

AIGN Feedback on the National Greenhouse and Energy Reporting Scheme update consultation (April 2023)

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1 INTRODUCTION

AIGN welcomes the opportunity to provide feedback to the Department of Climate Change, Energy, the Environment and Water (the Department) on the updates currently being contemplated to the National Greenhouse and Energy Reporting Scheme (NGERS).

AIGN is a network of industry associations and individual businesses which contribute to the climate change policy discussion and see value in joint industry action on climate change to promote sustainable development.

In considering this submission, the Department should note AIGN's broad membership base; this submission should be read alongside any feedback provided by AIGN members.

2 BACKGROUND

AIGN members represent a substantial portion of NGERS liable entities and have a strong track record of compliance.

Since the enactment of the legislation in 2007, AIGN members have invested considerable resources, including internal capacity and support services (e.g. consulting, external auditing), and building expertise to manage the implementation of compliance requirements (e.g. emissions databases, appointment and training of personnel).

As such, AIGN members are well placed to provide feedback on the impact of NGERS reporting requirements on the day-to-day operation of liable entities, as well as a considered view as to any envisaged changes and additions to mandatory reporting.

Several AIGN members are providing their own detailed submissions to this process. AIGN, due to its nature, is providing more general feedback in support of the more comprehensive expert feedback supplied by our members.

It is important that the policy intent is realised in the implementation, and AIGN supports thorough and

detailed consultations to be carried out with stakeholders on changes to NGERS implementation. It is particularly important to heed the input of users, including AIGN corporate members, as changes are contemplated.

2.1 Commitment to streamlined national reporting

A central tenet of AIGN's long-standing policy principles is the implementation of streamlined, efficient and effective policy. This includes greenhouse gas emissions reporting.

AIGN members actively supported the implementation of centralised, streamlined national emissions reporting – which ultimately led to the introduction of NGERS.

Prior to NGERS, AIGN members were active contributors to the Greenhouse Challenge and Greenhouse Challenge Plus voluntary reporting programs. AIGN places a high value on credible reporting as a crucial foundation of effective emissions policy, and an indispensable source of knowledge to inform our engagement in climate change mitigation at domestic and global levels.

3 FEEDBACK ON PROPOSED CHANGES

3.1 Implementation timing

AIGN notes that parts of this consultation process feel unnecessarily rushed, and that a 1 July 2023 implementation date is too ambitious for the full package of proposed amendments.

A notable exception to this is the proposed changes relating to the addition of new biofuels, which have been discussed in some detail, and whose implementation on 1 July 2023 is supported by several AIGN members (see section 3.4 for further detail).

Some proposals in the consultation paper are extremely detailed and have not yet been exposed to much, if any, stakeholder feedback and consultation.

This includes the market-based method for scope 2 emissions.

Implementing new approaches without adequate consultation risks creating difficulties due to unintended consequences.

Introducing changes to NGERS (even if initially on a voluntary basis) without taking the time for due consideration risks undermining the quality and integrity of the scheme and could set an undesirable precedent for allowing rushed and possibly ill-considered amendments.

Unless the Department has a robust justification for adhering to this tight implementation timeline, AIGN strongly supports taking the necessary time for more detailed consultations on these proposed changes by moving the implementation date to 1 July 2024.

3.2 Market-based method for scope 2 emissions

The consultation documents contain detailed technical content on a market-based method for scope 2 emissions. Despite the optionality of this proposed method, several AIGN members have expressed concern with the short consultation period, and the lack of consultation leading up to the detailed design before the Department proposes to implement this method. Some AIGN members do not feel that they fully understand the purpose for pushing for this method so urgently at this time.

Additionally, there is some concern that the method still needs stress testing for soundness and technical correctness. The consultation timeframe does not allow enough time for these concerns to be adequately addressed.

3.2.1 Residual mix factors

The use of a national residual mix factor (RMF) is not universally supported, as it gives inaccurate and skewed results, particularly in the states/territories with the highest and lowest renewable electricity generation.

Additionally, corporate dual electricity reporting would not be on a comparable and equivalent basis, as these are completed using location-based factors.

AIGN suggests state and territory-based RMFs should be provided, similar to location-based factors available under NGERS. These would allow for quality and comparability of reporting, much better than a national factor.

A key purpose of a market-based approach is to reflect commercial choices and the resulting differences these may make to inventory. This purpose would be better served by providing state and territory-based RMFs.

Where the facility purchasing electricity is not one of the primary electricity grids, the formula for calculating market-based scope 2 emissions should allow the facility to use a factor provided by the supplier for the local electricity generation grid.

Other technical issues with the calculation method have also been raised and will be detailed in AIGN members' submissions.

3.3 Alignment with GHG Protocol

The GHG Protocol Corporate Accounting Standards allow for the removal of double-counting of scope 2 emissions when they are reported as scope 1 emissions elsewhere within an inventory. Examples include gross and net energy consumption within a facility, and when a facility within a controlling corporation reports scope 1 emissions from generating electricity that is consumed at a second facility within the same controlling corporation. When facilities are aggregated in a corporate level report, this leads to double-counting, which should be addressed. A net scope 2 emission value for corporate aggregate reporting could be considered before market-based reporting is incorporated into NGERS.

3.4 Provisions for addition of new biofuels

As discussed in section 3.1, several AIGN members welcome the implementation of the proposed changes that relate to the addition of new biofuels on

1 July 2023, as opposed to other proposals including the market-based method for scope 2 emissions.

The addition of new biofuels has strong support. AIGN notes that a significant outstanding element still to be resolved, both for new biofuels and for biomethane (added last year), is the application of location-based accounting.

In many cases, biofuel distribution sees the fuels comingled with their fossil fuel alternative, often via shared infrastructure. Once biofuels and fossil fuels are mixed it is not possible to track actual molecules, despite the fuel mix proportions being known at the point of comingling.

AIGN supports the urgent development of a solution to this issue. The Safeguard Mechanism would certainly benefit from a method to recognise and incentivise the use of lower emissions fuel mixes. A market-based or mass-balanced accounting approach is needed to reflect the emissions reduction benefit associated with the purchase and/or use of biofuels.

4 CONCLUSION

Thank you for the opportunity to provide input to the Department's consideration of the proposed changes to NGERS.

AIGN recognises that this legislation is an important and effective component of the Australian Government's approach to climate change management and its obligations under the Paris Agreement.

AIGN's position on climate change and energy policy is underpinned by our principles, which have been the basis of AIGN's contributions to the climate change policy discussion for many years (available on our website: www.aign.net.au).

AIGN welcomes future opportunities to engage with the Department.
