



AUSTRALIAN  
INDUSTRY  
GREENHOUSE  
NETWORK

**Feedback on the  
National Greenhouse and Energy  
Reporting Scheme 2024  
proposed amendments  
(May 2024)**

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## 1 INTRODUCTION

AIGN welcomes the opportunity to contribute 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).

## 2 ABOUT AIGN

The [Australian Industry Greenhouse Network](#) (AIGN) is a network of industry associations and individual businesses.

AIGN provides a forum for discussion on key climate change issues, offering information and analysis in the consideration of national and international climate change policy and the role industry can play in the transition to net-zero emissions by 2050.

AIGN supports an evidence and principles-based approach to climate policy development that prioritises environmental and social integrity, and economic efficiency; focuses on developing enduring policies; delivers broad coverage; and creates an environment in which Australia's trade competitiveness is supported.

AIGN has a broad membership base with a range of expertise in various sectors of the economy. In conjunction with this submission, the Department should consider submissions made by individual AIGN members.

## 3 CONTEXT

AIGN members represent a substantial portion of NGERS liable entities and have a 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, measurement, reporting, and verification/auditing), and building expertise to

manage the implementation of compliance requirements (e.g. emissions databases, and the 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.

The policy intent must be 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 understand and address the input of users, including AIGN corporate members, as changes are contemplated.

### 3.1 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.

Before the introduction of the nationally streamlined approach to reporting under NGERS, AIGN members were active contributors to the Greenhouse Challenge and subsequent Greenhouse Challenge Plus voluntary reporting programs.

AIGN places a high value on credible reporting as a crucial foundation of effective emissions abatement policy, and an indispensable source of knowledge to inform our engagement in climate change mitigation at domestic and global levels.

### 3.2 Supporting scheme integrity

The NGERS legislation was introduced in 2007 and it is an internationally regarded reporting scheme with broad scope and coverage.

NGERS is comprehensive of greenhouse gas species:

- carbon dioxide (CO<sub>2</sub>)
- methane (CH<sub>4</sub>)
- nitrous oxide (N<sub>2</sub>O)
- Chlorofluorocarbons (CFCs)
- Hydrofluorocarbons (HFCs)
- Sulphur hexafluorides (SF<sub>6</sub>s)

Facilities with emissions in excess of 25ktCO<sub>2</sub>-e are required to report:

- energy produced
- energy consumed
- Scope-1 emissions
- Scope-2 emissions

NGERS was carefully designed to meet greenhouse and energy reporting requirements, and it is designed to enable continuous review and improvement (e.g. measurement determination process).

Maintaining integrity and confidence in Australia's greenhouse gas emissions inventories is important – National Greenhouse Gas Inventory and NGERS. Central to this are the embedded review processes and vocal recognition of, and support for, NGERS from the Government, and Departments, Authorities, and Agencies.

### 3.2.1 Method-1

AIGN's members support the retention of Method-1 as inherently reasonable and appropriate for some emission sources.

The Climate Change Authority's (CCA) NGERS 2023 report highlighted a perceived risk of systemic underreporting through the application of NGER Method-1 for some sectors. However, some have challenged this blanket perception, noting that the data largely used to infer this may apply specifically to a coal case study.

It is evident that further work is required to ground-truth these emissions factors, and the use of remote sensing (top-down) and direct measurement (bottom-up) independent science-based techniques could be applied to provide further confidence in Method-1 data.

When NGERS was introduced, Method-1 emission factors were developed to capture measurement methods for emissions from hard-to-measure sources (e.g. where measurement was either prohibitively costly to install, unsafe, inaccurate – like for high and low flow sources, etc.). It was acknowledged that these emission factors would be less accurate than direct measurement, so a conservative (higher than measured) industry-wide average factor was applied for Method-1.

This was intended to incentivise the adoption of higher order methods where practicable (which would result in lowering facility emissions due to the conservative nature of the factor) and provide confidence that emissions reporting applying Method-1 would be more likely to be overstated than understated when compared to a direct measurement from the same source.

It is important to the integrity of the scheme that this continues to be verified and adjusted, if necessary, e.g. through the annual measurement determination process.

In cases where Method-1 is thought to inadequately represent actual emissions, AIGN supports quantifying this and improving the specific assumptions inherent in Method-1, rather than removing Method-1 optionality altogether. Changes to underlying assumptions should be based on objective data-based evaluation of Method-1 performance relative to other credible, verifiable data.

## 3.3 Supportive implementation

AIGN promotes an approach founded on detailed consultation and considered implementation in the regular updates to NGERS legislation.

AIGN recognises the importance of maintaining a rigorous emissions reporting system to underpin the climate policy suite. Updates to NGERS should be designed and implemented in a way that supports reporting entities.

### 3.3.2 Materiality

Updates and changes to NGERs should be carefully examined for the overall improvement in emissions reporting they would give effect to. This should be considered against the cost of implementing and administering these changes.

Ultimately, changes to NGERs should result in material improvements to emissions reporting with practically and financially reasonable measurement, reporting, and assurance obligations.

### 3.3.3 Flexibility

As entities adapt to new reporting obligations, they need to be afforded reasonable flexibility to smoothly transition away from previous measurement or reporting methods.

Consideration should be given to factors such as the cost of installing new equipment to facilitate updated measurement methods, or how updates could be incorporated into normal operation (e.g. undertaking significant work within standard maintenance schedules).

The Clean Energy Regulator should be empowered to work with liable entities to support them in adjusting to new obligations (timelines, etc.).

### 3.3.4 Transparency

AIGN supports transparent reporting of NGERs data, as well as reasonable measures to increase transparency of reporting.

Any additional transparency measures should be applied equally across all reporting facilities to ensure fairness and integrity.

If targeted transparency measures are considered necessary, they must be based on defensible, evidence-based arguments. For example, increased transparency on the reporting of methane emissions should be applied to all facilities, unless a valid case for limiting this to a subset of facilities can be made based on data for all sectors that report methane emissions.

## 4 FEEDBACK ON PROPOSED CHANGES

Several AIGN members are providing their detailed submissions to this consultation. AIGN is providing general feedback in support of the more comprehensive expert feedback supplied by our members.

### 4.1 Provisions for fugitive methane emissions from coal mining

AIGN members report that Safeguard Mechanism liabilities for open-cut coal mines may change as a result of new requirements mandating a change in methane and carbon dioxide calculation methods from Method-1 to Method-2.

It is therefore important to allow site-specific baselines to be recalculated. A provision for this is included in the *National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015* (sections 26 – 28). The Regulator has the discretion to carry out such recalculations. This gives rise to potential uncertainty about how facilities will be affected by being required to move to a different calculation method for methane and carbon dioxide calculations.

If this mandated change is implemented, AIGN supports symmetry in the treatment of all affected facilities during this change in method, as well as adequate notice for the removal of a method.

Depending on the complexity of the change to the calculation method, facilities may need time to collect, analyse, and audit relevant data.

The objective of NGERs is ultimately not to prescribe the data measurement method but rather to have a consistent and accurate measurement approach. If it is determined that Method-1 emission factors are not appropriate for the emission source, then absolutely the factors should be adjusted based on independent proven science, rather than simply removing the calculation method (see section 2.2.1).

## 4.2 Market-based estimates of Scope-1 emissions for renewable liquid fuels

The use of renewable fuels is a key pathway for the decarbonisation of some industries and resource emissions and should be recognised in NGERS and the Safeguard Mechanism.

AIGN welcomes the proposal to introduce a market-based approach for determining Scope-1 emissions from the consumption of renewable aviation kerosene and renewable diesel after being comingled with fossil fuel equivalents and delivered via shared infrastructure.

This is an important step to enable purchasers of low-carbon fuels to realise the associated emissions reduction benefit.

AIGN welcomes plans to enhance this provision over time to include other fuel types, and to introduce renewable fuel certificates.

Similar methods should be developed for biomethane; renewable propane and butane as well as naphtha, which will be produced in the manufacture of renewable aviation kerosene and renewable diesel, should also be included. These drop-in replacement fuels present considerable decarbonisation opportunities for some AIGN members.

The boundaries of shared infrastructure systems must be clearly and pragmatically defined to give full effect to this update.

Sufficient flexibility to enable the transportation, delivery, storage, and dispensing of blended fuels should be provided.

AIGN members possess essential expertise and would welcome opportunities for close engagement with the Department and/or the Regulator to develop the necessary detailed rules.

## 4.3 Estimating natural gas fugitive emissions

AIGN notes that the change to estimating natural gas fugitive emissions supports the recommendations of the Climate Change Authority's 2023 NGERS review.

AIGN members would like further guidance from the Department and the Regulator around uncertainty calculations. In particular, worked examples are very helpful.

For some members, reporting on uncertainty will be a complicated and potentially problematic aspect of moving from Method-1 to another method.

## 4.4 Estimating Scope-2 emissions from electricity consumption

AIGN notes that an optional, supplementary market-based method for calculating emissions associated with electricity consumption (Scope-2 emissions) was introduced in 2023.

This method uses a residual mix factor (RMF) to adjust emissions from electricity emissions for the renewable generation associated with Large-Scale Generation Certificates.

When the Department consulted on the market-based method, some AIGN members requested the use of state and territory or grid-based RMFs similar to the location-based factors under NGERS, to better reflect the significant differences between the emissions intensity of generation in different locations.

AIGN notes the Department's proposal to disaggregate the existing national-based RMF by state and territory.

AIGN understands that this is a complex matter with different views expressed by a range of stakeholders.

A number of matters remain to be addressed, including:

- Providing clarity around attribution across the Renewable Energy Target, the proposed Renewable Energy Guarantee of Origin Scheme, and the Greenhouse Gas Protocol
- Temporal matching of RMFs to provide an incentive for measures such as daytime electric vehicle charging, powering down ancillary equipment overnight, and flexing demand to support the grid (for baseload customers)
- Adopting a generation-only approach to emissions in market- and location-based electricity intensity factors, so that RMFs are not calculated to include emissions that are not recognised as covered scope 1 emissions under NGERS (e.g. methane from organic matter decomposition). This would be consistent with standard accounting practice for RMFs relating to the fuels and energy consumed in electricity production.

These and other relevant matters should be addressed to support reporting clarity and transparency.

The Government has proposed to make market-based accounting for Scope-2 emissions mandatory from 2027, under the Climate-Related Financial Disclosure framework (currently being developed by the Treasury). AIGN recommends that instead, reporting entities should retain the flexibility to report under either or both methods.

## 4.5 Other amendments

### 4.5.1 Emissions overlap estimates for corporations

AIGN welcomes the inclusion of a method to recognise the potential overlap of Scope-1 and Scope-2 emissions of corporations.

This will help align NGERS reporting with the GHG Protocol Corporate Accounting Standard, which allows for the removal of double counting of scope 2 emissions.

This currently occurs when a facility within a controlling corporation reports Scope-1 emissions from generating electricity, which a second facility within the same controlling corporation consumes. This can lead to double counting when facilities are aggregated into a corporate-level report.

The methodology to flag the overlap of Scope-1 and Scope-2 emissions must be broad enough that all double counting is removed, so the reporting requirement needs to be directed at the controlling corporation level (not at an entity or facility level).

## 5 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](http://www.aign.net.au)).

AIGN welcomes future opportunities to engage with the Department.

