



AGL Energy Limited
ABN: 74 115 061 375
Level 24, 200 George St
Sydney NSW 2000
Locked Bag 1837
St Leonards NSW 2065
t: 02 9921 2999
f: 02 9921 2552
agl.com.au

RET and Energy Section

Clean Energy Regulator

Submitted by email: CER-RETandEnergySection@cleanenergyregulator.gov.au

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Consultation Paper – Corporate Emissions Reduction Transparency report

AGL Energy (AGL) welcomes the opportunity to make a submission in response to the Consultation Paper on Corporate Emissions Reduction Transparency (CERT) report.

AGL is committed to meeting the needs of its energy customers both now and through the transition to a net zero emissions future. AGL is one of Australia's largest integrated energy companies and the largest ASX listed owner, operator and developer of renewable generation. Our diverse power generation portfolio includes base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources.

In June 2020, AGL released its Climate Statement. This statement recognises that AGL cannot predict how the energy and political landscape may change, but that the forces of customer demand, how communities act, and how technology evolves will be the determining factors in the pace of energy transition in Australia.

The Climate Statement includes AGL's target to achieve net zero emissions by 2050 and outlines the next steps in AGL's decarbonisation journey, including commitments to:

1. Offer customers the option of carbon neutral prices across all AGL products;
2. Support the evolution of Australia's voluntary carbon markets;
3. Continue to invest in new sources of electricity supply;
4. Responsibly transition AGL's energy portfolio; and
5. Be transparent.

Consistent with the first commitment in the Climate Statement, AGL launched a new Carbon Neutral electricity product on 1 July 2020 and a Carbon Neutral gas product on 25 November 2020. Both products are available for all customer groups, from residential through to large commercial and industrial customers. This program will be expanded across all services AGL offers (including telecommunications) by the end of FY21.

Additionally, AGL has introduced carbon transition metrics as a third performance measure in AGL's FY21



Long Term Incentive Plan to provide a focus for AGL executives to progress the transition. AGL has taken a market leading position in this regard, being the first ASX50 organisation to link executive long-term variable pay to climate-related goals.

These initiatives are in addition to AGL's 2015 Greenhouse Gas Policy, which committed AGL to not extend the life of its coal-fired power plants.

AGL is leading the transition to decarbonisation in Australia with four FY24 targets (as provided in the Annual Report 2020):

- 850 MW grid scale batteries installed and managed (up from 30MW)
- 34% of electricity capacity from renewables and clean storage (up from 22%)
- 20% of total revenue from green energy and carbon neutral products (up from 11.5%)
- 350 MW decentralised assets under orchestration (up from 72MW)

AGL also regularly reports on the outlook of emissions through its:

- National Greenhouse and Energy Reporting Scheme (NGER) reporting;
- Climate Active certification; and
- Task Force on Climate-related Financial Disclosures (TCFD).

Design of proposed CERT report

AGL is generally supportive of the stated intent behind the proposed CERT scheme, to:

- demonstrate the net position of participating NGER reporters' annual energy and emissions profile;
- support business' climate action claims by providing a trusted and independent source; and
- encourage voluntary participation in Australia's carbon market.

It is important to underscore that already there are a number of very strong frameworks and incentives in place to support accurate claims by businesses about public climate commitments. For example, companies are already accountable to corporate regulators, customers, staff, and shareholders through annual general meetings and strict disclosure laws. Investors are also driving the uptake of participation in further voluntary schemes such as the TCFD.

It is therefore crucial that any new scheme is designed carefully with industry participants in mind, to ensure it doesn't create an unnecessary layer of red-tape or have other unintended consequences such as reducing the impetus for businesses to share greater information about their management of climate-related risk.

We also agree that the new reporting framework should be established as a voluntary scheme, especially in early stages while the scheme matures and as the demand for CERT reporting in comparison to other corporate disclosures can be assessed.

Scope of emissions covered by proposed CERT report

AGL has concerns with the inherent limitations of the NGER scheme boundary, given that this limits the emissions included to Scope one and two emissions under the corporation's operational control and those



being within Australia. For example, two out of the four AGL FY24 targets outlined above would not be captured in the CERT report as currently proposed. As such, AGL is concerned that important forms of commitment outside the scope of the CERT could become inadvertently devalued, discouraging the broader range of activities that are needed to achieve net zero emissions economy-wide. Given this, AGL considers that it would be useful to consider a broader boundary in the future to allow for a more expanded reporting of targets and goals.

Furthermore, leading electricity retailers and wholesalers (including AGL) are increasingly offering their customers the opportunity to have emissions associated with their electricity usage offset through the purchase, on their behalf, of offsets that meet the Climate Active Carbon Neutral Standard for organisations consistent with the seller's Climate Active certification. In this way, the scope two emissions of participating electricity users can be neutralised without the purchase of LGCs.

It is AGL's view that the CERT scheme needs to include a process to capture the scope three emissions offset through the use of carbon neutral product offerings.

Presentation of data in proposed CERT report

AGL submits that a free text box, to be published with the data, should be included in the proposed CERT report to allow corporations to provide comments and/or contextual information about the data presented in the report. We would also like to gain a better understanding of how the information provided under the CERT scheme will be used and/or presented as we are keen to ensure that the intrinsic difficulties in comparing this data are appropriately managed.

We also consider that the energy sector should be treated separately in the proposed CERT report, or at the very least, that the report should include some sort of grouping of corporations to ensure that readers are aware of the industry/sector that each corporation belongs to when reviewing the data. The reasons for this include that:

- changes in the emissions of corporations in the energy sector may occur in jumps rather than gradual decreases (i.e. following the closure of coal fired power station); and
- corporations in the energy sector would generally have much larger emissions profile due to the nature of its business.

This additional contextual information as outlined above will ensure that anyone using the proposed CERT report will be able to have a full understanding of the data being presented, making the report much more informative and useful.

Should you have any questions in relation to this submission, please contact Leilani Kuhn (Manager Policy & Strategy) on 03 8633 6934 or myself on 03 8633 6207.

Yours sincerely,

A solid black rectangular box used to redact the signature of Elizabeth Molyneux.

Elizabeth Molyneux

GM Policy & Markets Regulation, AGL Energy