



20 March 2020

House of Representatives
Standing Committee on the Environment and Energy
Email: Environment.Reps@aph.gov.au

Dear Sir / Madam

Inquiry into the National Greenhouse and Energy Reporting Amendment (Transparency in Carbon Emissions Accounting) Bill 2020

The Chamber of Minerals and Energy of Western Australia (CME) 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 Emissions Accounting) Bill 2020*.

CME is the peak resources sector representative body in Western Australia. CME is funded by member companies responsible for more than 85 per cent of the State's mineral and energy production and workforce employment.¹

Climate change is a uniquely global challenge requiring a globally coordinated response. A sustainable development approach to climate change requires a framework that balances the social, economic and environmental aspects associated with emissions reduction. In CME's view, the Australian Government has primarily responsibility for delivering upon Australia's greenhouse gas emission reductions targets, including its nationally determined contribution commitments made under the Paris Agreement.

CME has concerns with the proposal to expand reporting requirements for liable emitters to mandatorily include the reporting of Scope 3 emissions within the *National Greenhouse and Energy Reporting Amendment (Transparency in Carbon Emissions Accounting) Bill 2020* (Bill). Of note, the proposed amendment is inconsistent with the long-established United Nations Framework Convention on Climate Change's (UNFCCC's) production based emissions accounting rule, which underpins the Paris Agreement. Under the current approach all emissions are assigned to the country which directly produces them. This approach has been used since the Framework Convention was adopted in 1992, it was restated under the Kyoto Protocol in 1997 and restated again under the Paris Agreement in 2016. As all Scope 3 emissions associates with a business's value chain are a third party's Scope 1 emissions, this approach avoids issues with double accounting whilst providing the greatest opportunity for complete, accurate, administratively efficient and timely reporting of emissions by placing the onus on those most directly able to control and measure these emissions. Crucially, given the universal acceptance by 197 parties as the accounting method for the Paris Agreement, it provides a data and reporting framework capable of supporting a transparent, global response to climate change.

Unlike Scope 1 and 2 emissions, a liable emitter for a facility may not have complete line of sight to the end use and resultant emissions of the products that are supplied / sold from their facility and therefore be limited in their ability to accurately report (estimate) Scope 3 emissions in their value chain.

In many instances, these Scope 3 emissions will also occur outside of Australia's jurisdiction which is notably the case for the primary mineral and energy resources that dominate Australia's export trade. The downstream processing of these natural resources will also involve multiple inputs and materials adding further complexity for determining which liable emitter would be accountable under the Bill for reporting third Scope 3 emissions.

Some challenges associated with Scope 3 reporting include:

¹ Sum of average number of individuals directly employed by member producers in 2018-19, excludes non-operating sites. Government of Western Australia, *2018-19 Economic indicators resources data*, Safety Regulation System, Department of Mines, Industry Regulation and Safety, August 2019.

- how would Scope 3 emissions from steel manufacturing be reported between the producers of the inputs including metallurgical coal, iron ore, electricity, scrap steel, and other processes associated with steel manufacture?
- how would liquified natural gas (LNG) exporters be able to accurately and efficiently trace final consumption of gas offshore (downstream of their wholesale purchasers) to determine the usage of that natural gas between energy production (with or without capture), chemical manufacturing, fertiliser manufacturing, plastics manufacturing etc – all of which have different Scope 3 outcomes adding to the complexity of estimating these emissions.
- how would concentrate products exported from Australia (such as gold / silver / copper in concentrate) be able to assess what portion of third party Scope 1 smelting emissions to allocate to their Scope 3 emissions given these products are exported in small volumes from individual Australian liable emitters to be blended overseas with other concentrates with different compositions?

Estimating Scope 3 emissions would be further complicated in joint venture facilities where the products from a facility are sold by each individual joint venture participant such that the joint venture operator of the facility (typically the liable emitter under the *National Greenhouse and Energy Reporting Act 2007* (NGER Act)) is unaware of who to, and for what purpose, the product is sold.

Overall, this complexity and the reliance on overly assumptions-based estimates will mean that consideration of Scope 3 by liable emitters cannot be done with the same level of assurance or confidence as existing NGER Act requirements and must be balanced against any perceived benefits of an additional statutory reporting requirements.

Regarding the proposed amendments to require the Minister to table estimates in Parliament each quarter within a set timeframe, CME highlights that currently the NGER Act provides reporters with a four-month period from the end of financial year to prepare and validate the accuracy of greenhouse gas reporting. It is currently unclear, therefore, how in practice the altered requirements on the Minister would be translated in to altered requirements on industry (if required at all). CME supports retention of current annual reporting frequency for industry including the existing four-month period from the end of the financial year in order to allow for appropriate preparation, validation and submission of the data.

Should you require any further information, please contact Bronwyn Bell, Manager Policy – Natural Resources, on [REDACTED] or via email [REDACTED] in the first instance.

Yours sincerely

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