



Submission to the Inquiry into the

**NATIONAL GREENHOUSE AND ENERGY
REPORTING BILL 2007**

**Federal Parliament
(Senate Environment, Communications,
Information Technology and the Arts Committee)**

27 August 2007

INTRODUCTION

About AIP

The Australian Institute of Petroleum (AIP) was established in 1976 as a non-profit making industry association. AIP's mission is to promote and assist in the development of a sustainable, internationally competitive petroleum products industry, operating efficiently, economically and safely, and in harmony with the environment and community standards.

AIP member companies play various roles in each segment of the fuel supply chain. They operate all of the petroleum refineries in Australia and handle a large proportion of the wholesale fuel market. However, AIP member companies directly operate and control only a relatively limited part of the retail market.

AIP is pleased to present this submission on behalf of the AIP's four core member companies:

BP Australia Pty Ltd
Caltex Australia Ltd
Mobil Oil Australia Pty Ltd
The Shell Company of Australia Ltd.

AIP and its member companies have actively participated in the process of public consultation on national greenhouse and energy reporting. As members of the Australian Industry Greenhouse Network and Greenhouse Challenge Plus, AIP and its member companies have also participated in discussions with Federal and State governments about the range of issues covered in the proposed legislation.

Contact Details

Should you have any questions in relation to this submission, or require additional information from AIP, the relevant contact details are outlined below.

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The downstream petroleum sector welcomes the initiative of the Federal Government to streamline the multiplicity of greenhouse and energy data reporting requirements of industry in Australia.

Data reporting experience and proposed data reporting framework

As a major contributor to the national and regional economies, the petroleum refining, distribution and marketing sector is involved in most of the existing Federal and State government energy and greenhouse reporting activities. Three of the four AIP member companies (BP, Mobil and Shell) are also directly involved in international greenhouse reporting activities.

Through the member company involvement in the International Petroleum Industry Environmental Conservation Association (IPIECA) and the American Petroleum Institute (API), the downstream petroleum sector in Australia supports and follows the *Petroleum Industry Guidelines for Reporting Greenhouse Gas Emissions, 2003* (www.ipieca.org/climate/ghg.html) that has been developed by these organisations. These Guidelines are based on the *WRI/WBCSD Greenhouse Gas Protocol*.

AIP supports the concept of a facility based data structure that covers on an annual basis

- all energy/fuel inputs and outputs,
- all greenhouse gas emissions with direct, indirect, process and fugitive emissions reported separately.

AIP believes the data structure must also incorporate a capability for

- standardised conversion factors and emissions factors for all fuels and energy sources (such as the *AGO Factors and Methods Workbook*)
- energy and non-energy related abatement/sequestration actions
- allocation of energy use and emissions by corporate equity and/or operating responsibility in a facility
- allocation of energy use and emissions by detailed industry activity (eg separate reporting of each sub-sector's stationary activities to enable more informed analysis of sub-sector performance).

AIP is disappointed that the legislation does not include the option foreshadowed in the RIS on pages 8 and 27 for reporting on either a financial year, or a calendar year subject to approval at time of registration as a reporting entity.

However, data confidentiality remains a prime concern for AIP member companies.

There is a considerable amount of very commercially sensitive information about refinery inputs and outputs that would be supplied under the proposed legislation. While the industry has negotiated satisfactory agreements to protect the confidentiality such commercially sensitive information supplied under other programs to government, it will be important that this new overarching legislation provides a very strong level of data confidentiality and security.

We are very pleased to see that the proposed legislation includes a rigorous data confidentiality and access protocol to protect the data supplied by companies covered by this legislation. The current provisions about release of data publicly, particularly data about levels of CO₂ emissions are fully supported. AIP member companies would strongly object to any proposals to 'water' down these provisions about confidentiality, data security and public release of emissions or energy data.

Data reporting platform

AIP member company preference for a mandatory platform for greenhouse reporting is the reporting mechanism OSCAR. AIP member companies believe that the OSCAR template is already well based on a sound data framework (established under the Greenhouse Challenge

Plus Program) that enables facility based reporting of all data elements relevant to energy and greenhouse emissions monitoring and trend analysis.

AIP member companies are strongly of the view that the NPI platform is not an appropriate platform for reporting facility level greenhouse gas emissions. There are several reasons for this conclusion:

- Greenhouse gases are not pollutants or waste materials in the sense of the substances covered by the NPI. We could not support an approach which effectively swept all greenhouse gases into the pollutant or waste categories in Federal or State legislation or international treaties.
- Methodologies, algorithms and conversion factors are not well defined or updated under the NPI, which has an increasingly dubious level of data consistency and possibly accuracy. Much of the work that would be needed to improve the NPI mechanism is already embedded in OSCAR.
- State by State differences in approach to NPI reporting and management of NPI have yet to be resolved satisfactorily, and given the established legislative structure underpinning the NPI would undoubtedly continue to be a driving force for unique local data and management requirements in any national data reporting system under the NPI.
- The contextual problems already evident with the use of data in the NPI will only exacerbate the difficulties currently encountered in providing contextual information about energy use and greenhouse gas emissions. Since this is a fundamental structural problem with the NPI platform that has yet to be resolved after more than 8 years of effort, we see no reason to expect that there would be any prospect of a quick NPI related solution.
- There is very little evidence that the NPI data is being used effectively by government agencies to inform policy development in ways that are not able to be achieved through other data sources. Public and media use of the NPI data set appears to be generally based on a poor understanding of the data limitations and the essential contextual information. In many cases the relative significance of the data, and trends in the data, is not understood at all or is deliberately misinterpreted.

AIP strongly supports the inclusion of Section 76 of the Bill which rules out the inclusion of reporting or disclosure of information relating to greenhouse gas emissions or greenhouse gas projects under other Federal or State legislation

In summary

AIP member companies believe that the framework set out in the proposed legislation will provide for:

- streamlined and standardised greenhouse and energy reporting, by removing duplication of reporting to a significant number of Federal and State government programs, with benefits arising from a more consistent suite of reports across all business enterprises. External benefits will flow from a more holistic understanding by governments of company and sector actions to improve energy efficiency and reduce greenhouse emissions.
- More efficient data reporting by participating companies since data reporting requirements in the proposed legislation are expected to best replicate the way energy and greenhouse data is collected and utilised within AIP member companies.
- The proposed on-line reporting mechanism is considered to be the best basis for establishing a national data set. Such an approach will
 - strengthen the degree of data consistency and accuracy (in terms of data measurements, calculation methodologies, and use of emission factors etc);
 - facilitate the identification and understanding of corporate and sectoral trends in energy use and greenhouse abatement
 - reduce company time spent on data reporting and reporting queries
- facility level reporting is supported with the clear focus on operating responsibility, but with flexibility to encompass equity based reporting where appropriate.

- The proposed thresholds for reporting under the legislation are supported as providing an appropriate balance between data coverage and overall system complexity.

AIP strongly believes that this legislation will facilitate the establishment of a robust and verifiable register of greenhouse gas emissions that will be crucial for the development of an effective Australian Emissions Trading Scheme.

AIP appreciates the fact that that the bulk of specific details about reporting and methodologies will be contained in regulations yet to be released. We expect that the current constructive dialogue between industry and government would continue in the formulation of the regulations that will underpin the proposed system.