Minerals Council of Australia

23 March 2020

House of Representatives

Standing Committee on the Environment and Energy

Email: Environment.Reps@aph.gov.au

Re: National Greenhouse and Energy Reporting Amendment (Transparency in Carbon Emissions Accounting) Bill 2020

The Minerals Council of Australia (MCA) representing Australia's minerals exploration, mining and processing industry, supports decarbonisation of the minerals sector consistent with the climate and development goals of the Paris Agreement and based on a nationally coordinated approach to climate and energy policy.

The MCA supports the National Greenhouse and Energy Reporting Scheme (NGERS) as an important and effective compliance element of the Australian Government's approach to addressing climate change.

The MCA considers it important that all emissions be accurately recorded, but it does not support additional regulation that compels individual companies to report their scope 3 emissions under the NGERS for compliance purposes.

The MCA considers that the current greenhouse gas accounting rules already provide for an accurate accounting of emissions. In practice a facility's scope 3 emissions is fully and accurately accounted for as another sector's scope 1 regardless of whether they are emitted domestically or internationally. There is no policy argument that supports any need for firms to compulsorily report their scope 3 emissions under the NGERS as represented by this bill.

At the national level the NGERS requires liable firms to report their scope 1 emissions (direct) and scope 2 emissions (indirectly generated from the generation of purchased energy) annually. This recognises that these emissions fall within their scope of influence to manage, control and indeed reduce over time. There is clearly a legitimate policy argument for the inclusion of these emissions in national compliance-based reporting.

Scope 3 emissions on the other hand are generated from external sources not owned or controlled by local facilities. These so-called indirect (or non-scope 2) emissions are emitted at various points in the value chain, often far removed from the point of raw material extraction. The generation and management of scope 3 emissions are exogenous to the decision-making of the facility extracting the minerals in the first place.

To elaborate, a minerals facility has no control over the rate or volume of emissions subsequently generated from the minerals it extracts. This is true for all facilities in any sector including manufacturing that export goods or services. These variables depend on the types and efficiencies of processes used in the value-adding activities of those minerals (manufacturing), logistics (transportation, storage), final demand (sale, usage) and ultimately disposal or recycling, re-use or repurposing. They also depend on the prevailing legislative and policy arrangements in the jurisdictions where the emissions are actually generated and released to the atmosphere.

From a policy perspective the reporting of scope 3 emissions by an upstream entity serves little to no

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purpose in the management and mitigation of emissions generated further downstream.

To assign responsibility for scope 3 emissions reporting at the point of mineral extraction will necessarily force facilities to adopt imprecise proxy estimation approaches to represent unidentified downstream emissions processes. A more appropriate assignment of these emissions is to those firms responsible for their release (i.e. scope 1) and who have a complete understanding of how they have been generated and more importantly how they can be mitigated at point source.

The MCA is concerned that (a) the approaches implicit in estimating scope 3 emissions make it extremely difficult to report on and reconcile to more accurate activity specific accounting approaches of scope 1; and (b) there will inevitably be double counting of the same emissions within the NGERS.

In regard to difficulty of reporting, the Clean Energy Regulator (CER) notes that scope 3 emissions can be used under Australia's National Greenhouse Account (NGA). The NGA states however that it neither serves the reporting requirements of the NGERS and that the definitions, methodologies and application of scope 3 emissions factors continue to be the subject of international discussions.

Another fundamental barrier to the estimation of scope 3 emissions by upstream facilities is a lack of access to the necessary and often confidential data that resides with and is legally owned by external and/or foreign entities. This suggests that the bill's proposed quarterly reporting of scope 3 emissions is unrealistic.

Double counting also arise if for example an Australian facility was made to account for the carbon embedded in all of its exports (i.e. scope 3) while in parallel the importing entities were also accounting for the same emissions that they alone are responsible for releasing into the atmosphere (i.e. scope 1) within their own sovereign borders. To avoid this flawed accounting outcome nations strictly observe the internationally adopted production-based accounting rules of the United Nations Framework Convention on Climate Change (UNFCCC).

Under the international accounting rules Australia (as with all countries who are party to the Paris Agreement) is not required to account for scope 3 emissions as these same emissions are more accurately accounted for and reported on as scope 1 emissions by the importing nations within the UNFCCC's international compliance system. This accounting approach serves as the global benchmark and is equally applicable at the national level.

The MCA acknowledges that responsible accounting for all emissions along the minerals sectors value chain can enhance understanding and management of the associated carbon risks and opportunities. In this regard, the MCA strongly supports the alignment of climate-related financial disclosure reporting with the Task Force on Climate-related Financial Disclosures (TCFD) guidelines.

The MCA proudly notes that many of its members already voluntarily report under either the Carbon Disclosure Project or the TCFD which includes scope 3 emissions. This practice clearly enhances both stakeholder information and corporate reputation through enhanced public reporting.

Any compliance requirement for facilities to report on scope 3 emissions under the NGERS, let alone on a quarterly basis, will simply result in a material increase of their reporting burdens and costs (including for third-party consultants and verifiers) with few if any additional policy or climate-related benefits to be realised.

It remains the MCA's view that it is neither practical nor plausible for upstream entities to be held responsible for the accounting and reporting of downstream entities' emissions. The stated purpose of the NGERS is to help facilitate reducing Australia's net greenhouse gas emissions by providing a national framework for reporting emissions. It is evident that this proposed bill will not assist in meeting this objective.

Yours Sincerely

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