Submission Template

Discussion Paper – treatment of voluntarily purchased renewable energy in the National Greenhouse and Energy Reporting System

Overview

This submission template should be used to provide comments on:

Discussion Paper – Treatment of voluntarily purchased renewable energy in the National Greenhouse and Energy Reporting System (NGERS)

On 7 July 2010, the Department of Climate Change and Energy Efficiency released the Discussion Paper – Treatment of voluntarily purchased renewable energy in NGERS. The aim of this paper is to seek feedback on the treatment of renewable energy purchases – notably GreenPower™ and voluntarily surrendered Renewable Energy Certificates – under NGERS.

Stakeholders are asked to provide feedback on the current method and options canvassed in the discussion paper, including (but not limited to): advantages or disadvantages of the four options outlined in the discussion paper, noting any impacts and costs for NGERS reporting corporations.

Contact Details

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Confidentiality

All submissions will be treated as public documents, unless the author of the submission clearly indicates the contrary by marking all or part of the submission as 'confidential'. Public submissions may be published in full on the Department of Climate Change and Energy Efficiency website, including any personal information of authors and/or other third parties contained in the submission. If any part of the submission should be treated as confidential then please provide two versions of the submission, one with the confidential information removed for publication.

A request made under the *Freedom of Information Act 1982* for access to a submission marked confidential will be determined in accordance with that Act.

Do you want this submission to be treated as confidential? ☐ **Yes** ☒ **No**

Submission Instructions

Submissions should be made by **close of business 13 September 2010**. The Department reserves the right not to consider late submissions.

Where possible, submissions should be lodged electronically, preferably in Microsoft Word or other text based formats, via the email address - **reporting@climatechange.gov.au**

If emailing a submission, please include "NGERS treatment of renewable energy – feedback" in the subject heading.

Submissions may alternatively be sent to the postal address below to arrive by the due date.

Renewable Energy and NGER Reporting Policy Team
Department of Climate Change and Energy Efficiency
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Stakeholder feedback on option 1: 'no change' – continue to calculate scope 2 emissions for electricity based on existing state-based emissions factors.

The Committee agrees with the concerns of the Department that the current 'physical' approach is an unsatisfactory method of accounting for renewable energy as it is not possible to be precise about the actual source of electricity received by each customer given the nature of electricity flows.

Without a carbon price, there is currently little incentive for corporations to invest in renewable energy other than for CSR purposes. Such entities need to be able to distinguish themselves as users of renewable energy in order to benefit from paying such premiums.

The 'physical' approach does not resolve the 'free-rider' issue raised by some stakeholders, as individual scope 2 emissions will continue to be derived by multiplying all electricity purchases (regardless of source) against the average emissions factor for that state, rather than calculating a specific factor for each corporation based on that corporation's electricity purchase mix.

In order to provide recognition of consumers to renewable energy, it is essential that companies are able to demonstrate objectively that they are committed to use of renewable energy and to encourage other consumers to convert to renewable energy. This would be done through OSCAR, or through reports that can be provided to investors or similar.

Recommendation: The Committee recommends that Option 1 be viewed as the least viable option of the four proposed by the Discussion Paper.

Stakeholder feedback on option 2: reporting through the Online System for Comprehensive Activity Reporting (OSCAR) the amount of GreenPower™ purchased.

Under Option 2, the reporting corporation can voluntarily report three extra items in OSCAR; MWh of purchased GreenPower™, the amount in MWh of voluntarily surrendered RECs and an adjusted scope 2 emissions number. As this is voluntary, entities may not report these extra items if it does not benefit their business plan or investment portfolio and it does not encourage the purchasing of renewable energy. Option 2 does not give a comprehensive picture of the reporting corporation's total emissions and does not promote responsibility for their emissions.

The Environmental Committee submits that mandatory reporting of scope 2 emissions data under section 19 of NGER Act is necessary to capture an entity's overall picture of emissions and understand uptake on a state/federal level. This will create a platform on which future development to create a carbon price or carbon trading. Australia now lags behind much of the developed and developing world on climate action[1] and mandatory report of emissions data is just one step to make a coherent the patchwork of efficient renewable energy policies.

Under the current Renewable Energy Target, retail electricity prices are expected to increase by around 4.2% in the period to 2015, 5.2% in the period from 2016-2020 and 3.3% in the period from 2021 to 2030.[2] To promote renewable energy uptake, corporations need incentives such as a certain pricing structure or recognition for using GreenPower™. The voluntary approach under Option 2, does not give corporations incentives to choose GreenPower™.

Regulating renewable energy uptake is the only way forward for a sustainable future. Regulatory uncertainty costs electricity consumers potentially $2 billion a year[3] and impedes investments in green energy. The Australian government needs to take leadership and build deep community consensus on this matter as well as make coherent policies to align with Australia's Renewable Energy Target so corporations will trust and invest in GreenPower™.[4]

Recommendation: The Committee considers that while option 2 is a step in the right direction, we do not consider that reporting of GreenPower™ and surrendered RECs should remain voluntary.

Stakeholder feedback on option 3: 'hybrid' approach to adjust existing state-based emissions factors by 'netting out' voluntarily purchased renewable energy.

The Committee's preferred option is option 3. We consider that reporting requirements for scope 2 emissions should explicitly recognise voluntary purchases of renewable energy including GreenPower™ and the voluntary surrender of RECs.

The Committee's view is that the mandatory requirement for companies to report the source of their scope 2 emissions would encourage the purchase of renewable energy and promote increasing uptake of renewable energy. The current approach, using a state-wide average to calculate scope 2 emissions,

[1] 'Cooperative approach needed for price on carbon', *The Canberra Times* (Canberra), 28 July 2010, <http://www.canberratimes.com.au/news/opinion/editorial/general/cooperative-approach-needed-for-price-on-carbon/1897238.aspx?storypage=1>.

[2] Walter Gerardi, '*Report to Department of Climate Change and Energy Efficiency - Impacts of Changes to the Design of the Expanded Renewable Energy Target*', (Report, May 2010) <http://www.climatechange.gov.au/government/initiatives/renewable-target/~/media/publications/renewable-energy/mma-modelling-report.ashx>.

[3] The Climate Institute and its Climate Partners: Westpac, KPMG, Pacific Hydro, OgilvyEarth, AGL, and GE, *'Uncertain policies to limit carbon pollution threaten $2 billion/year cost to economy and consumers'*, (Statement, 9 July 2010), <http://www.climateinstitute.org.au/index.php?option=com_content&view=article&id=689:uncertain-policies-to-limit-carbon-pollution-threaten-2-billionyear-cost-to-economy-and-consumers&catid=39:media-releases&Itemid=36>.

[4] See also Total Environment Centre *Giving GreenPower a real place in climate action* (20 August 2010).

lacks transparency and fails to reveal renewable energy purchases by individual companies. This results in a failure to “reward” companies that are doing the right thing and allowing companies that have not purchased renewable energy to “free ride” on the back of companies who have. Option 3 would also reduce the ability of State Governments to benefit from voluntary action by companies registered under the NGER Act, resulting in a more accurate reflection of state progress towards renewable energy targets.

A move to option 3 would increase transparency, allowing the public to choose to support those companies that have migrated to renewable energy sources, thereby rewarding those companies and encouraging other companies to make the switch to renewable energy sources.

The Committee notes that one of the objects of the NGER Act is to inform government policy formation and the Australian public.[5] Another is to assist Commonwealth, State and Territory government programs and activities.[6] We consider that option 3 best achieves these objectives as it is the most transparent option and provides useful and detailed information on scope 2 emissions to inform government policy and the Australian public.

Importantly, by separating GreenPower™ from the calculations that lead to the state-wide emissions factors, option 3 would move Australia one step closer to making voluntary GreenPower™ and REC surrenders Kyoto-additional.

Recommendation: The Committee considers that the government should amend its regulatory regime to implement reporting of scope 2 greenhouse gas emissions in accordance with option 3.

[5] NGER Act, section 3(b).
[6] NGER Act, section 3(d).

Stakeholder feedback on option 4: 'contract-based' approach to calculating scope 2 emissions.

It is the Committee's view that a contract-based approach to calculating scope 2 emissions (Option 4) as presently characterised requires amendments to ensure greater transparency and accountability of registered entities when disclosing scope 2 emissions. Accordingly, the Committee recommends that Option 4 not be adopted. However, the Committee commends the contract-based approach for its propensity to capture a more detailed and accurate reflection of the quantum and type of energy used by a registered entity.

If a contract-based approach were adopted the Committee recommends the NGER legislative framework nationally standardise various indicia to enable the collation and comparison of data across all suppliers and States and Territories.

The contract-based approach is flawed in its inability to facilitate public scrutiny of source material due to commercially confidential information contained in the contracts.

The Committee recommends one solution to resolve this problem – require registered entities to disclose redacted contracts if/when requested for inspection as part of auditing and policing measures by the Greenhouse and Energy Data Officer or a third party. Alternatively, contracts redacted for commercially confidential material may simply be required to be made publically available.

The redacted contracts could disclose the essential information required to verify the type of energy, quantum of energy and any other indicia without requiring disclosure of potentially commercially sensitive information.

The Committee agrees the NGER legislative framework should require an obligation on retailers/suppliers to determine and disclose their emissions factors and reporting requirements.

The requirement for a registered entity to calculate separate emissions factors for each retailer is onerous. However, the Committee considers these initial administrative complexities should not limit the development of a more detailed and accurate system of energy accountability.

Any additional comments on the treatment of voluntarily purchased renewable energy in NGERS.

The Committee welcomes the opportunity to make a submission on the treatment of renewable energy in the national greenhouse and energy reporting system. We consider that a change to the requirements for reporting scope 2 emissions must encourage the purchase of renewable energy, reward those companies that are purchasing renewable energy and increase transparency in the reporting process.