

About you

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AY-2. Are you responding as an individual, or on behalf of an organisation?

- Individual

Question 1—Objective of the Exposure

Paragraph 1 of the Exposure Draft sets out the proposed objective: an entity is required to disclose information about its exposure to climate-related risks and opportunities, enabling users of an entity's general purpose financial reporting:

- to assess the effects of climate-related risks and opportunities on the entity's enterprise value;
- to understand how the entity's use of resources, and corresponding inputs, activities, outputs and outcomes support the entity's response to and strategy for managing its climate-related risks and opportunities; and
- to evaluate the entity's ability to adapt its planning, business model and operations to climate-related risks and opportunities.

Paragraphs BC21–BC22 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

01-AP. (a) Do you agree with the objective that has been established for the Exposure Draft? Why or why not?

- Broadly Agree

01-AR. Please explain your answer:

There is a need for transparency by corporations and organisations on climate risks, exposure and their adaptation and mitigation planning activities

01-BP. (b) Does the objective focus on the information that would enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value?

- Broadly Disagree

01-BR. Please explain your answer:

There are not sufficient market based GHG and renewables accounting frameworks for organisations and customers to make credible assessments of their GHG exposure, or to report their scope 1, 2 and 3 emissions in a consistent way that deals with market based accounting.

In Australia there is a legal NGER Framework that uses location based accounting for approximately 415 companies.

This does not apply accounting methods across the economy. The Federal Departments and Regulators DCCEEW and the Clean Energy Regulator use competing and contradictory location based and market based methods in guiding the rest of the market which result in total double counting of accredited renewable electricity and ACCU carbon offsets.

Australia's carbon markets are an absolute farce and none of the reported emissions Scope 1, 2 & 3 can be trusted from any organisation because of the ability to choose between different methods.

01-CP. (c) Do the disclosure requirements set out in the Exposure Draft meet the objectives described in paragraph 1? Why or why not? If not, what do you propose instead and why?

- Broadly Disagree

01-CR. Please explain your answer:

If there is no consistent market based GHG and renewables accounting framework, none of the disclosures can be credible

Question 2—Governance

Paragraphs 4 and 5 of the Exposure Draft propose that an entity be required to disclose information that enables users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities. To achieve this objective, the Exposure Draft proposes that an entity be required to disclose information about the governance body or bodies (which can include a board, committee or equivalent body charged with governance) with oversight of climate-related risks and opportunities, and a description of management's role regarding climate-related risks and opportunities.

The Exposure Draft's proposed governance disclosure requirements are based on the recommendations of the TCFD, but the Exposure Draft proposes more detailed disclosure on some aspects of climate-related governance and management in order to meet the information needs of users of general purpose financial reporting. For example, the Exposure Draft proposes a requirement for preparers to disclose how the governance body's responsibilities for climate-related risks and opportunities are reflected in the entity's terms of reference, board mandates and other related policies. The related TCFD's recommendations are to: describe the board's oversight of climate-related risks and opportunities and management's role in assessing and managing climate-related risks and opportunities.

Paragraphs BC57–BC63 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

02-AP. Do you agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities? Why or why not?

- Broadly Disagree

02-AR. Please explain your answer:

As stated, In Australia there is no consistent GHG and renewables accounting framework that applies across the economy, for mandatory reporting and for voluntary markets and claims.

Question 3—Identification of climate-related risks and opportunities

Paragraph 9 of the Exposure Draft proposes that an entity be required to identify and disclose a description of significant climate-related risks and opportunities and the time horizon over which each could reasonably be expected to affect its business model, strategy and cash flows, its access to finance and its cost of capital, over the short, medium or long term. In identifying the significant climate-related risks and opportunities described in paragraph 9(a), an entity would be required to refer to the disclosure topics defined in the industry disclosure requirements (Appendix B).

Paragraphs BC64–BC65 of the Basis for Conclusions describe the reasoning behind the Exposure Draft’s proposals.

03-AP. (a) Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear? Why or why not?

- Broadly Disagree

03-AR. Please explain your answer:

Massive renewable projects are being created with complete avoidance of GHG and renewables accounting.

There is a loophole under the NGER Act that allows corporations to build consume, and claim behind the meter renewables whilst selling the Large Scale Certificates that are used by third parties to meet mandatory operations or used by GreenPower customers to claim renewables use. That is one large and growing area of double counting.

Another area is that all grid based renewables are allocated to the grid via Government NGER Determination and NGA Factors, whilst voluntary accredited renewable markets using Large Scale Certificates also claim these same renewables. All voluntary renewables via the grid are double counted.

All ACCU Carbon offsets are also double counted as basic debit and credit rules don't apply to carbon markets in Australia.

03-BP. (b) Do you agree with the proposed requirement to consider the applicability of disclosure topics (defined in the industry requirements) in the identification and description of climate-related risks and opportunities? Why or why not? Do you believe that this will lead to improved relevance and comparability of disclosures? Why or why not? Are there any additional requirements that may improve the relevance and comparability of such disclosures? If so, what would you suggest and why?

- Broadly Disagree

03-BR. Please explain your answer:

First, there needs to be reform of GHG and renewables accounting frameworks across Australia and checks that all participating nations have also established market based GHG accounting frameworks in law.

For Australia:

Market based accounting should be integrated into Australia's Climate Change Accounting Law, which is the National Greenhouse and Energy Reporting (NGER) Framework via the NGER Determination.

- No change is required for the NGER scope 1 emissions methods which by definition, are location based.
- For consistency, the National Greenhouse Accounts (NGA) Factors need to be brought into the NGER Framework to legally apply to all participants in Australia's low carbon markets. This is not about forcing all participants to report under the NGER reporting, it simply means that when sellers and buyers are making reputational, product and service based claims, they all follow the same set of market rules under a legislated framework.
- A change to the NGER Determination is needed to transition to market based accounting for scope 2 emissions will require alignment of the Determination with the GHG Protocol Scope 2 Guidance. A single method to claim renewable electricity use and zero scope 2 emissions is required. The revised NGER Determination should formerly establish a National Residual Grid Mix Factor. Those not making emissions specific claims for renewable electricity should be reporting their electricity emissions using the Residual Grid Mix Factor as the primary method, including to make any and all reputational, product and service based claims. The Dual Reporting with a location based factor should therefore become a reference point only and must not be a choice, as this would not prevent double counting.
- To align the Residual Grid Mix Factor (RMF) with a location based factor, the State Average Factors should no longer be used. Instead, dual reporting should use the National Location Based Factor to compare performance against the primary market based method.
- If LGCs are to be treated as incorporating renewable use and zero scope 2 emission attributes then these attributes need to be legally assigned with the Large Scale Certificates.
- All eight quality criteria of the GHG Protocol Scope 2 Guidance should be achieved.
- A change to the NGER Determination is needed to introduce market based accounting for carbon offsets as negative scope 3 emissions. This is essential to stop double counting across producers, consumers and sectors. Where a carbon offset such as Australian Carbon Credit Units are sold or allocated across different entities or locations, then basic debit and credit rules need to apply such that a scope 3 emission are added to a sellers account in order for scope three deductions to be claimed by a buyer/end user. This basic concept is the foundation of financial markets and must also apply to carbon markets in order for integrity, certainty and sustainability to be established.

The Safeguard Mechanism applying to facilities in Australia to prevent excess emissions needs to use basic debit and credit rules so that carbon offsets purchased reduce aggregated emissions through the -ve scope 3 ACCUs purchased. When Safeguard entities sell ACCUs they need to be adding a scope 3 emission. When land or agricultural or non NGER companies create and sell ACCU carbon offsets they also need to be required to add a scope 3 emission to their accounts and claims.

- NGER reporting, Climate Active, GreenPower, the Hydrogen Guarantee of Origin Scheme and the CERT should all be based around a common single National Greenhouse and Energy Accounting framework that is established under the NGER Determination.

- Given the scale and expansion of low carbon markets together with the rapid growth of emissions and renewable electricity related claims:

- o The Clean Energy Regulator needs to address the fundamental problem of low carbon markets not having a legislated carbon and renewables accounting framework.

- o The Department of Industry, Science Resources and Energy needs to start addressing carbon accounting rules seriously to establish long term and sustainable carbon markets and claims integrity to legally underpin such concepts as renewable hydrogen, green steel and exporting renewable electricity to Asia, as well as underpinning Australia's domestic low carbon markets and claims.

- o The Australian Securities and Investment Commission (ASIC) should be called upon to assure that NGER reporting and claims, GreenPower, Climate Active, the CERT, The Hydrogen Guarantee of Origin Scheme, NABERS are all underpinned by an emissions and renewables accounting framework that is robust and applies consistently across the economy for Corporations to be protected when making investment decisions.

- o The ACCC should be called upon to assure that all the schemes have sufficient legal foundation, clarity and fairness to enable enforcement actions to be applied where required to protect consumers

- o The Productivity Commission should be asked to address:

The economic impacts of the continuation of the RET from now until 2030 noting that the target has already been achieved and continuation creates unwarranted scarcity for renewables and artificial upward pressure on prices in voluntary renewable electricity markets that are already primed to take over from the mandatory mechanism

The economic impacts of not allowing pre 1997 renewable electricity a place in voluntary markets

The economic impact of not having a single national accounting and allocation framework for greenhouse gas emissions, renewables and offsets to legally apply across the market to provide business and customer certainty and assurance.

Question 4—Concentrations of climate-related risks and opportunities in an entity's value chain

Paragraph 12 of the Exposure Draft proposes requiring disclosures that are designed to enable users of general purpose financial reporting to understand the effects of significant climate-related risks and opportunities on an entity's business model, including in its value chain. The disclosure requirements seek to balance measurement challenges (for example, with respect to physical risks and the availability of reliable, geographically-specific information) with the information necessary for users to understand the effects of significant climate-related risks and opportunities in an entity's value chain.

As a result, the Exposure Draft includes proposals for qualitative disclosure requirements about the current and anticipated effects of significant climate-related risks and opportunities on an entity's value chain. The proposals would also require an entity to disclose where in an entity's value chain significant climate-related risks and opportunities are concentrated.

Paragraphs BC66–BC68 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

04-AP. (a) Do you agree with the proposed disclosure requirements about the effects of significant climate-related risks and opportunities on an entity's business model and value chain? Why or why not?

- Broadly Agree

04-AR. Please explain your answer:

I agree with market based supply chain accounting at a customer, business, sector, national and international scale. To achieve this requires:

- 1) market based accounting for electricity WITHIN an established electricity grid.
- 2) market base accounting of scope 3 emissions and carbon offsets as negative scope 3 emissions. These can be traded more broadly but only where debit and credit rules apply.

Also, Australia's trick of only requiring corporations to report Scope 1 & 2 location based emissions whilst using slight of hand approaches to allow opt in non legal market based reporting and scope 3 carbon offsets is fundamentally unethical. Carbon offsets need to be properly defined as -ve Scope 3 emissions in law, and there is no justification for big corporates to not acknowledge significant upstream and downstream scope 3 emissions.

04-BP. (b) Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why?

- Broadly Agree

04-BR. Please explain your answer:

There is no time for vague unquantified greenwash and free riding.

Question 5—Transition plans and carbon offsets

Disclosing an entity's transition plan towards a lower-carbon economy is important for enabling users of general purpose financial reporting to assess the entity's current and planned responses to the decarbonisation-related risks and opportunities that can reasonably be expected to affect its enterprise value.

Paragraph 13 of the Exposure Draft proposes a range of disclosures about an entity's transition plans. The Exposure Draft proposes requiring disclosure of information to enable users of general purpose financial reporting to understand the effects of climate-related risks and opportunities on an entity's strategy and decision-making, including its transition plans. This includes information about how it plans to achieve any climate-related targets that it has set (this includes information about the use of carbon offsets); its plans and critical assumptions for legacy assets; and quantitative and qualitative information about the progress of plans previously disclosed by the entity.

An entity's reliance on carbon offsets, how the offsets it uses are generated, and the credibility and integrity of the scheme from which the entity obtains the offsets have implications for the entity's enterprise value over the short, medium and long term. The Exposure Draft therefore includes disclosure requirements about the use of carbon offsets in achieving an entity's emissions targets. This proposal reflects the need for users of general purpose financial reporting to understand an entity's plan for reducing emissions, the role played by carbon offsets and the quality of those offsets.

The Exposure Draft proposes that entities disclose information about the basis of the offsets' carbon removal (nature- or technology-based) and the third-party verification or certification scheme for the offsets. Carbon offsets can be based on avoided emissions. Avoided emissions are the potential lower future emissions of a product, service or project when compared to a situation where the product, service or project did not exist, or when it is compared to a baseline. Avoided-emission approaches in an entity's climate-related strategy are complementary to, but fundamentally different from, the entity's emission-inventory accounting and emission-reduction transition targets. The Exposure Draft therefore proposes to include a requirement for entities to disclose whether the carbon offset amount achieved is through carbon removal or emission avoidance.

The Exposure Draft also proposes that an entity disclose any other significant factors necessary for users of general purpose financial reporting to understand the credibility of the offsets used by the entity such as information about assumptions of the permanence of the offsets.

Paragraphs BC71–BC85 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

05-AP. (a) Do you agree with the proposed disclosure requirements for transition plans? Why or why not?

- Broadly Disagree

05-AR. Please explain your answer:

In Australia, we are not at a point where carbon offsets have any credibility.

Much of the attention is directed to methods and additionality which have been identified as major problems.

However, just as significant is that there is no legislated accounting framework to support carbon offsets. There are no debit and credit rules and ACCU carbon offsets in Australia have no legal attributes.

ACCU Carbon Offsets are not actually carbon offsets

Recently, we brought you the story of how the Department of Industry, Science Energy and Resources (DISER) (Restructured on 1 July 2022 as the Department of Climate Change, Energy, Environment and Water (DCCEW)), had double counted the renewables abatement from Australia's household and small scale solar systems to the grid, enabling most of this benefit to be claimed by big NGER reporting corporations as lower emissions in their Scope 2 reporting.

This week we continue in a theme of dodgy and contradictory reporting frameworks in Australia around carbon offsets. References to DCCEW and DISER should be regarded as being the same Department.

Australia's carbon offsets have received lots of negative publicity in recent months with the former Chair of the Emissions Reduction Assurance Committee Andrew Macintosh blowing the whistle on methods that are counting carbon abatement that hasn't actually been created. Readers can see more about Dr Macintosh's claims here: Australia's carbon market a "fraud on the environment".

Largely in response to these concerns, the new Federal Labor Government has established an Independent Review of Australian Carbon Credit Units (ACCU) which will not only examine the methods to create Australian Carbon Credit Units (ACCU) but also look at legislative requirements to ensure good governance and confidence in scheme integrity. Any other matters relevant to the integrity of ACCUs and requirements for the use of ACCUs under the voluntary Climate Active scheme.

There are two key areas where the Government can completely fail with regard to the integrity of ACCUs and carbon markets more generally. One relates to bad methods and the second area is bad or non-existent market based accounting frameworks. This article deals with the accounting of ACCUs and the abatement that they are used to convey.

The planned Review does not go far enough and should have covered market based accounting reform for both carbon offsets and renewable electricity (stay tuned for the next in this series of carbon accounting for 'Almost all voluntary renewables double counted'). This article however will focus on ACCUs.

To understand the double counting issues that surround ACCUs, there is first a need for a basic understand of how direct and indirect greenhouse gas emissions are accounted for in scopes. The following diagram provides a typical overview that is used in by the GHG Protocol and has been used by the Federal Government in the past:

Scope 1 emissions are the direct release of GHGs from a given facility or area activities such as from fuel burning, leakage of methane or refrigerant gases.

Scope 2 emissions are indirect emissions related to energy consumption that has been transported to a site where an emissions was caused at another site. The most common form of Scope 2 emissions in Australia are from electricity consumption, where electricity was created from fuel burning at another site.

Scope 3 emissions are all other indirect emissions typically associated with upstream purchasing downstream use of a product that causes emissions after sale.

Emissions can also be positive or negative. Negative emissions to take carbon dioxide out of the atmosphere can occur on a site where a forest is re-established to sequester carbon from the atmosphere, or through carbon capture and geological storage. Where this occurs, it can be claimed as a negative scope 1 emission at that facility or site (and only at that site)

What are ACCUs

By considering the diagram above, by definition, ACCUs are not negative Scope 1 emissions as carbon offsets are related to off site activities.

By definition, ACCUs are not negative Scope 2 emissions as they are not a form of energy.

By definition, ACCUs are negative scope 3 emissions as they are associated with a claim relating to a purchased activity that has occurred offsite.

ACCUs are used in Australia to offset emissions and are created in relation to an emissions reduction activity that has occurred elsewhere in the market. The offset may be traded for a compliance requirement of a facility, or for voluntary markets, or to sell to the Government that uses taxpayer money to pay for emissions reduction activities.

How are ACCUs accounted for in Australia

The first issue is that ACCUs as Australia's carbon offsets do not actually incorporate any carbon offset attribute in law. This is the cause of a massive double counting and integrity problem.

Part 2 of the Carbon Credits (Carbon Farming Initiative) Act 2011 describes how ACCUs are created and issued in relation to eligible offset projects but there is no adequate definition of what ACCUs are, or any attributes that they could potentially contain or how they should be used in relation to claims. There is a No double counting test under the Certificate of Entitlement Provisions in Division 3, but this test only deals with potential double counting of certificates, not double counting of abatement.

Accounting for ACCUs under the NGER Act and NGER Determination

The NGER Determination used by approximately 415 of Australia's largest GHG emitters and electricity consumers, only requires reporting of Scope 1 and Scope 2 emissions. By definition, Scope 1 emissions are reported by the location of the facility where the emission takes place, and by choice, the Australian Government has used a state location based grid electricity emissions factor to apply to scope 2 emissions. For NGER reporting organisations, there is no requirement for scope 3 reporting and no market based accounting (such as for buying accredited renewable electricity or carbon offsets is provided for in NGER reporting) In fact market based concepts cannot work under NGER reporting without double counting.

Accounting for ACCUs under the National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015

The NGER Safeguard Rule is actually entirely different legislation with a different and contradictory accounting approach to the NGER Determination. It is actually bazaar that it has the NGER terminology in its title as the NGER Framework was intended to be a single reporting framework yet here is a different accounting framework sharing the same name.

The Safeguard Mechanism rule allows ACCUs to be used by corporations to prevent what the Rule calls an 'excess emissions situation' where a facility may emit more emissions than it is entitled to discharge. This means that ACCUs are used to reduce the facility Scope 1 emissions without calling it that. The Clean Energy Regulator has confirmed that "Surrendering ACCUs does not alter a facility's total scope 1 emissions". They do but they don't.

There are some important issues to note in relation to how the Rule is treating ACCUs.

- They are enabling an indirect emission offset certificate (Scope 3) to directly reduce direct emissions (scope 1) at a facility under the name of reducing an 'excess emissions situation'.
- The ACCUs do not legally contain any negative emission to use for this purpose and there has been no adjustment to the emissions of the sellers account. Where the abatement activity has occurred in a different sector (such as a land use sector), there has also been no adjustment for the sector accounting.
- Where an NGER Reporting Corporation or Safeguard facility creates and sells ACCUs, the CER has confirmed that "Similarly, corporate NGER totals are not adjusted with changes in ACCUs sold as they reflect the actual emissions reported under NGER, not the facility's safeguard position".

The Department in its response to the 2022 NGER Determination consultation has stated that:

The Department does not intend to explore options for market-based estimation of scope 1 emissions in the NGER Scheme at this time. The Scheme's approach to scope 1 emissions estimation is designed to support Australia's international emissions reporting and target tracking obligations. As such, it is consistent with the rules and guidance adopted under the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement, including Intergovernmental Panel on Climate Change (IPCC) guidelines.

By definition, Scope 1 emissions are location based, even where market based accounting has been adopted for scope 2 and scope 3 emissions accounting. The statement which refers to 'at this time' suggests that the idea has not been ruled out which demonstrates a comprehension failure of GHG accounting. Despite this, the Department and government have in fact established the Safeguard Rule to use offsets to reduce combined scope 1&2 location based emissions with market based ACCUs. Under the Corporate Emissions Reduction Transparency reporting scheme the department has gone even further to allow offsets to directly reduce Scope 1 emissions for a "net scope 1 emissions" claim.

Accounting for ACCUs by non NGER market participants

Where a business creates and sells ACCUs (such as from not clearing land that they have a legal authorisation to clear, or by planting trees or by site improvements to increase carbon sequestration from vegetation), the CER has confirmed that "Non-NGER reporters are not obligated to add abated emissions from delivered units onto net emissions". This means that a carbon farmer can claim the abatement on property, whilst selling ACCUs to third parties.

Accounting for ACCUs by end users in voluntary markets

There is no legislation that covers end user claims or economy wide scope 1, 2 and 3 reporting (NGER only applies to ~415 Corporations and only for Scopes 1&2). This means that for all voluntary market participants there are no rules, just perceptions and selective use of bits and pieces from the NGER framework whilst a whole series of different market based accounting concepts are used and misused.

● Public end use customers

Public end use customers (including myself) may typically purchase carbon offsets as part of a product which could be a carbon offset flight, carbon offset electricity, carbon offset fossil gas, or just doing business with an organisation that claims to be carbon neutral. As a public end user, there shouldn't be any need to understand emission scopes or double counting, there should just be robust frameworks established in legislation to prevent double counting and ensure that Australian Consumer Law is complied with.

Sadly however, because ACCUs can be claimed by the creators of the ACCUs, or businesses that have sold ACCUs make no adjustment, and the ACCUs that consumers pay for, do not include the emission reduction attribute in law, the entire framework lacks integrity and is riddled with double counting.

● Business claims - Climate Active Carbon Neutral Program

Climate Active is a Federal Government initiative and standard to guide businesses as they account for and reduce carbon emissions. It is designed for community take action by making it easier to identify and choose brands (paraphrased).

Climate Active uses market based concepts for accredited renewable electricity and carbon offsets (including ACCUs) to either sell products and services or promote branding of organisations as clean and green.

However, Climate Active also accepts location based emission claims to be used in parts of its standards at the same time, and this means that the abatement associated with renewables and ACCUs can be double counted. In addition, the location based accounting of NGER reporting corporations is not altered by Climate Active.

Climate Active provides a level of assurance and legitimacy that is actually not possible under law because Australia has not yet adopted market based accounting for renewable electricity or carbon offsets.

Corporate Emissions Reduction Transparency (CERT) reporting program

The CERT was created by the Federal Government in 2021 to make reputational claims about their greenhouse reductions using market based accounting in addition to their NGER Reporting which precludes market based accounting. The CERT is being trialled in 2022, but has not addressed the systemic double counting issues that it is perpetuating. The CERT allows Corporations to choose between market based accounting or location based accounting as it best suits the Corporation.

Scope 1 emissions can be directly offset using ACCUs (-ve scope 3 emissions), whilst there is still no requirement for corporations to report on their other upstream or downstream emissions. The big emitters and electricity consumers get to claim emission reductions with no accountability for their scope 3 emissions. This arguably amounts to a rort and the entire CERT scheme as presented to date is false in law and is a contradiction.

The Clean Energy Regulator has defined ACCUs under the CERT as "A unit issued pursuant to the Carbon Credits (Carbon Farming Initiative) Act 2011 and is equal to one (1) tonne of carbon dioxide equivalent" This definition completely misrepresents the Carbon Farming Act as it does not say that ACCUs are equal a tonne of carbon dioxide equivalent, it only defines how an ACCU is created. It is argued that the Clean Energy Regulator is misrepresenting legislation.

When developing the scheme, the Regulator had stated that the CERT "will be underpinned by the National Greenhouse and Energy Reporting scheme", but following complaint that the CERT was contradictory to the NGER Scheme this was later changed in the second round consultation to the "CERT is underpinned by data collected as part of the NGER scheme and the Renewable Energy Target (RET)".

How should carbon accounting be reformed for ACCUs?

The first step is to broaden the scope of the NGER Determination to cover guidance on Scope 3 emissions reporting, and to then define ACCUs as negative scope 3 emissions in legislation.

The NGER Framework through a reformed NGER Determination should be Australia's single GHG and renewables accounting framework that applies across the whole economy, both for mandatory reporting and voluntary markets, and should cover scope 1, Scope 2 and Scope 3 accounting.

● Scope 1 emissions accounting would not change (by definition, it is location based). With ACCUs legally defined as negative scope 3 emissions, there will be clarification that the use of carbon offsets does not change scope 1 emissions, but rather is an offset for combined scope 1+2+3 emissions. .

- Scope 2 accounting should be changed to market based accounting (more about this next week)
- Scope 3 accounting guidelines should be introduced to cover the approaches to acknowledge upstream and downstream supply chain emissions and carbon offset accounting.
- Debit and credit rules should apply

DEBIT RULE When a creator of ACCUs sells these offsets they should add a scope 3 emission to their account. For example, where a farmer sequesters 1000 tonnes of carbon dioxide from re-establishing forest, they can claim 1000 tonnes of negative scope 1 emissions. If they create and sell 1000 tonnes of ACCUs from this activity, they must add 1000 tonnes of scope 3 emissions to their account. Their net result for this activity is -1000 tonnes S1 + 1000 tonnes S3 which = 0 tonnes overall.

The buyer could then use and claim the -1000 tonnes S3 to offset their aggregate emissions.

CREDIT RULE When a buyer of an ACCU or user of an offset product they are entitled to claim a scope 3 emissions reduction

- Currently, NGER reporting corporations are not required to acknowledge or quantify significant scope 3 emissions. However, when NGER reporters seek to make reputational claims using market based accredited renewables or carbon offsets (including ACCUS), they should be required to report on all significant scope 3 emissions.

Conclusion

Because ACCUs are not legally defined as incorporating a negative emission and in fact the abatement can be claimed by the creator and end user at the same time, there is a fundamental lack of integrity in Australia's only carbon offset unit. The problem is caused by a reluctance by the federal Government to properly establish market based accounting for scope 2 and 3 emissions.

ACCUs are used by the federal Government to pay polluters for emissions reductions in the absence of any carbon pricing mechanism, they are used by business to create as a source of revenue and by consumers for an emissions reduction attribute that they don't have.

The issue can be fixed but to date it appears that the responsible Government Department does not have regard to established carbon accounting processes and has created perverse concepts which benefit big polluters.

The Department claimed in their consultation Outcomes report for the 2022 NGER Determination Consultation that it would not be considering the use of ACCU Carbon offsets to reduce Scope 1 emissions in NGER Reporting. Such a concept should never be adopted under any conditions as that is not how carbon accounting works. The Department has allowed this under the Safeguard Rule under a different name and it should not have done so.

The Department has allowed for ACCUs to be used directly against scope 1 emissions in its CERT reporting scheme for an offset Net Scope 1 emissions outcome value. It should not have done so.

The Department has created multiple and growing different and contradictory accounting and assurance schemes. Australia only needs one market based accounting framework for GHG emissions, offsets and renewables, to be established in law and to prevent double counting.

05-BP. (b) Are there any additional disclosures related to transition plans that are necessary (or some proposed that are not)? If so, please describe those disclosures and explain why they would (or would not) be necessary.

- Yes

05-BR. Please explain your answer:

A Renewable Electricity Transition Plan should be included based on market based accounting principles. To do this, nations need to establish market based accounting for electricity under legislation for all market participants and stop the use of location based scope 2 emission claims.

Also, it is important that the Residual Mix factors of major grids are covered by a legislated determination (such as the NGER Determination).

In Australia, the Federal Government has created a Residual Mix Factor under Climate Active that is not appropriately used, calculated or understood.

It currently does not net out all small scale solar schemes claimed by householders and does not net out voluntary accredited renewables. As previously stated, All voluntary accredited renewables in Australia are double counted.

05-CP. (c) Do you think the proposed carbon offset disclosures will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the credibility of those carbon offsets? Why or why not? If not, what do you recommend and why?

- Broadly Disagree

05-CR. Please explain your answer:

Without fundamental reform, a legal foundation, defining carbon offsets as negative scope 3 emissions and basic debit and credit rules all of these disclosures will lack any credibility or meaning.

They will simply be another attempt to legitimise greenwashing and free riding.

05-DP. (d) Do you think the proposed carbon offset requirements appropriately balance costs for preparers with disclosure of information that will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the soundness or credibility of those carbon offsets? Why or why not? If not, what do you propose instead and why?

- Broadly Disagree

05-DR. Please explain your answer:

As covered above, carbon offsets in Australia are not legitimate, remain undefined in scope and basic debit and credit rules do not apply.

Question 6—Current and anticipated effects

The Exposure Draft proposes requirements for an entity to disclose information about the anticipated future effects of significant climate-related risks and opportunities. The Exposure Draft proposes that, if such information is provided quantitatively, it can be expressed as a single amount or as a range. Disclosing a range enables an entity to communicate the significant variance of potential outcomes associated with the monetised effect for an entity; whereas if the outcome is more certain, a single value may be more appropriate.

The TCFD's 2021 status report identified the disclosure of anticipated financial effects of climate-related risks and opportunities using the TCFD Recommendations as an area with little disclosure. Challenges include: difficulties of organisational alignment, data, risk evaluation and the attribution of effects in financial accounts; longer time horizons associated with climate-related risks and opportunities compared with business horizons; and securing approval to disclose the results publicly. Disclosing the financial effects of climate-related risks and opportunities is further complicated when an entity provides specific information about the effects of climate-related risks and opportunities on the entity. The financial effects could be due to a combination of other sustainability-related risks and opportunities and not separable for the purposes of climate-related disclosure (for example, if the value of an asset is considered to be at risk it may be difficult to separately identify the effect of climate on the value of the asset in isolation from other risks).

Similar concerns were raised by members of the TRWG in the development of the climate-related disclosure prototype following conversations with some preparers. The difficulty of providing single-point estimates due to the level of uncertainty regarding both climate outcomes and the effect of those outcomes on a particular entity was also highlighted. As a result, the proposals in the Exposure Draft seek to balance these challenges with the provision of information for investors about how climate-related issues affect an entity's financial position and financial performance currently and over the short, medium and long term by allowing anticipated monetary effects to be disclosed as a range or a point estimate.

The Exposure Draft proposes that an entity be required to disclose the effects of significant climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long term—including how climate-related risks and opportunities are included in the entity's financial planning (paragraph 14). The requirements also seek to address potential measurement challenges by requiring disclosure of quantitative information unless an entity is unable to provide the information quantitatively, in which case it shall be provided qualitatively.

Paragraphs BC96–BC100 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

06-AP. (a) Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not?

- Broadly Agree

06-AR. Please explain your answer:

N/A

06-BP. (b) Do you agree with the proposed disclosure requirements for the financial effects of climate-related risks and opportunities on an entity's financial performance, financial position and cash flows for the reporting period? If not, what would you suggest and why?

- Broadly Disagree

06-BR. Please explain your answer:

If the GHG and renewables accounting is flawed the financial disclosures associated with GHG and renewables disclosures is also flawed

06-CP. (c) Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term? If not, what would you suggest and why?

- Broadly Agree

06-CR. Please explain your answer:

N/A

Question 7—Climate resilience

The likelihood, magnitude and timing of climate-related risks and opportunities affecting an entity are often complex and uncertain. As a result, users of general purpose financial reporting need to understand the resilience of an entity's strategy (including its business model) to climate change, factoring in the associated uncertainties. Paragraph 15 of the Exposure Draft therefore includes requirements related to an entity's analysis of the resilience of its strategy to climate-related risks. These requirements focus on:

- what the results of the analysis, such as impacts on the entity's decisions and performance, should enable users to understand; and
- whether the analysis has been conducted using:
 - climate-related scenario analysis; or
 - an alternative technique.

Scenario analysis is becoming increasingly well established as a tool to help entities and investors understand the potential effects of climate change on business models, strategies, financial performance and financial position. The work of the TCFD showed that investors have sought to understand the assumptions used in scenario analysis, and how an entity's findings from the analysis inform its strategy and risk-management decisions and plans. The TCFD also found that investors want to understand what the outcomes indicate about the resilience of the entity's strategy, business model and future cash flows to a range of future climate scenarios (including whether the entity has used a scenario aligned with the latest international agreement on climate change). Corporate board committees (notably audit and risk) are also increasingly requesting entity-specific climate-related risks to be included in risk mapping with scenarios reflecting different climate outcomes and the severity of their effects.

Although scenario analysis is a widely accepted process, its application to climate-related matters in business, particularly at an individual entity level, and its application across sectors is still evolving. Some sectors, such as extractives and minerals processing, have used climate-related scenario analysis for many years; others, such as consumer goods or technology and communications, are just beginning to explore applying climate-related scenario analysis to their businesses.

Many entities use scenario analysis in risk management for other purposes. Where robust data and practices have developed, entities thus have the analytical capacity to undertake scenario analysis. However, at this time the application of climate-related scenario analysis for entities is still developing.

Preparers raised other challenges and concerns associated with climate-related scenario analysis, including: the speculative nature of the information that scenario analysis generates, potential legal liability associated with disclosure (or miscommunication) of such information, data availability and disclosure of confidential information about an entity's strategy. Nonetheless, by prompting the consideration of a range of possible outcomes and explicitly incorporating multiple variables, scenario analysis provides valuable information and perspectives as inputs to an entity's strategic decision-making and risk-management processes. Accordingly, information about an entity's scenario analysis of significant climate-related risks is important for users in assessing enterprise value.

The Exposure Draft proposes that an entity be required to use climate-related scenario analysis to assess its climate resilience unless it is unable to do so. If an entity is unable to use climate-related scenario analysis, it shall use an alternative method or technique to assess its climate resilience.

Requiring disclosure of information about climate-related scenario analysis as the only tool to assess an entity's climate resilience may be considered a challenging request from the perspective of a number of preparers at this time—particularly in some sectors. Therefore, the proposed requirements are designed to accommodate alternative approaches to resilience assessment, such as qualitative analysis, single-point forecasts, sensitivity analysis and stress tests. This approach would provide preparers, including smaller entities, with relief, recognising that formal scenario analysis and related disclosure can be resource intensive, represents an iterative learning process, and may take multiple planning cycles to achieve. The Exposure Draft proposes that when an entity uses an approach other than scenario analysis, it disclose similar information to that generated by scenario analysis to provide investors with the information they need to understand the approach used and the key underlying assumptions and parameters associated with the approach and

associated implications for the entity's resilience over the short, medium and long term.

It is, however, recommended that scenario analysis for significant climate-related risks (and opportunities) should become the preferred option to meet the information needs of users to understand the resilience of an entity's strategy to significant climate-related risks. As a result, the Exposure Draft proposes that entities that are unable to conduct climate-related scenario analysis provide an explanation of why this analysis was not conducted. Consideration was also given to whether climate-related scenario analysis should be required by all entities with a later effective date than other proposals in the Exposure Draft.

Paragraphs BC86–BC95 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

07-AP. (a) Do you agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why or why not? If not, what do you suggest instead and why?

- Broadly Agree

07-AR. Please explain your answer:

N/A

(b) The Exposure Draft proposes that if an entity is unable to perform climate-related scenario analysis, that it can use alternative methods or techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy.

07-BiP.

(i) Do you agree with this proposal? Why or why not?

- Broadly Agree

07-BiR. Please explain your answer:

N/A

07-BiiP. (ii) Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why? Why or why not?

- Broadly Agree

07-BiiR. Please explain your answer:

N/A

07-BiiiR.

(iii) Alternatively, should all entities be required to undertake climate-related scenario analysis to assess climate resilience? If mandatory application were required, would this affect your response to Question 14(c) and if so, why?

For small entities this might be difficult. Could be addressed at a sector level, such as at a retail sector level

07-CP. (c) Do you agree with the proposed disclosures about an entity's climate-related scenario analysis? Why or why not?

- Broadly Agree

07-CR. Please explain your answer:

N/A

07-DP. (d) Do you agree with the proposed disclosure about alternative techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) used for the assessment of the climate resilience of an entity's strategy? Why or why not?

- Broadly Agree

07-DR. Please explain your answer:

N/A

07-EP. (e) Do the proposed disclosure requirements appropriately balance the costs of applying the requirements with the benefits of information on an entity's strategic resilience to climate change? Why or why not? If not, what do you recommend and why?

- Broadly Agree

07-ER. Please explain your answer:

N/A

Question 8—Risk management

An objective of the Exposure Draft is to require an entity to provide information about its exposure to climate-related risks and opportunities, to enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on the entity's enterprise value. Such disclosures include information for users to understand the process, or processes, that an entity uses to identify, assess and manage not only climate-related risks, but also climate-related opportunities.

Paragraphs 16 and 17 of the Exposure Draft would extend the remit of disclosures about risk management beyond the TCFD Recommendations, which currently only focus on climate-related risks. This proposal reflects both the view that risks and opportunities can relate to or result from the same source of uncertainty, as well as the evolution of common practice in risk management, which increasingly includes opportunities in processes for identification, assessment, prioritisation and response.

Paragraphs BC101–BC104 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

08-AP. Do you agree with the proposed disclosure requirements for the risk management processes that an entity uses to identify, assess and manage climate-related risks and opportunities? Why or why not? If not, what changes do you recommend and why?

- Broadly Agree

08-AR. Please explain your answer:

N/A

Question 9—Cross-industry metric categories and greenhouse gas emissions

The Exposure Draft proposes incorporating the TCFD's concept of cross-industry metric categories with the aim of improving the comparability of disclosures across reporting entities regardless of industry. The proposals in the Exposure Draft would require an entity to disclose these metrics and metric categories irrespective of its particular industry or sector (subject to materiality). In proposing these requirements, the TCFD's criteria were considered. These criteria were designed to identify metrics and metric categories that are:

- indicative of basic aspects and drivers of climate-related risks and opportunities;
- useful for understanding how an entity is managing its climate-related risks and opportunities;
- widely requested by climate reporting frameworks, lenders, investors, insurance underwriters and regional and national disclosure requirements; and
- important for estimating the financial effects of climate change on entities.

The Exposure Draft thus proposes seven cross-industry metric categories that all entities would be required to disclose: greenhouse gas (GHG) emissions on an absolute basis and on an intensity basis; transition risks; physical risks; climate-related opportunities; capital deployment towards climate-related risks and opportunities; internal carbon prices; and the percentage of executive management remuneration that is linked to climate-related considerations. The Exposure Draft proposes that the GHG Protocol be applied to measure GHG emissions.

The GHG Protocol allows varied approaches to be taken to determine which emissions an entity includes in the calculation of Scope 1, 2 and 3—including for example, how the emissions of unconsolidated entities such as associates are included. This means that the way in which information is provided about an entity's investments in other entities in their financial statements may not align with how its GHG emissions are calculated. It also means that two entities with identical investments in other entities could report different GHG emissions in relation to those investments by virtue of choices made in applying the GHG Protocol.

To facilitate comparability despite the varied approaches allowed in the GHG Protocol, the Exposure Draft proposes that an entity shall disclose:

- separately Scope 1 and Scope 2 emissions, for:
 - the consolidated accounting group (the parent and its subsidiaries);
 - the associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group; and
- the approach it used to include emissions for associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group (for example, the equity share or operational control method in the GHG Protocol Corporate Standard).

The disclosure of Scope 3 GHG emissions involves a number of challenges, including those related to data availability, use of estimates, calculation methodologies and other sources of uncertainty. However, despite these challenges, the disclosure of GHG emissions, including Scope 3 emissions, is becoming more common and the quality of the information provided across all sectors and jurisdictions is improving. This development reflects an increasing recognition that Scope 3 emissions are an important component of investment-risk analysis because, for most entities, they represent by far the largest portion of an entity's carbon footprint.

Entities in many industries face risks and opportunities related to activities that drive Scope 3 emissions both up and down the value chain. For example, they may need to address evolving and increasingly stringent energy efficiency standards through product design (a transition risk) or seek to capture growing demand for energy-efficient products or seek to enable or incentivise upstream emissions reduction (climate opportunities). In combination with industry metrics related to these specific drivers of risk and opportunity, Scope 3 data can help users evaluate the extent to which an entity is adapting to the transition to a lower-carbon economy. Thus, information about Scope 3 GHG emissions enables entities and their investors to identify the most significant GHG reduction opportunities across an entity's entire value chain, informing strategic and operational decisions regarding relevant inputs, activities and outputs.

For Scope 3 emissions, the Exposure Draft proposes that:

- an entity shall include upstream and downstream emissions in its measure of Scope 3 emissions;
- an entity shall disclose an explanation of the activities included within its measure of Scope 3 emissions, to enable users of general purpose financial reporting to understand which Scope 3 emissions have been included in, or excluded from, those reported;
- if the entity includes emissions information provided by entities in its value chain in its measure of Scope 3 greenhouse gas emissions, it shall explain the basis for that measurement; and
- if the entity excludes those greenhouse gas emissions, it shall state the reason for omitting them, for example, because it is unable to obtain a faithful measure.

Aside from the GHG emissions category, the other cross-industry metric categories are defined broadly in the Exposure Draft. However, the Exposure Draft includes non-mandatory Illustrative Guidance for each cross-industry metric category to guide entities.

Paragraphs BC105–BC118 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

09-AP. (a) The cross-industry requirements are intended to provide a common set of core, climate-related disclosures applicable across sectors and industries. Do you agree with the seven proposed cross-industry metric categories including their applicability across industries and business models and their usefulness in the assessment of enterprise value? Why or why not? If not, what do you suggest and why?

- Broadly Agree

09-AR. Please explain your answer:

This won't work unless there are legislated market based rules for emissions accounting covering scope 1, 2 and 3 emissions.

There needs to be market based rules for accounting for electricity that are established in law and are not undermined by Governments continuing to allow Corporations to report on location based electricity scope 2 emissions.

Carbon offsets need to be legally defined as negative scope 3 emissions in all participating jurisdictions or systemic double counting will continue.

The correct use of applying carbon offsets needs to be defined for these disclosures to prevent against nonsense concepts that the Federal Government in Australia has used such as Net scope 1 emission values.

If carbon offsets are used at all, they must be used as a negative Scope 3 emission applied across the aggregate of an entities Scope 1+Scope 2 + significant Scope 3 emissions. It is completely inappropriate for carbon offsets to be claimed under Scope 1 & 2 only disclosures such as the Australian Government's Corporate Emissions Reduction Transparency (CERT) reporting scheme.

09-BP. (b) Are there any additional cross-industry metric categories related to climate-related risks and opportunities that would be useful to facilitate cross-industry comparisons and assessments of enterprise value (or some proposed that are not)? If so, please describe those disclosures and explain why they would or would not be useful to users of general purpose financial reporting.

- No

09-BR. Please explain your answer:

N/A

09-CP. (c) Do you agree that entities should be required to use the GHG Protocol to define and measure Scope 1, Scope 2 and Scope 3 emissions? Why or why not? Should other methodologies be allowed? Why or why not?

- Broadly Agree

09-CR. Please explain your answer:

The GHG Protocol is itself vague and does not prescribe accounting standards and methods.

The GHG Protocol Scope 2 Guidance should be updated to guide Market Based Only scope 2 accounting because dual reporting is overly complex and has been exploited to ignore the Guidance Quality criteria and allow simultaneous choice of either location based or market based methods. It is misrepresented in Australia.

The GHG Protocol is very poor on market based accounting and use of carbon offsets. It needs to be updated to adequately define carbon offsets as negative scope 3 emissions and establish debit and credit principles for GHG accounting across sellers and buyers.

09-DP. (d) Do you agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3—expressed in CO2 equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH4) separately from nitrous oxide (NO2))?

- Broadly Disagree

09-DR. Please explain your answer:

Need to be dis-aggregated.

The only time for aggregation is at the highest level of stating that a corporations combined scope 1, 2 & 3 emissions are:.....

09-EP. (e) Do you agree that entities should be required to separately disclose Scope 1 and Scope 2 emissions for:

(i) the consolidated entity; and

(ii) for any associates, joint ventures, unconsolidated subsidiaries and affiliates? Why or why not?

- Broadly Agree

09-ER. Please explain your answer:

N/A

09-FP. (f) Do you agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric category for disclosure by all entities, subject to materiality? If not, what would you suggest and why?

- Broadly Agree

09-FR. Please explain your answer:

N/A

Question 10—Targets

Paragraph 23 of the Exposure Draft proposes that an entity be required to disclose information about its emission-reduction targets, including the objective of the target (for example, mitigation, adaptation or conformance with sector or science-based initiatives), as well as information about how the entity's targets compare with those prescribed in the latest international agreement on climate change.

The 'latest international agreement on climate change' is defined as the latest agreement between members of the United Nations Framework Convention on Climate Change (UNFCCC). The agreements made under the UNFCCC set norms and targets for a reduction in greenhouse gases. At the time of publication of the Exposure Draft, the latest such agreement is the Paris Agreement (April 2016); its signatories agreed to limit global warming to well below 2 degrees Celsius above pre-industrial levels, and to pursue efforts to limit warming to 1.5 degrees Celsius above pre-industrial levels. Until the Paris Agreement is replaced, the effect of the proposals in the Exposure Draft is that an entity is required to reference the targets set out in the Paris Agreement when disclosing whether or to what degree its own targets compare to the targets in the Paris Agreement.

Paragraphs BC119–BC122 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

010-AP. (a) Do you agree with the proposed disclosure about climate-related targets? Why or why not?

- Broadly Agree

010-AR. Please explain your answer:

N/A

010-BP. (b) Do you think the proposed definition of 'latest international agreement on climate change' is sufficiently clear? If not, what would you suggest and why?

- Broadly Agree

010-BR. Please explain your answer:

N/A

Question 11— Industry-based requirements

The Exposure Draft proposes industry-based disclosure requirements in Appendix B that address significant sustainability-related risks and opportunities related to climate change. Because the requirements are industry-based, only a subset will apply to a particular entity. The requirements have been derived from the SASB Standards. This is consistent with the responses to the Trustees' 2020 consultation on sustainability that recommended that the ISSB build upon existing sustainability standards and frameworks. This approach is also consistent with the TRWG's climate-related disclosure prototype.

The proposed industry-based disclosure requirements are largely unchanged from the equivalent requirements in the SASB Standards. However, the requirements included in the Exposure Draft include some targeted amendments relative to the existing SASB Standards. The proposed enhancements have been developed since the publication of the TRWG's climate-related disclosure prototype.

The first set of proposed changes address the international applicability of a subset of metrics that cited jurisdiction-specific regulations or standards. In this case, the Exposure Draft proposes amendments (relative to the SASB Standards) to include references to international standards and definitions or, where appropriate, jurisdictional equivalents.

Paragraphs BC130–BC148 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals to improve the international applicability of the industry-based requirements.

011-AP. (a) Do you agree with the approach taken to revising the SASB Standards to improve the international applicability, including that it will enable entities to apply the requirements regardless of jurisdiction without reducing the clarity of the guidance or substantively altering its meaning? If not, what alternative approach would you suggest and why?

- Broadly Agree

011-AR. Please explain your answer:

N/A

011-B.

(b) Do you agree with the proposed amendments that are intended to improve the international applicability of a subset of industry disclosure requirements? If not, why not?

Please select which industries you would like to comment on. If you would like to comment on all industries select 'All industries'.

- All industries

If you do not see comment boxes for all of the industries you selected, please move to the next page(s) to view.

011B-ALL1. All industries

N/A

011B-ALL2. All industries (continued)

N/A

011-CP. (c) Do you agree that the proposed amendments will enable an entity that has used the relevant SASB Standards in prior periods to continue to provide information consistent with the equivalent disclosures in prior periods? If not, why not?

- Broadly Disagree

011-CR. Please explain your answer:

First, we need basic GHG and renewables accounting reforms. Consistent legislated frameworks are required in each jurisdiction as is expected of financial markets.

The second set of proposed changes relative to existing SASB Standards address emerging consensus on the measurement and disclosure of financed or facilitated emissions in the financial sector. To address this, the Exposure Draft proposes adding disclosure topics and associated metrics in four industries: commercial banks, investment banks, insurance and asset management. The proposed requirements relate to the lending, underwriting and/or investment activities that finance or facilitate emissions. The proposal builds on the GHG Protocol Corporate Value Chain (Scope 3) Standard which includes guidance on calculating indirect emissions resulting from Category 15 (investments).

Paragraphs BC149–BC172 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals for financed or facilitated emissions.

011-D.

(d) Do you agree with the proposed industry-based disclosure requirements for financed and facilitated emissions, or would the cross-industry requirement to disclose Scope 3 emissions (which includes Category 15: Investments) facilitate adequate disclosure? Why or why not?

Please select which industries you would like to comment on. If you would like to comment on all industries select 'All industries'.

- All industries

011D-ALL. All industries

Financial disclosures rely on legislated and consistent market based GHG and renewables accounting across all jurisdictions.

011-EP. (e) Do you agree with the industries classified as ‘carbon-related’ in the proposals for commercial banks and insurance entities? Why or why not? Are there other industries you would include in this classification? If so, why?

- Broadly Agree

011-ER. Please explain your answer:

N/A

011-FP. (f) Do you agree with the proposed requirement to disclose both absolute- and intensity-based financed emissions? Why or why not?

- Broadly Agree

011-FR. Please explain your answer:

N/A

011-GP. (g) Do you agree with the proposals to require disclosure of the methodology used to calculate financed emissions? If not, what would you suggest and why?

- Broadly Agree

011-GR. Please explain your answer:

Consistency is essential for credibility.

In Australia, selecting from multiple GHG accounting methods and frameworks has created nothing but distrust and confusion.

011-HP. (h) Do you agree that an entity be required to use the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard to provide the proposed disclosures on financed emissions without the ISSB prescribing a more specific methodology (such as that of the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry)? If you don't agree, what methodology would you suggest and why?

- Broadly Agree

011-HR. Please explain your answer:

As previously discussed, the GHG Protocols need to be updated to properly define carbon offsets as negative scope 3 emissions, and guide basic debit and credit rules. The GHG Protocol Scope 2 Guidance needs to be updated to guide market based only Scope 2 emissions accounting to stop the confusion and systemic misuse and double counting of, renewables use and scope 2 emissions avoidance.

011-IP. (i) In the proposal for entities in the asset management and custody activities industry, does the disclosure of financed emissions associated with total assets under management provide useful information for the assessment of the entity's indirect transition risk exposure? Why or why not?

- Broadly Agree

011-IR. Please explain your answer:

N/A

Overall, the proposed industry-based approach acknowledges that climate-related risks and opportunities tend to manifest differently in relation to an entity's business model, the underlying economic activities in which it is engaged and the natural resources upon which its business depends or which its activities affect. This affects the assessment of enterprise value. The Exposure Draft thus incorporates industry-based requirements derived from the SASB Standards.

The SASB Standards were developed by an independent standard-setting board through a rigorous and open due process over nearly 10 years with the aim of enabling entities to communicate sustainability information relevant to assessments of enterprise value to investors in a cost-effective manner. The outcomes of that process identify and define the sustainability-related risks and opportunities (disclosure topics) most likely to have a significant effect on the enterprise value of an entity in a given industry. Further, they set out standardised measures to help investors assess an entity's performance on the topic.

Paragraphs BC123–BC129 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals related to the industry-based disclosure requirements.

While the industry-based requirements in Appendix B are an integral part of the Exposure Draft, forming part of its requirements, it is noted that the requirements can also inform the fulfilment of other requirements in the Exposure Draft, such as the identification of significant climate-related risks and opportunities (see paragraphs BC49–BC52).

011-JP. (j) Do you agree with the proposed industry-based requirements? Why or why not? If not, what do you suggest and why?

- Broadly Disagree

011-IR. Please explain your answer:

There needs to be a greater customer and end user focus. The customers are the ones that need to tolerate the industry narrative, good, bad and greenwash.

011-KP. (k) Are there any additional industry-based requirements that address climate-related risks and opportunities that are necessary to enable users of general purpose financial reporting to assess enterprise value (or are some proposed that are not)? If so, please describe those disclosures and explain why they are or are not necessary.

- No

011-KR. Please explain your answer:

N/A

011-LP. (l) In noting that the industry classifications are used to establish the applicability of the industry-based disclosure requirements, do you have any comments or suggestions on the industry descriptions that define the activities to which the requirements will apply? Why or why not? If not, what do you suggest and why?

- No

011-LR. Please explain your answer:

N/A

Question 12—Costs, benefits and likely effects

Paragraphs BC46–BC48 of the Basis for Conclusions set out the commitment to ensure that implementing the Exposure Draft proposals appropriately balances costs and benefits.

012-AR. (a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?

Carbon markets as a whole are at stake.

Currently there is nothing credible in Australia's carbon markets.

If consumer confidence cannot be assured through LEGISLATED frameworks and assurances, then there will not be any consumer confidence/

012-BR. (b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?

Australia has now created the NGER Determination, the National Greenhouse Accounts, Climate Active accounting, the Corporate Emissions Reduction Transparency Report, NABERS, the Hydrogen Guarantee of Origin Scheme, GreenPower, Voluntary Surrender of LGCs and is now looking at a Renewables Guarantee of Origin Scheme. All of these schemes apply different competing and contradictory GHG and renewables accounting methods and concepts creating an absolute farce with complete double counting of everything, with great complexity and excessive bureaucracy and cost.

est need one National Greenhouse and Energy Accounting Scheme that is market based and applies across all organisations and markets to be used by those with mandatory obligations and in voluntary markets.

012-CP. (c) Are there any disclosure requirements included in the Exposure Draft for which the benefits would not outweigh the costs associated with preparing that information? Why or why not?

- No

012-CR. Please explain your answer:

N/A

Question 13—Verifiability and enforceability

Paragraphs C21–24 of [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* describes verifiability as one of the enhancing qualitative characteristics of sustainability-related financial information. Verifiability helps give investors and creditors confidence that information is complete, neutral and accurate. Verifiable information is more useful to investors and creditors than information that is not verifiable.

Information is verifiable if it is possible to corroborate either the information itself or the inputs used to derive it. Verifiability means that various knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation.

013-AP. Are there any disclosure requirements proposed in the Exposure Draft that would present particular challenges to verify or to enforce (or that cannot be verified or enforced) by auditors and regulators? If you have identified any disclosure requirements that present challenges, please provide your reasoning.

- Yes

013-AR. Please explain your answer:

Nothing can be audited, verified or enforced if there are legislated and consistent market based rules for GHG and renewables accounting.

Scope 1 is location based always

Scope 2 should be market based only, unless a jurisdiction and electricity grid is already 100% renewable

Scope 3 is by definition, market based, and therefore carbon offsets are also by definition, scope 3 and market based.

Debit and credit rules need to apply

Carbon offsets should only be applied across aggregated S1+S2+ Significant S3 emissions and nothing less.

Question 14—Effective date

Because the Exposure Draft is building upon sustainability-related and integrated reporting frameworks used by some entities, some may be able to apply a retrospective approach to provide comparative information in the first year of application. However, it is acknowledged that entities will vary in their ability to use a retrospective approach.

Acknowledging this situation and to facilitate timely application of the proposals in the Exposure Draft, it is proposed that an entity is not required to disclose comparative information in the first period of application.

[Draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* requires entities to disclose all material information about sustainability-related risks and opportunities. It is intended that [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* be applied in conjunction with the Exposure Draft. This could pose challenges for preparers, given that the Exposure Draft proposes disclosure requirements for climate-related risks and opportunities, which are a subset of those sustainability-related risks and opportunities. Therefore, the requirements included in [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* could take longer to implement.

Paragraphs BC190–BC194 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

014-AP. (a) Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*? Why?

- Later

014-AR. Please explain your answer:

Entities should not try and use this Disclosure Framework until the basic foundational GHG and Renewables accounting frameworks are legally established in their country of operation.

Without this the disclosures are meaningless and potentially greenwash.

014-BR. (b) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer including specific information about the preparation that will be required by entities applying the proposals in the Exposure Draft.

N/A

014-CP. (c) Do you think that entities could apply any of the disclosure requirements included in the Exposure Draft earlier than others? (For example, could disclosure requirements related to governance be applied earlier than those related to the resilience of an entity's strategy?) If so, which requirements could be applied earlier and do you believe that some requirements in the Exposure Draft should be required to be applied earlier than others?

- Broadly Disagree

014-CR. Please explain your answer:

No legal foundation. Systemic double counting.

Question 15—Digital reporting

The ISSB plans to prioritise enabling digital consumption of sustainability-related financial information prepared in accordance with IFRS Sustainability Disclosure Standards from the outset of its work. The primary benefit of digital consumption of sustainability-related financial information, as compared to paper-based consumption, is improved accessibility, enabling easier extraction and comparison of information. To facilitate digital consumption of information provided in accordance with IFRS Sustainability Disclosure Standards, an IFRS Sustainability Disclosures Taxonomy is being developed by the IFRS Foundation. The Exposure Draft and [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* Standards are the sources for the Taxonomy.

It is intended that a staff draft of the Taxonomy will be published shortly after the release of the Exposure Draft, accompanied by a staff paper which will include an overview of the essential proposals for the Taxonomy. At a later date, an Exposure Draft of Taxonomy proposals is planned to be published by the ISSB for public consultation.

015-AR. Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?

No,

Get the rules right with a single common accounting framework and then ease of reporting will be optimised.

Question 16—Global baseline

IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value. Other stakeholders are also interested in the effects of climate change. Those needs may be met by requirements set by others including regulators and jurisdictions. The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards.

016-AP. Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

N/A

016-AR. Please explain your answer:

International debit and credit rules for dealing with carbon offset trades

Question 17—Other comments

017-AR. Do you have any other comments on the proposals set out in the Exposure Draft?

I would be very happy to discuss my submission.

My recent submission on the National Greenhouse and Energy Reporting Determination 2022 is relevant. I will be making a direct submission.

Kind regards

Tim Kelly

29 April 2022

Tim Kelly
Adelaide SA

Department of Industry, Science, Energy and Resources
National Greenhouse and Energy Reporting
Emissions Reduction

Cc ACCC

RE: Updates to National Greenhouse and Energy Reporting (NGER) Scheme legislation.

Please accept this submission on NGER Determination amendments for 2022.

Some of the needs for reform identified in previous NGER submissions include:

- The NGER Framework should be reformed to cover an economy wide approach to transitioning to a low carbon economy, not just isolated segments and schemes.
- Landscape fugitive emissions away from gas wells, potentially caused or aggravated by dewatering and hydraulic fracturing to be addressed in the NGER Framework.
- Anomalies in deforestation and reforestation to be addressed.
- Supporting retail accredited renewables to exist in law without double and triple counting
- The introduction of a no double counting principle into the NGER Framework. Just as we would expect in the banking sector.

2022 SUBMISSION

Regarding the update the methodology used to calculate 'Scope 2' emissions, which arise from consuming grid electricity, the amendments do not provide an acceptable outcome that is consistent with the first Object of the NGER Act to:

Introduce a single national reporting framework for the reporting and dissemination of information related to greenhouse gas emissions, greenhouse gas projects, energy consumption and energy production of corporations to:

- (b) inform government policy formulation and the Australian public; and*
- (c) meet Australia's international reporting obligations; and*
- d) assist Commonwealth, State and Territory government programs and activities; and*
- (e) avoid the duplication of similar reporting requirements in the States and Territories.*

The reason why the NGER Determination does not provide a *single National Reporting Framework to inform the Australian Public* about the claims of Corporations or their products is because DISER has not supported or adopted market based accounting for scope 2 emissions or to deal with scope 3 emission acknowledgements or offset claims in law.

There has been inadequate attention to the national and international shift towards market based action and accounting, despite Australia not having an effective mandatory mechanism for almost a decade.

In 2020, the DISER General Manager - National Inventory Systems and International Reporting Branch stated that:

The Department would like to acknowledge the potential benefits of a market-based approach system to scope 2 accounting. When the department last conducted an analysis and public consultation on this proposal it found that the benefits of using a contract-based approach were outweighed by the additional complexity, information requirements and lack of transparency. The department remains open to the view, however, that as circumstances evolve over time, a different balance and different conclusions may be possible in future.

In 2022, the Department has created and/or supported not one, but many market based accounting schemes, none of which are supported in legislation for offsetting, renewables use or abatement attributes. The Department has made the situation overly complex, completely lacking integrity and usability whilst continuing to cause systemic double counting of renewable electricity and abatement claims through offsets that are not yet supported by law.

The Department continues to support, and promote location based greenhouse gas accounting whilst at the same time establishing and/or directly or indirectly supporting market based accounting through the Corporate Emissions Reduction Transparency (CERT) reporting scheme, through the Hydrogen Guarantee of Origin (GoO) scheme, the Climate Active Scheme, GreenPower and the voluntary surrender of Large Scale Certificates (LGCs). Each one of these schemes is founded on making market based GHG or related claims of corporations and businesses relating to their reputation, products, services or end use consumption.

The Department has not respected the Object of the NGER Legislation for a “single national reporting framework” and has instead created multiple and contradictory frameworks, one in law and the rest sitting outside legislation. The Hydrogen GoO scheme is an example of a framework that will be used by NGER scale Corporations. This is not different accounting it is double counting.

The CERT is also created primarily for use by NGER Reporting Corporations using market based methods that are precluded by or not covered by the NGER Determination. This not only leads to utter confusion on basic issues such as what defines renewable electricity use and how carbon offsets should be accounted for in consumer markets, but it also creates systemic double counting and free riding.

Australia's multiple contradictory GHG, renewables and offsets schemes are all used by NGER liable corporations, non NGER businesses, market intermediaries and end user consumers for reputational, products, service and consumption based claims.

In seeking to suggest that NGER is for a different purpose, the Department has created utter confusion

SOLUTION TO ESTABLISH INTEGRITY IN AUSTRALIA'S MANDATORY REPORTING AND VOLUNTARY CARBON AND RENEWABLE ENERGY MARKETS

Australia as an advanced economy with an established REC Registry and Clean Energy Regulator should now fully embrace market based GHG accounting for renewable electricity and carbon offsets.

Recommendations

To achieve this outcome, market based accounting should be integrated into Australia's Climate Change Accounting Law, which is the National Greenhouse and Energy Reporting (NGER) Framework via the NGER Determination.

- No change is required for the NGER scope 1 emissions methods which by definition, are location based.
- For consistency, the National Greenhouse Accounts (NGA) Factors need to be brought into the NGER Framework to legally apply to all participants in Australia's low carbon markets. This is not about forcing all participants to report under the NGER reporting, it simply means that when sellers and buyers are making reputational, product and service based claims, they all follow the same set of market rules under a legislated framework.
- A change to the NGER Determination is needed to transition to market based accounting for scope 2 emissions will require alignment of the Determination with the GHG Protocol Scope 2 Guidance. A single method to claim renewable electricity use and zero scope 2 emissions is required. The revised NGER Determination should formerly establish a National Residual Grid Mix Factor. Those not making emissions specific claims for renewable electricity should be reporting their electricity emissions using the Residual Grid Mix Factor as the primary method, including to make any and all reputational, product and service based claims. The Dual Reporting with a location based factor should therefore become a reference point only and must not be a choice, as this would not prevent double counting.
- To align the Residual Grid Mix Factor (RMF) with a location based factor, the State Average Factors should no longer be used. Instead, dual reporting should use the National Location Based Factor to compare performance against the primary market based method.
- If LGCs are to be treated as incorporating renewable use and zero scope 2 emission attributes then these attributes need to be legally assigned with the Large Scale Certificates.
- All eight quality criteria of the GHG Protocol Scope 2 Guidance should be achieved.

- A change to the NGER Determination is needed to introduce market based accounting for carbon offsets as negative scope 3 emissions. This is essential to stop double counting across producers, consumers and sectors. Where a carbon offset such as Australian Carbon Credit Units are sold or allocated across different entities or locations, then basic debit and credit rules need to apply such that a scope 3 emission are added to a sellers account in order for scope three deductions to be claimed by a buyer/end user. This basic concept is the foundation of financial markets and must also apply to carbon markets in order for integrity, certainty and sustainability to be established.
- NGER reporting, Climate Active, GreenPower, the Hydrogen Guarantee of Origin Scheme and the CERT should all be based around a common single National Greenhouse and Energy Accounting framework that is established under the NGER Determination.
- Given the scale and expansion of low carbon markets together with the rapid growth of emissions and renewable electricity related claims:
 - The Clean Energy Regulator needs to address the fundamental problem of low carbon markets not having a legislated carbon and renewables accounting framework.
 - The Department of Industry, Science Resources and Energy needs to start addressing carbon accounting rules seriously to establish long term and sustainable carbon markets and claims integrity to legally underpin such concepts as renewable hydrogen, green steel and exporting renewable electricity to Asia, as well as underpinning Australia's domestic low carbon markets and claims.
 - The Australian Securities and Investment Commission (ASIC) should be called upon to assure that NGER reporting and claims, GreenPower, Climate Active, the CERT, The Hydrogen Guarantee of Origin Scheme, NABERS are all underpinned by an emissions and renewables accounting framework that is robust and applies consistently across the economy for Corporations to be protected when making investment decisions.
 - The ACCC should be called upon to assure that all the schemes have sufficient legal foundation, clarity and fairness to enable enforcement actions to be applied where required to protect consumers
 - The Productivity Commission should be asked to address:
 - The economic impacts of the continuation of the RET from now until 2030 noting that the target has already been achieved and continuation creates unwarranted scarcity for renewables and artificial upward pressure on prices in voluntary renewable electricity markets that are already primed to take over from the mandatory mechanism
 - The economic impacts of not allowing pre 1997 renewable electricity a place in voluntary markets
 - The economic impact of not having a single national accounting and allocation framework for greenhouse gas emissions, renewables and offsets to legally apply across the market to provide business and customer certainty and assurance.

WHY WAS THERE NO CONSULTATION ON THE NATIONAL GREENHOUSE ACCOUNTS (NGA) FACTORS?

Content of the NGA Factors

For years, the Department has published the NGA Factors which is for a broader (but non-defined) use in markets without there ever being consultation on this document.

The document is used as the foundation for the emission values published on consumer electricity bills and in carbon calculators across the nation. They are used in the analysis behind important modelling such as that undertaken to support the Future Fuels Strategy, its discussion and recommendations.

The NGA Factors extends into Scope 3 accounting which is important to consumer markets and the reputational claims of the business sector. However, the NGA Factors still do not cover the concept of market based renewables or carbon offsets, and they have zero standing in law.

I had asked the Department as to whether it would include consultation regarding the NGA Factors as part of this NGER Consultation, given that the department had claimed that:

Regarding the NGA Factors – Methods contained in this workbook are based on Method 1's extracted from the NGERS Measurement Determination. The workbook is intended for voluntary use by non-NGERS reporters to estimate their carbon footprint. It has no legal standing, and therefore, it is not our practice to consult on annual updates. In any case, any amendments flowing through from NGERS are consulted on through the regular NGERS consultation process.

If the Department believes the NGA Factors are covered by NGER Consultation then it should have broadened the scope of the NGER Determination Consultation to cover the NGA Factors and scope 3 components. The key matter of the NGA Factors covering Scope 3 emission values does by definition, mean that the NGER Determination Consultation cannot cover key emissions methods relating to indirect upstream or downstream scope 3 emissions. The consultation should have begun to manage the interface with renewable electricity and offset markets for end users.

Lack of Purpose and Guidance regarding the NGA Factors.

In response to suggesting to the Department that the **NGA Factors** are “dumped in the market without any legislative teeth or a clearly defined role, a DISER Officer commented that:

One of his main points appears to be that electricity companies and so on use the NGERS factors in their bills for people to estimate the emissions. “end user claims and are dumped in the market without any legislative teeth or a clearly defined role”. I'm not really sure what to say about that, as that is companies using what we provide.

Well, yes, that is the point. The NGA factors are dumped into the market and used by businesses and consumers to make reputational, product, service and consumption based claims using the NGA Factors based on location based methods. At the same time there are now a growing

number of alternative schemes each with contradictory accounting methods (CERT, Hydrogen GoO, Climate Active, NABERS, GreenPower and Voluntary surrender of LGCs).

The market does use what the Department provides or does not provide. Currently the Department provides contradictory schemes and documents with inadequate guidance resulting in all the market based methods for renewables and offsets being unsupported by law and double counted.

- Ordinary household and small business GreenPower customers are still being charged for ~120% LGCs to buy 100% accredited renewable electricity
- NGER corporations (particularly in the mining, resource processing and water industries) are able to produce and consume and claim renewables from behind the meter or in close proximity to their facilities whilst creating and selling LGCs to other consumers where they are claimed again and double counted.
- Carbon offset creators can claim the abatement sold as offsets and claimed by others
- All accredited voluntary renewable electricity is double counted
- Abatement from all household and small scale solar renewable systems is double counted.
- There is no legal definition of what constitutes voluntary renewable electricity from the grid.
- There is massive confusion on the use of the state based emission factors, the Climate Active market based Residual Mix Factor (RMF) and market based renewable claims, such that consumers in South Australia do not know if they should pay 120% for GreenPower, or claim the ~20% mandatory renewables component, or claim the 65% state renewables generation component, or just claim renewables in connection with a generation facility without any LGCs.

Australia's greenhouse and renewables accounting is unworkable and unusable for voluntary markets.

It would be less complicated for the Government to simply amend the NGER Determination to support market based Scope 2 accounting and to enable carbon offsets to function as negative scope 3 emissions with basic debit and credit rules. Then there could be one national accounting framework and the assurance schemes could then just focus on assurance, not on parallel fairytale accounting methods. The NGER Determination could then absorb the NGA Factors.

TAKING OF HOUSEHOLD SOLAR ABATEMENT

The Department, using STC information provided by the Clean Energy Regulator has effectively taken the household abatement of all household solar systems and allocated this to reduce state grid factors, with full double counting. Approximately 60% of the abatement benefits of household solar goes to NGER liable corporations. These benefits are no longer small and cannot be trivialised.

This action by the Department appears to directly contravene the NGER Technical Guidelines (2017-18) which state that:

$$EFG_{scope2,t} = \frac{\text{Combustion emissions from electricity consumed from the grid in state } i (CE_{C_i,t})}{\text{Electricity sent out consumed from the grid in state } i (ESO_{C_i,t})}$$

Where

'combustion emissions from electricity consumed from the grid in state i' (CE_{C_i}) and 'energy sent out consumed from the grid in state i' (ESO_{C_i}) are defined in terms of the state's electricity grid generation, imports and exports as follows:

$$CE_{C_i,t} = CE_{P_i,t} + \sum_j \left(\frac{ESO_{M_{j,i,t}}}{ESO_{P_j,t}} \times CE_{P_j,t} \right) - \sum_k \left(\frac{ESO_{X_{i,k,t}}}{ESO_{P_i,t}} \times CE_{P_i,t} \right)$$

$$ESO_{C_i,t} = ESO_{P_i,t} + \sum_j ESO_{M_{j,i,t}} - \sum_k ESO_{X_{i,k,t}}$$

where

CE_{P_i} is the total CO₂-e emissions from fuel combustion at generation attributed to the electricity generated/produced for the grid in state i in financial year t

CE_{P_j} is the total CO₂-e emissions from fuel combustion at generation attributed to the electricity generated for the grid in state j in financial year t

ESO_{M_{j,i}} is the imports of energy sent out from state j to state i in financial year t. Imports are calculated from the interregional flows of electricity across the interconnectors published by the National Electricity Market Management Company (NEMMCO)

ESO_{X_{i,k}} is the exports of energy sent out from state i to state k in financial year t. Exports are calculated from the inter-regional flows of electricity across the interconnectors published by NEMMCO

It is important to note that household renewables produced and consumed behind the meter:

- Are not sent out to the grid
- Are not consumed from the grid
- Are not produced for the grid.

The Department had no justification to take the abatement from small scale system owners without any attempt to determine the proportion of small scale use behind the meter or the net surplus exported to the grid.

The treatment of householders to take their abatement and allocate this to the grid is opposite to the treatment of NGER corporations producing and consuming behind the meter renewables which are not allocated to the grid.

The worst aspect of this Departmental administrative action is that the double counting of small scale abatement by households is not and has never been properly disclosed to households or other small scale system owners as a part of disclosure when Small Tradeable Certificates (STCs) are signed across to third parties. Indeed, even when asking questions to the Department directly about this situation it took at least four years to get a clear answer that yes, all the abatement from small scale systems is allocated to state grid factors. The householder effort is being claimed a second time by all other consumers.

CERT TREATMENT OF CARBON OFFSETS AND CONSEQUENCES FOR THE NGER DETERMINATION

The DISER CERT scheme has adopted an approach for carbon offsets to be directly used to reduce scope 1 emissions.

This approach is a fundamental perversion of accounting for emissions in scopes, because offsets rightly belong the Scope 3 accounting column. These are indirect emissions reduction activities that occur outside the boundary of operational control by a business or consumer and should be carefully claimed against the aggregate of scope 1, 2 & 3 emissions. Where an abatement of 1 tonne of GHG is achieved by a third party and they sell the abatement, that provider should add a scope 3 emission to their account so a consumer can claim a scope 3 reduction. Sadly, Australia has not applied basic debit and credit rules to carbon offset markets so the seller can claim the abatement as well as the consumer, which of course results in double counting.

Through the perverse CERT treatment of offsets, it appears that the Department is trying to shield Corporations from acknowledgement of scope 3 emissions that are not reported on via mandatory NGER Reporting, whilst enabling to claim the indirect reductions of offsets by shifting offsets into the Scope 1 column for corporations to claim a reduced 'Net scope 1 emissions' value.

This approach is opposed because it is so perverse, but if it is the case that NGER liable Corporations are to be able to claim lower 'net scope 1 emissions' when buying offsets through the CERT or even in general claims, then the NGER Determination should also require that NGER liable corporations add 'net scope 1 emissions' when selling offsets. This is not an extreme concept, just a basic market based accounting convention to ensure integrity that is quite well accepted in financial markets and banking.

HOW AUSTRALIA IS DOUBLE COUNTING RENEWABLES AND OFFSETS.

I attach the text from a recent article that I authored for the Fifth Estate Spinifex online magazine. This describes an overview of Australia's double counting and failure to legally establish market based accounting.

How Australia's accredited renewable electricity products and carbon offsets are systemically double counted and lack legal foundation.

I have been asked by several peers to provide a summary of the key legal and accounting issues behind my assertions that Australia's accredited renewable electricity products and carbon offsets lack legitimacy and integrity. This might come as a surprise to some, but it is pretty easy to back up. Over many years, the government departments, assurance organisations and authorities have not been able to provide a credible to dispel concerns raised and typically dismiss them as out of scope or not a current priority.

Greenhouse Accounting Overview and the Greenhouse Gas Protocol

Greenhouse and renewable electricity accounting is often seen as a complicated rules and policy that are too complex for most consumers to understand, yet if renewable electricity and offsets were solid objects that could be traded in blocks, then the accounting issues would be apparent for all to see.

The Greenhouse Gas Protocol is a globally accepted set of standards for accounting for greenhouse gas emissions and describes key types of emissions as outlined below:

- **Scope 1** emissions are direct emissions from burning fossil fuels or releasing other harmful gasses.
- **Scope 2** emissions are indirect emissions associated with using energy where the emissions occur in another location, including imported electricity, heat and steam.
- **Scope 3** emissions are other indirect emissions in the life cycle of products and services.

ACCOUNTING FOR ELECTRICITY AND RENEWABLE ELECTRICITY

Accounting for electricity and renewable electricity is specifically referring to the Scope 2 emissions area.

There are different potential ways to account for scope 2 emissions and it is up to Governments to determine how Scope 2 emissions will be accounted for in their jurisdictions. However, the GHG Protocol does provide guidance on how to establish accounting that ensures quality and integrity for two broad alternative approaches.

- One way to account for electricity is referred to the **Location Based Method** where emissions from all generation sources are pooled together and are allocated across all customers in a jurisdiction in proportion of their electricity consumption from the grid. This is done through a pooled emissions factor that applies to that market jurisdiction. It means that regardless of any decision made by a customer, all electricity emissions are allocated at the same rate per kWh. Under such a framework, choices like GreenPower do not work.
- The other way to account for electricity emissions is referred to as the **Market Based Method** which is designed to enable customer choices for renewable electricity so that individual households and businesses can buy accredited renewable electricity, claim renewable electricity use and claim zero electricity related emissions. However, there is a logical requirement that when this is done, those renewables claimed uniquely in contracts need to be removed from the pooled emission factors in a jurisdiction to prevent dilution and double counting. This requirement is achieved by establishing a Residual Mix Factor (RMF) that should apply to all consumers not buying renewable electricity. Those not buying renewables will report higher emissions compared to the

location based method, whilst those buying the accredited renewable electricity have exclusive access and rights to claim renewables use and zero emissions.

The Greenhouse Gas Protocol Scope 2 Guidance released in 2015, provides specific methods and quality criteria for ensuring that market based renewable claims can have integrity and are indeed unique.

Describing the core accounting issue with Australia's end user renewable claims

In Australia, however, there has not been a clear government decision to adopt market based accounting or location based accounting, but rather both are used at the same time without any legislative support for consumer claims. This results in systemic double counting, where renewables are allocated across all consumers and claimed by those buying accredited renewables as well.

Specifically:

- The legislated National Greenhouse and Energy Reporting Determination uses the location based approach and applies to approximately 415 of the largest greenhouse polluting or electricity consuming corporations.
- The non-legislated National Greenhouse Accounts (NGA) Factors also apply the location based approach to the broader market and these are used to determine the default electricity emissions printed on customer bills and in carbon calculators across Australia.

Between the NGER Determination and NGA Factors the vast majority of renewable electricity is fully allocated and no further claims can occur without double counting. However, Australia has normalised double counting:

- GreenPower applies a market based approach to guide consumers to claim zero Scope 2 emissions
- The Climate Active – Carbon Neutral Accreditation Scheme allows either the market based method or the location based method to be used by their participants to claim carbon neutrality. Climate Active have prepared a RMF but this does not apply across all consumers in the market not buying renewable electricity so double counting is not prevented. The method of producing the RMF also does not remove voluntary renewables and behind the meter renewables from diluting the RMF.
- The Corporate Emissions Reporting Transparency (CERT) scheme currently being trialled for NGER Reporting organisations, allows a choice for the Location Based Method or the Market Based Method to be used.
- The Hydrogen Guarantee of Origin Scheme currently being trialled, allows the Market Based Method to be used to make claims relating to the origin and greenhouse intensity of the hydrogen. Only the market based method is used for the Guarantee of Origin Scheme but those producers making NGER Reports still report using the location based approach.
- The NABERS scheme covering buildings allows the market based approach.

There are a variety of less formal methods to make claims which span across concepts, typically exploiting loopholes. These include:

- a) Power Purchase Agreements without Large Scale Certificates (LGCs) to make market based renewable claims
- b) Producing and consuming renewables on site, claiming zero scope 2 emissions and potentially use, whilst selling LGCs to third parties
- c) Claiming the state renewables generation as the percentage of renewable electricity purchased
- d) Claiming that time of day consumption aligns with renewable electricity generation and therefore represents use of renewables.

All methods, whether in a mandatory or voluntary scheme context, are used by organisations and consumers to make reputational, product and service based claims or to lead to a belief that renewable electricity has been purchased.

Across market and location based methods, Australia's accredited renewable electricity is systemically double counted as a minimum. This also means pricing unfairness as those not paying for renewable electricity receive a free ride benefit, whilst those paying for renewable electricity are not assured through legislation that they are receiving what they have paid for. Renewable electricity for most ordinary small business, households, are charged as a premium product when they should now be cheaper to buy as fossil fuelled electricity is now more expensive to produce.

Just consider how it would be seen if renewable electricity was a car, and a consumer has paid a premium price for their new car for it to be zero emissions, only to find out when asking for the keys to claim their ownership and exclusive use, they are told it has been driven down the road as a taxi for all.

But don't Large Scale Certificates (LGCs) underpin claims?

LGCs are used to infer legitimacy and credibility of accredited renewable products, but they were not created or reformed for this purpose. The Renewable Energy (Electricity) Act 2000 describes how LGCs are created under Section 18, and the form and content of LGCs under Section 25, but it is important to note that these sections do not include any suggestion that the key attributes of 'renewables use' or 'zero scope 2 emissions' are incorporated into the LGCs for trading and end use claims. Without such an inclusion in a legislated accounting framework, LGCs fail to assure integrity or prevent double counting.

What about small scale household systems and Small Tradable Certificates (STCs)?

The National Greenhouse and Energy Reporting Technical guidelines describe that state (location based) grid factors are calculated from: "combustion emissions from electricity consumed from the grid in each state" divided by the "total electricity sent out consumed from the grid". As the vast majority of household small scale systems are producing and consuming the bulk of their solar electricity behind the meter (both an instant basis and a net consumption basis), this should have precluded the zero emissions from these renewables being allocated across all customers. An adjustment should have been made but that did not happen. Using STC data from the Clean Energy Regulator, the Department of Industry, Science, Energy and Resources (DISER), has allocated all small scale renewables to the grid, as well as these being naturally claimed by households.

All of Australia's voluntary renewables appear to be double counted.

AUSTRALIAN CARBON OFFSETS

Australian Carbon Credit Units share a very similar problem to that of renewable electricity in that there is no legislated market based accounting trading and claims framework to underpin offset emission claims made by end users.

Emissions reductions take place in the Scope 1 space but if third parties are seeking to make a market based claim then this needs to take place in the indirect emissions space (Scope 3). For this reason, I argue that carbon offsets should exist as negative scope 3 emissions.

The core accounting issue with Australian Carbon Credit Units

Australia has no legislated market based accounting framework to guide scope 3 emissions or emissions reduction trading and claims.

The creators of ACCUs are able to keep claiming emissions reductions from offset activities whilst selling ACCUs to third parties who also make emissions reduction claims. When the Government says it purchases abatement through emissions Reduction Fund Auctions, it is actually buying certificates, not abatement because these certificates do not incorporate the abatement.

Division 2 of the Carbon Farming Initiative Act (2011) describes multiple aspects relating to the issue of Australian Carbon Credit Units, but nowhere in this Act, does it describe the attribute of abatement, nor how abatement can be traded or claimed. Australian Carbon Offsets (ACCUs) do not legally contain the carbon offset that they are traded for in voluntary markets.

Just as legislated market based accounting is required to support end user renewable claims, legislated market based accounting is also required to guide Australia's carbon offset markets and end user claims. There needs to be debit and credit rules that apply to all markets. I have suggested solutions in my [Submission on the Corporate Emissions Reduction Transparency Report \(2nd round consultation\)](#) to align with the [GHG Protocol Scope 2 Guidance](#) for market based renewable electricity and to establish market based accounting for carbon offsets.

Without credible and legislated rules, Australian Clean Energy Markets will continue to operate in uncertainty and be challenged on their integrity.

MIGRATORY EMISSIONS OF GASEOUS FOSSIL FUELS

The methods described for determining fugitive emissions from fossil fuels remain of key concern with the rapid expansion of this industry. Current methods still ignore landscape scale migratory leakage which may occur away from exploration and production wells through fissures cracks, geological faults, water pathways etc, directly or indirectly from dewatering or hydraulic fracturing activities.

The NGER Determination outlines mass balance calculations but when leakage pathways are omitted from the calculations and methods, the end result is a partial process method. I understand that some research is being undertaken to assess landscape scale emissions from the industry, yet there is no current requirement for baseline assessment of fugitive emissions before new activities start in a region, or regular sampling and monitoring in the proximity as operations continue.

Even with that constraint, fugitive emissions away from wells and pipes caused by hydraulic fracturing and dewatering are not zero. A method to estimate this leakage based on actual proximity sampling, infra-red or remote sensing or other techniques needs to be developed and incorporated in GHG monitoring, reporting and assessments.

Recommendations

- The NGER Determination should require that all pathways to landscape scale leakage are assessed prior to exploration and production activities for gaseous fossil fuel production. Until more detailed methods are developed, the NGER Determination should include an over-arching principle or statement to require that there be a robust assessment of all potential pathways for leakage to be assessed

- The NGER Determination should require that all pathways to landscape scale leakage are monitored and quantified throughout the life of exploration, production activities and continue until the sites are adequately decommissioned.

CONCLUSION

In conclusion, there is a need for the Department to decide whether it supports low carbon markets or not. If it supports carbon markets, there is a need to establish a market based accounting framework in law and to stop the double counting from using both location based and market based methods at the same time.

There is absolutely no need for the NGER Framework to continue requiring NGER Corporations to calculate location based state scope 2 emissions. Corporations already report on grid electricity consumption which is sufficient for DISER to determine any average grid wide condition for state planning activities.

For consumers, whether they be large NGER liable corporations, small business or small household consumers, they should be receiving their billing information and making claims based on their market based choice to either buy accredited renewable electricity at zero scope 2 emissions or buy unspecified electricity at the National Residual Mix Factor (N-RMF) emissions intensity.

Any location based reporting should be for reference, not for claims, as described by the GHG Protocol Scope 2 Accounting Guidance.

Basic debit and credit rules should be established to support the use of carbon offsets as negative Scope 3 emissions.

I request the opportunity to discuss the issues and need for reforms with appropriate representatives from the Department.

Yours sincerely



Tim Kelly

100% accredited GreenPower customer and offset consumer for flights

APPENDIX 1 PREVIOUS RELEVANT SUBMISSIONS

- **2022 Climate Active renewables for Organisations**
https://drive.google.com/file/d/11sPTscKTNf_YAqM9oZ8toLKmC9e1ru_m/view?usp=sharing
- **2021 CERT 2nd Round Consultation**
<https://drive.google.com/file/d/1UKe9DOBxEeYdO5GcxUoOJVcZBMq46ZIM/view?usp=sharing>
- **2021 Hydrogen Guarantee of Origin Scheme**
<https://drive.google.com/file/d/1kHOEZOLEb7TkzJ6KkqqH6cygCSeoGAT6/view?usp=sharing>
- **2021 Carbon Capture and Storage Method**
<https://drive.google.com/file/d/1UF4vyiQfBnHRYtV0I58ZGU9XDC3WqpJF/view?usp=sharing>
- **2021 NGER Determination Consultation**
<https://drive.google.com/file/d/1UF4vyiQfBnHRYtV0I58ZGU9XDC3WqpJF/view?usp=sharing>
- **2021 Submission on the proposed Corporate Emissions Reporting Transparency Scheme**
https://drive.google.com/file/d/1-1ahaLXpTPIIOiSBIvlfGI5m_Zo0bm0K/view?usp=sharing
- **2020 Climate Active Accounting for Electricity Emissions Discussion Paper**
https://drive.google.com/open?id=1qjiV1_bkSIpODEVGkW5TEI1TIVEgcuAY
- **2020 NGER Determination**
<https://drive.google.com/file/d/14XY3beOwIwy1fHntVGBTpT1GgcW9bBDm/view?usp=sharing>
- **2020 The Climate Change Authority Review of the Emissions Reduction Fund**
<https://drive.google.com/open?id=1YKvH7pIFijKXLEvgeuVpPHaeK-F1Tf5T>
- **2020 Clean Energy Regulator Draft guidance on the Emissions Reduction Fund's regulatory additionality requirement**
<https://drive.google.com/open?id=1bpwJkovyBD9cuir9p1fSoGed3NZ0A1cv>
- **2020 Carbon Market Institute: Independent Review of the Carbon Industry Code of Conduct**
<https://drive.google.com/open?id=1h69IznYLAeip-551LrpwoTE-KIoJDp2L>
- **2020 Submission on proposed Hydrogen Accreditation Scheme**
<https://drive.google.com/file/d/1V3gtgGgimLfeODfKdy6fKMBjRHvHBu2I/view?usp=sharing>
- **2018 Climate Change Authority review of the National Greenhouse and Energy Reporting Act**
<https://drive.google.com/open?id=1SuZl5QBVEGCDDMAXrexjLxJLIjAc1r2e>
- **Submission on the National Energy Guarantee Emissions Registry – Emissions Reduction Requirements**
https://drive.google.com/file/d/1BHsU_sQZQX6k9SjhJpjOv7V7OsqCQRPa/view?usp=sharing
- **2011 GreenPower Program Rules – Version 7**
<https://drive.google.com/file/d/1lsBKfYIBh1GpmsphAPm5McBXbtPIwxgq/view?usp=sharing>
- **2010 Submission on Renewables under NGERs**
https://drive.google.com/file/d/1JwUkpe-AMX6xmhPydJFCB_veTurNaLQk/view?usp=sharing
- **2010 GreenPower Program Rules - Version 6**
https://drive.google.com/file/d/1fezP3fN9NvgUsFD3B6kF83rdKTG_VBQd/view?usp=sharing

- **2008 Submission on the Mandatory Renewable Energy Target**
https://drive.google.com/file/d/1VSzRYQ68_jrSekAJqmp12X2ihKa28PcH/view?usp=sharing
- **2006 A National System for Streamlined Greenhouse and Energy Reporting by Business -Draft Regulation Impact Statement**
<https://drive.google.com/file/d/1PEnWkUGxfgFSmXsO5IZRaMclm9ysTPLF/view?usp=sharing>