AIGN Feedback to the House of Representatives Standing Committee on the Environment and Energy on the *National Greenhouse and Energy Reporting Amendment (Transparency in Carbon Emissions Accounting) Bill 2020*

TABLE OF CONTENTS

1 INTRODUCTION

AIGN welcomes the opportunity to provide a submission to the House of Representatives Standing Committee on the Environment and Energy on its inquiry into the *National Greenhouse and Energy Reporting Amendment (Transparency in Carbon Accounting) Bill 2020*.

AIGN is a network of industry associations and individual businesses which contribute to the climate change policy discussion and see value in joint industry action on climate change to promote sustainable development.

In considering this submission, the Committee should note AIGN's broad membership base; this submission should be read alongside any feedback provided by AIGN members.

2 BACKGROUND

AIGN members represent a substantial portion of NGER liable entities and have a strong track record of compliance.

Since the enactment of the legislation in 2007, AIGN members have invested considerable resources, including internal capacity and support services (e.g. consulting & external auditing), in building expertise to manage the implementation of compliance requirements (e.g. emissions databases, appointment and training of personnel).

As such, AIGN members are well placed to provide feedback on the impact of NGER reporting requirements on the day-to-day operation of liable entities, as well as a considered view as to any envisaged changes and additions to mandatory reporting.

3 FEEDBACK ON BILL

3.1 Commitment to streamlined national reporting

A central tenet of AIGN's long-standing policy principles is the implementation of streamlined, efficient and effective greenhouse gas emissions reporting.

AIGN members actively supported the implementation of centralised, streamlined national emissions reporting – which ultimately led to the introduction of NGERS.

Prior to NGERS, AIGN members were active contributors to the Greenhouse Challenge and Greenhouse Challenge Plus voluntary reporting programs. AIGN places a high value on credible reporting as a crucial foundation of effective emissions policy, and an indispensable source of knowledge to inform our engagement in climate change mitigation at domestic and global levels.

3.2 Scope 3 emissions reporting

Including scope 3 emissions in reporting obligations is not a new idea, and one that AIGN members have given much consideration to. While this proposal 'may' add to the depth of emissions reporting, the Committee must consider the complexity, cost and possible commercial issues that may arise, for both liable entities and the Government, with the inclusion of scope 3 emissions reporting.

- Whenever governments regulate, it must be clear that regulation is needed to address a demonstrable market failure, and that the cost of regulation is less than the cost of ongoing market failure.

  AIGN questions whether there is a demonstrable market failure that would be addressed by a requirement to report scope 3 emissions. Under the UNFCCC and Australian Government reporting frameworks, scope 3 emissions are being reported as scope 1 i.e. direct emissions by the respective entities.

- Further, the NGER legislation, including the safeguard mechanism elements, is based on the principle of 'operational control' (i.e. facility). Whereas, by definition, scope 3 emissions are not within the liable entity's operational control.
- Liable entities can report scope 1 and 2 emissions with a high degree of confidence because the entity reporting these emissions has clear line of sight to the end use, and therefore the emissions associated with the commodities/products manufactured at their facilities.

  The same is not true for scope 3 emissions – the production of these emissions is outside the control and oversight of entities who would be liable for reporting them under this proposal.
- This would be further complicated in Joint Ventures where the products from a facility are sold by each individual Joint Venture participant; the operator of the facility (usually the liable entity for NGER reporting purposes) may not be aware of the purchasers of all products produced at the facility.
- The inclusion of scope 3 reporting would involve extensive amendments to the NGER Act; the NGER determination would need to set out detailed rules for how scope 3 emissions are to be estimated and reported.

  This may possibly be relatively straightforward for some industries/facilities, if there were a single product and a single end use, but that would not be the case for most AIGN members.

  For many industries, there are multiple inputs to a production process, so the Government would need to develop rules about how scope 3 (i.e. end use) emissions are to be apportioned to each of the inputs (e.g. a steel manufacturing facility would need rules to apportion emissions to the suppliers of coal/coke, iron ore, scrap steel, fluxes, electricity consumed on-site, etc).

  Other industries may have a commodity on-sold and used in a wide range of processes (e.g. natural gas may be sold to a utility company, from where it would go to thousands of consumers for uses including electricity generation – using various technologies, all with differing emissions profiles – or home cooking/heating, chemical/fertiliser manufacture, use in industrial facilities, etc).

  It would be impractical, if not impossible, for a facility in Australia to collect reliable and accurate emissions data on every one of these potential end uses as it would represent an exceptionally disproportionate reporting requirement; so, it would fall to the Government to create a set of rules to apportion emissions. This would be no straightforward task.
- Given that a facility's scope 3 emissions will include scope 1 and 2 emissions from other facilities, the Government would need to develop a method for avoiding double-counting of emissions. AIGN is concerned that mandatory scope 3 emissions reporting risks duplication of reporting and has the potential to diminish reporting transparency.
- Scope 3 emissions reporting may even present constitutional challenges, given a significant proportion of scope 3 emissions occur outside the Australian Government's jurisdiction. The Australian Government would have no authority to compel firms operating outside the country to report on emissions activity occurring in other jurisdictions and over which Australian liable NGER entities have no control.

- Inclusion of Scope 3 reporting, without reporting of context and lifecycle benefits of Australian products, potentially distorts the perception of liable entities.
- AIGN believes the Committee should consider this question: can the mandated reporting of scope 3 emissions justify the increased compliance burden placed on liable entities, and the increased monitoring burden placed on the Government? Where liable entities are concerned, it is not only an increase in time and complexity to discharge regulatory obligations that is of concern, but also the increased independent auditing requirement that would no doubt result in significantly higher costs than the already considerable expense borne by liable entities within the current reporting framework. Particularly given there is strong evidence of best endeavours voluntary reporting already.

4 CONCLUSION

Thank you for the opportunity to provide input to the Committee's consideration of this NGER amendment bill.

AIGN recognises that the NGER legislation is an important and effective component of the Australian Government's approach to climate change management and its obligations under the Paris Agreement.

AIGN's position on climate change and energy policy is underpinned by our principles, which have been the basis of AIGN's contributions to the climate change policy discussion for many years (available on our website: www.aign.net.au).

AIGN welcomes future opportunities to engage with the Committee.