

CORPORATE EMISSIONS REDUCTION TRANSPARENCY REPORT

SUBMISSION

MARCH 2021



INTRODUCTION

Orica welcomes the opportunity to make a submission on the Clean Energy Regulator's Consultation Paper regarding the Corporate Emissions Reduction Transparency Report (CERT).

Orica is the world's largest provider of commercial explosives and innovative blasting systems to the mining, quarrying, oil and gas and construction markets, a leading supplier of sodium cyanide for gold extraction, and a specialist provider of ground support services in mining and tunnelling. Headquartered in Australia, its operations span across more than 100 countries.

Orica presently reports its greenhouse gas (GHG) emissions through:

- an annual corporate reporting suite, which discloses global Scope 1, 2 and (limited) 3 GHG emissions
- compliance reporting under the National Greenhouse and Energy Reporting scheme, for Australian operations only.

In FY20, Orica refined its strategy for climate action and renewed its suite of emissions reduction targets to drive efforts over the decade to 2030. Orica has committed to:

- reducing global operational Scope 1 and 2 emissions by at least 40 per cent by FY2030 (on FY2019 levels)
- maintaining global emissions intensity (Scope 1, 2 and limited Scope 3 emissions) at, or below, 1.7 tCO₂-e/tonne AN sold by FY2022.

These targets cover Orica's global footprint and are underpinned by a credible and comprehensive decarbonisation pathway to 2030.

ORICA'S FEEDBACK ON CERT

This brief submission recommends that the Clean Energy Regulator (CER) should:

1. Clearly identify the GHG emissions scopes included in corporate emissions reduction targets.
2. Identify whether targets are science-based validated, science-based informed, or not science-based.
3. Consider amending the proposed report structure to better capture decarbonisation efforts outside of Australia for companies with global footprints.
4. Include a link to the organisation's corporate reporting suite for users who might wish to seek further context on the disclosed targets.
5. Allow for Australian Carbon Credit Units (ACCU) generated at a facility and delivered/surrendered under an Emissions Reduction Fund contract to the Commonwealth to be subtracted from the 'Net Scope 1 emissions' figure for the controlling corporation.
6. Track progress against commitments using the per cent change of total Scope 1 and 2 emissions from the previous year; this will allow organisations to retain flexibility in their multi-year decarbonisation pathways.

Orica's responses to specific questions posed by the Consultation Paper are included below.

1. IS THE PROPOSED REPORTING STRUCTURE SUITABLE FOR DEMONSTRATING HOW A CORPORATION IS OFFSETTING OR REDUCING ITS SCOPE 1 EMISSIONS AND SCOPE 2 ELECTRICITY CONSUMPTION?

Orica proposes that the CER considers adding the following information to better capture the detail behind each emissions reduction target and to better reflect reduction efforts made by companies with global operations:

- Emissions target base year.
- Scopes included in voluntary emissions target (Scope 1; Scope 1 and 2; Scope 1, 2 and 3).
- Voluntary emissions target is science-based validated / informed.
- Participant in other carbon neutrality program (other than Climate Active) (Yes / No).
- Progress towards targets outside of Australia.
- Link to corporate report.

A representation of the proposed updates to the report is included in Appendix 1.

2. SHOULD CORPORATIONS OPT-IN EACH YEAR OR SHOULD THEIR PARTICIPATION BE ASSUMED TO CONTINUE UNTIL THEY OPT-OUT?

To minimise administrative burden, participation should be assumed to continue until the organisation chooses to opt-out.

3. SHOULD SURRENDERS OF ACCUS FROM NGER FACILITIES DELIVERED UNDER EMISSIONS REDUCTION FUND CONTRACTS BE INCLUDED IN THE NET EMISSIONS CALCULATION?

The Emissions Reduction Fund is a mechanism to subsidise emissions reductions. Orica would seek to enter into an ERF contract for abatement projects that would otherwise be uneconomical. As such, when delivering/surrendering ACCUs generated to the Commonwealth, the organisation is receiving the subsidy that will help recover the initial investment costs of the abatement project. On this basis, Orica considers that ACCUs produced from a facility and delivered to the government under an ERF contract should be accounted for as emissions reductions (even if subsidised) and subtracted from the 'Net Scope 1 emissions' for the controlling corporation.

4. HOW COULD NGER REPORTERS' VOLUNTARY TARGETS AND PROGRESS AGAINST THESE TARGETS BEST BE REFLECTED IN CERT TO ALIGN WITH THE NGER FRAMEWORK?

Companies with global operations tend to set global emissions reduction targets. While strategies underpinning these targets may focus on actions in specific regions or facilities, the goal remains global. Focussing the CERT on NGER emissions only might do a disservice to those companies with global abatement targets that are prioritising emissions reduction efforts in jurisdictions other than Australia. Any progress made towards a company's target should be recognised in a transparency report, even if the progress takes place outside of Australia.

As outlined in Question 1, Orica recommends that the CER considers updating the report to add information on progress towards emissions reduction targets outside of Australia – refer to Appendix 1.



In addition, the CERT Guidelines do not describe how intensity targets would be dealt with under CERT or whether they will be covered. Reporting against these targets would require corporations to disclose the intensity target denominator (e.g. tonnes of production, tonnes of product sold, etc.) which in some instances may be commercial in confidence. It is also unclear how CERT would treat emissions intensity targets that encompass Scope 1, 2 and 3 emissions, such as Orica's. The CER should consider these complexities to ensure the CERT accurately reflects progress against different kinds of public targets.

5. ARE THERE ANY OTHER ENHANCEMENTS TO CERT THAT COULD HELP BUILD PARTICIPATION?

CERT should be framed as a 'one-stop-shop' for information on abatement targets and progress made by Australian businesses. Participation will be hindered if it is perceived as a reputational risk for businesses that cannot demonstrate their actual progress due to constraints in the design of the report. The ability to demonstrate progress at a global scale and to contextualise information with a 'Notes' or 'Comments' section can help reduce these risks.

CONCLUSION

Orica believes that transparency and disclosure drive individual and collective business performance. This is one of the guiding principles of Orica's strategy for climate action. Orica therefore welcomes the opportunity to transparently disclose its decarbonisation progress over the decade, as long as the vehicle to do so allows Orica to accurately reflect its progress both in Australia and overseas.

Orica is available to speak further on any aspect of this submission.



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APPENDIX 1: PROPOSED AMENDMENTS TO THE CORPORATE EMISSIONS REDUCTION TRANSPARENCY REPORT

Proposed amendments are included in red.

Organisation name	[New column] Voluntary emissions target [Outline target year AND base year]	Scopes included in voluntary emissions target (Scope 1; Scope 1 and 2; Scope 1, 2 and 3)	Voluntary emissions target is science-based validated / informed	[New column] Voluntary renewable energy target	[New column] Climate Active participant	Participant in other carbon neutrality program	[New column] Progress towards emissions target in Australia (including all eligible units, Scope 1 and 2 only) (%)	[New column] Progress towards emissions target outside of Australia (including all eligible units, Scope 1 and 2 only) (%)	[New column] Australian eligible units as a share of total eligible units used (%) [Applies globally]
Org 1	No		No	No	No	No			-
Org 2	Reduce operational emissions by x% by 2030	Scope 1 and 2	Validated	100% renewable electricity by 2030	No	No			80%
Org 3	Maintain scope 1 emissions below year WXYZ	Scope 1	Informed	100% renewable electricity and energy by 2050	No	No			91%
Org 4	Net zero by 2020	Scope 1, 2 and 3	Informed	100% renewable electricity by 2020, 100% renewable energy by 2030	Yes	Yes			90%

Organisation name	Total Scope 1 Emissions before surrenders in Australia (tCO ₂ -e)	Total Scope 1 Emissions before surrenders outside of Australia (tCO ₂ -e)	[New column] Total ACCUs [†] cancelled (tCO ₂ -e) [Applies globally]	[New column] Total CERs, VERs and VCUs cancelled (tCO ₂ -e) [Applies globally]	[New column] Net scope 1 emissions in Australia (total scope 1 minus total ACCUs, VCUs and VERs cancelled) (tCO ₂ -e)	[New column] Net scope 1 emissions outside of Australia (total scope 1 minus total ACCUs, VCUs and VERs cancelled) (tCO ₂ -e)	Total Scope 2 Emissions before surrenders in Australia (tCO ₂ -e)	Total Scope 2 Emissions before surrenders outside of Australia (tCO ₂ -e)	Net Energy Consumed in Australia (GJ)	[New column] Scope 2 Electricity Consumed in Australia (MWh)	[New column] LGCs voluntarily surrendered in Australia (MWh)	[New column] Renewable Energy as a percentage of total electricity consumed in Australia	[New column] Renewable Energy as a percentage of total electricity consumed outside of Australia	Important Notes
Org 1	10,000	30,000	-	-	-	-	10,000	10,000	5,000	-	-	-	-	
Org 2	10,000	30,000	4,000	1,000	5,000	5,000	10,000	10,000	5,000	12,000	0	19%	19%	
Org 3	10,000	30,000	4,000	1,000	5,000	5,000	10,000	10,000	5,000	12,000	6,000	69%	69%	
Org 4	10,000	30,000	8,000	2,000	0	0	10,000	10,000	5,000	12,000	9720	100%	100%	

