting companies and emissions. This will help better inform policy making and assist government programs and activities.

Additionally, it will also inform the finance sector, and others, that are implementing the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). NGER provides a credible public source of emissions data available which can be used for understanding the impact of transition risk. The usefulness of this information would be increased by greater coverage.

Question 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?

The reporting scheme has been in operation for a decade and reporting entities have now had sufficient time to gain comfort with the system and incorporate it into business-as-usual practice. We believe there would now be benefit in expanding the scope of the scheme to cover emissions sourced from other sectors, including Land-Use Change and Forestry inventory sectors, notwithstanding that most farms would be below the reporting threshold. If so, the Authority would need to consider and provide guidance on appropriate methodologies. Over 60% of Australia's emissions were reported under the scheme in 2016-17. We would not like to see the proportion of reported emissions fall below this level due to a need for this information to be available for consideration as part of climate-related risk analysis for both policymakers and the finance sector.

We believe the industry coverage could also be expanded. While some industry sectors currently have a large number of facilities covered by the reporting scheme, other sectors, such as ours, have fewer facilities captured. For example, at NAB we have large HVAC units that based on size would ordinarily be reportable under the scheme, however we are not one of the sectors required to report on these gases. In this case, there may be scope in expanding the industry covered to capture fugitive emissions resulting from refrigeration or cooling systems which are not currently reportable, noting that this would be useful from a user of the published information's perspective.

Question 3: Do you have any feedback on the annual policy and consultation process to update the measurement determination?

As we use the standard emissions factors and do not require any specific emissions calculation methodologies for calculating our greenhouse gas (GHG) emissions, we have not participated in the annual policy and consultation process to update the measurement determination and as such we are not in a position to provide feedback.

Question 4: Are the methods for reporting emissions and energy in the measurement determination fit for purpose?

From the perspective of an entity that uses the standard emissions factors provided in the measurement determination, we feel it is fit for purpose.

However, we would like to take this opportunity to provide additional comment with respect to Scope 3 emissions factors provided in the National Greenhouse Accounts Factors. We believe improvements could be made by expanding the set of Scope 3 factors available to assist Australian companies with voluntary reporting of Scope 3 GHG emissions and would encourage the Authority to do so.

Question 5: Does the frequency and timing for reporting cause any particular issues for companies?

We support the frequency and timing for reporting as currently established and maintain that changes are not required in this respect. Ensuring timing of reporting is not in sync with year-end allows us to comply with reporting requirements in a timely and data accurate manner. We would not want to see the time frames contract in any way.

Question 6: Is the Emissions and Energy Reporting System tool easy to use and fit for purpose?

We commend the Authority for the progressive improvements to the tool that have been made over the last few years. Removing the requirement to upload spreadsheets in particular is a welcomed improvement. Overall, the tool is easy to use and fit for purpose.

We would suggest adding additional decimal places to allow greater fidelity in reporting, and prevent variances.

We would also suggest exploring the inclusion of additional functionality to allow bulk / batch processing rather than needing to use the tool entry-by-entry and state-by-state.

Question 7: Are there emissions and energy data that companies would like to report through the Emissions and Energy Reporting System but are currently unable to? Would the development of a voluntary tool be useful for this information?

As noted above, we would support expanding to include Scope 3 emissions. Having this additional data centralised would be beneficial for National Carbon Offset Standard (NCOS) reporting.

The development of a voluntary tool would be useful and if available we would investigate the possibility of using it. If this is the case, we suggest that if companies opt in to provide voluntary reporting they be required to do so in the same manner as mandatory reporting

entities. We would also suggest a different system so that companies reporting under NGER could chose to import their data from the Emissions and Energy Reporting System into the voluntary tool for something like NCOS reporting.

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

Incorporating National Pollutant Inventory (NPI) reporting for the associated gases into the scheme represents an opportunity to streamline reporting obligations, noting that the inputs are quite similar, and that we currently use the NPI tool to calculate the output. If information entered into Emissions and Energy Reporting System for NGER reporting could be passed directly to the NPI tool it would improve reporting efficiency.

Additionally, we note that we are frequently asked to participate in Australian Bureau of Statistics (ABS) surveys which collect emissions data. While occasionally this relates to sectors not covered by NGER, where data is already available we believe there would be merit in this data being provided by the Authority to ABS directly under a memorandum of understanding.

Question 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?

NGER reporting provides a credible public source of GHG emissions and energy data which can be used for understanding the impact of transition risk on companies and designated energy generation facilities. The usefulness of this information would be increased by greater coverage.

We also use NGER information in our calculation of lending portfolio emissions for energy generation facilities to which we provide project finance in Australia. It would be useful if GHG emissions data on every energy generation facility was available through NGER, not just the designated energy generation facilities.

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

Reporting of emissions and energy data is useful for NAB as a financial institution as it helps us understand elements of climate-risk associated with reporting entities to which we provide finance. It would be helpful if this coverage continued to expand over time.

Question 11: Are there learnings from international emissions and energy reporting schemes that could be applied in Australia?

From a user perspective with experience using international systems, we believe Australia leads the way in emissions and energy reporting, and Australia's system is best-in-class.

Question 12: Is the safeguard mechanism delivering on its objectives and fit for purpose?

We are not captured by the safeguard mechanism, and as such we are not in a position to provide feedback.

Question 13: Are the emissions thresholds under the safeguard mechanism efficient and effective or should they be changed so more or fewer emissions are covered?

We are not captured by the safeguard mechanism, and as such we are not in a position to provide feedback.

Question 14: Should the scope of the safeguard mechanism be expanded or reduced if changes are made to the emissions and energy reporting scheme?

If there is a decrease made to the reporting thresholds, then the safeguards mechanisms should be expanded to cover more than 60% of Australia's emissions.

Question 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?

We are not captured by the safeguard mechanism, and as such we are not in a position to provide feedback. However, if we were captured, we would want an opportunity to reassess our baseline on divestment or acquisition.

Question 16: Is the single reporting rule for transport fit for purpose?

We are not captured by the single reporting rule for transport, and as such we are not in a position to provide feedback.

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

We believe that facilities should not be able to use the same emission reductions to meet safeguard mechanism and Emissions Reduction Fund (ERF) contract obligations. Allowing emission reductions to meet both ERF contract obligations and safeguard mechanism requirements is double counting and contrary to the additionality requirements for voluntary carbon offsets.

Question 18: What actions are facilities taking to meet safeguard mechanism obligations and are the options available to facilities to manage their excess emissions effective and efficient?

We are not captured by the safeguard mechanism, and as such we are not in a position to provide feedback.

Question 19: Are the publication thresholds set at the right level?

As a user of the data, we do not believe there is any merit in having publication thresholds. If a company reports under the scheme then the data should be published and made available.

Question 20: Are any changes required to the data reported, when it is published or how it is published?

As a user of the data, we would welcome publication as early as possible, no later than the current publication dates.

Question 21: Do the rules for data publication and sharing balance the public interest with commercial or other interests or should they be changed?

We believe there is significant public interest in the data, and the rules should promote maximising publication and sharing. This is becoming more important given the recommendations of the TCFD.

Question 22: Are the processes in place for accessing National Greenhouse and Energy Reporting data efficient and user-friendly?

We believe the processes in place for accessing NGER data are as efficient and user-friendly as possible, and indeed best-in-class when compared to international equivalents. We note that in NAB's experience, published NGER data is accessed on the CER website both by bankers and our ESG/environmental specialists, with equal effectiveness.

Question 23: How do you access and use emissions and energy data published or shared under the National Greenhouse and Energy Reporting legislation and are any improvements required?

We use emissions and energy data published under the scheme. Ordinarily we access the CER website and download the excel spreadsheets. We use this data (i) for individual customer ESG risk assessments – which are part of due diligence and credit risk assessment processes; and (ii) when undertaking analysis of the GHG emissions associated with specific parts of our lending portfolio including GHG emissions from the power generation facilities we finance in Australia.

Question 24: How should the National Greenhouse and Energy Reporting scheme evolve over time to support changing data needs?

We believe the scheme as currently established has become standard and part of business-as-usual practice for users and reporting entities alike. We do not believe there is need for the scheme to evolve significantly. We do however note that our data needs are increasing over time, and as a user of the data we would benefit from increased coverage of the Scope 1 and 2 GHG emissions produced by Australian organisations, as well as a central repository for voluntary reporting of Scope 1, 2 and 3 data in future.

Question 25: Is the audit framework in the National Greenhouse and Energy Reporting legislation effective and efficient at ensuring compliance?

We believe that the audit framework is indeed effective and efficient at ensuring compliance. In particular, having access to accredited auditors who can confirm compliance is a useful element of the scheme. This is particularly so where an audit is initiated by the Clean Energy Regulator, and the process is therefore seamless.

Question 26: Are there opportunities for improving the audit framework such as reducing the cost of audits or making the audits more effective?

We welcome efforts to reduce the cost of audits and making them more effective.

Question 27: What other government or non-government programs use the National Greenhouse and Energy Reporting audit framework?

We have no comment to provide in respect of this question.

Question 28 Do the requirements for auditors effectively balance the cost and quality of audits?

We believe the requirements for auditors effectively balance the cost and quality of audits. We have our data externally assured as part of our due diligence on behalf of the CEO and Board and to give comfort to our stakeholders regarding the credibility and reliability of our data.

Question 29: Are there enough quality auditors available?

We understand there are approximately 102 auditors currently available. If the reporting threshold is reduced or the scope of NGER changed and more companies are therefore required to report, we would expect there could be pressure placed on the existing pool of auditors. In this case, we would think the Authority would need to encourage an increase in the number of available auditors.

Question 30: Is the guidance provided by the Clean Energy Regulator on its website, and through other channels such as by phone or email helpful in complying with National Greenhouse and Energy Reporting legislation obligations? How (if at all) could it be improved?

We commend the Clean Energy Regulator (CER) for diligence in providing annual training and regularly updating guidance. Technical guidelines are indeed useful to support reporting and selection of the methodologies used for data collection and reporting. We suggest that when such guidelines are updated, reporting entities be notified by email circular.

While we have been impressed with the professional, responsive and knowledgeable support of operators on the telephone helpline, support could be improved through the provision of a client manager, as provided in the past in such programs like the Energy Efficiency Opportunities program.

Question 31: Does the timing of obligations for National Greenhouse and Energy Reporting and the safeguard mechanism allow sufficient time to meet the obligations?

While we are not subject to the safeguard mechanism, the timing of obligations for reporting (four months) does allow sufficient time to meet the obligations. We would not support a reduction in this.

Question 32: Does the Clean Energy Regulator have sufficient powers to encourage compliance with the National Greenhouse and Energy Reporting legislation?

We believe that the CER does have sufficient enforcement powers to encourage compliance. We believe what is important is for the CER to follow up with companies when the data as required or it is found to be inaccurate via audit. As more companies use the reported data, if the CER identifies issues with data, it is important that this is made known to

users of the information or withheld from publication so data users do not use inaccurate data.

Question 33: What has been your experience of any compliance or enforcement activities by the Clean Energy Regulator?

We have been subject to a CER-initiated audit, as part of its audit program. As noted above, we had already engaged an accredited auditor to ensure our data submitted for NGER was independently reviewed, and as part of the regulator-initiated audit we provided the auditor's report. The process was effective and efficient and our experience entirely positive.

Question 34: Are there any opportunities for improvements in the Clean Energy Regulator's decision making and review process?

We have no concerns with our experience with the decision making and review process of the CER, though we note that we use emission factors that are standard.

Question 35: Are there any other matters relevant to this review you wish to raise?

We are keen to understand how the CER identifies companies that should be reporting under the scheme but have not yet commenced reporting.