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RET and Energy Section

Clean Energy Regulator

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Submitted via email to [CER-RETandEnergySection@cleanenergyregulator.gov.au](mailto:CER-RETandEnergySection@cleanenergyregulator.gov.au)

To Whom It May Concern,

**RE: ClimateWorks Australia submission in response to the Clean Energy Regulator's Corporate Emissions Reduction Transparency Report consultation paper.**

ClimateWorks Australia welcomes the opportunity to respond to the Clean Energy Regulator's Corporate Emissions Reduction Transparency (CERT) Report consultation paper.

ClimateWorks Australia develops expert, independent solutions to assist the transition to net zero emissions for Australia, South-east Asia and the Pacific. A non-profit organisation, it was co-founded in 2009 by The Myer Foundation and Monash University, and works within the Monash Sustainable Development Institute.

This is a transformative decade. Research from the United Nations shows that global emissions must halve this decade and again in the next to achieve the preferred Paris Climate Agreement goal of limiting global warming to 1.5 degrees. To support this and manage their climate risks, government and corporate organisations are increasingly setting decarbonisation goals. Many of Australia's biggest trading partners (including China, Japan, South Korea and the EU) have committed to achieve net zero within the second half of this century or sooner. This presents risks and opportunities for Australia. Demand for Australia's carbon intensive commodities is declining, while Australia's renewable energy resources and mineral reserves facilitate production of the green commodities, services and technologies that are increasingly in demand.

Tracking the decarbonisation commitments of Australia's most significant corporate greenhouse gas (GHG) emitters and energy users, and monitoring their achievement is a critical indicator of how Australia is managing its economic climate risks and migrating to a sustainable and robust economy within the context of the global net zero transition.

Given this, ClimateWorks welcomes the Clean Energy Regulator's CERT initiative and supports its goal of increasing transparency around Australian corporate emissions reduction goals. The points below are in response to questions raised in the CERT Report consultation paper.



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### **Is the proposed reporting structure suitable for demonstrating how corporations are offsetting and reducing their emissions?**

- As noted in the Greenhouse Gas Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard<sup>1</sup>, 'increasingly companies understand the need to account for GHG emissions along their value chains and product portfolios to comprehensively manage GHG-related risks and opportunities'. For some sectors, scope 3 represents a material source of emissions, and many companies include scope 3 emissions in their emissions reduction targets. To support full disclosure of corporate emissions and emissions reduction commitments, the CERT report should include columns for scope 3 emissions estimates and targets, progress against these targets and the GHG Protocol scope 3 categories included in these estimates and targets<sup>2</sup>.
- The proposed reporting structure provides data on the degree to which corporations are reducing their emissions, but does not provide information on how this is being achieved. This could be addressed by a column for references or links to relevant corporate documentation, such as sustainability reports and climate action plans, which outline the strategies and actions these companies are implementing to reduce their emissions.

### **How could voluntary targets and progress against these targets best be reflected in CERT?**

- It would be useful for the CERT report to include columns for 'total scope 1+2 emissions' (excluding offsets), 'total net scope 1+2 emissions' (including offsets) and total offsets cancelled (ACCUs, VCU, CERs and VERs). Although these values can be derived from the data in the proposed reporting structure, this would highlight the degree to which offsets are being utilised by individual NGER reporters and also in totality amongst these reporters. This is important to ensure that companies are eliminating their avoidable emissions and collectively utilising offsets in an appropriate and sustainable manner. As noted by The Taskforce on Scaling Voluntary Carbon Markets<sup>3</sup>, 'offsetting cannot be considered as a substitute for direct emissions reductions by corporates, but as a complement, in order to accelerate climate action'.
- The CERT report should not include calculated values without disclosure of all values used to derive these calculated values. Using the proposed equation for 'Renewable Energy as a percentage of total electricity consumed' as an example, if this equation is adopted, in addition to columns for 'Scope 2 electricity consumed', 'LGCs voluntarily surrendered' and RPP, the CERT report should also include columns for 'EITEs electricity consumption' and 'Eligible behind the meter electricity consumption'.

<sup>1</sup> Greenhouse Gas Protocol, 2011, Corporate Value Chain (Scope 3) Accounting and Reporting Standard, viewed 16 March 2021: <https://ghgprotocol.org/standards/scope-3-standard>

<sup>2</sup> Greenhouse Gas Protocol, 2011, Technical Guidance for Calculating Scope 3 Emissions, viewed 16 March 2021: <https://ghgprotocol.org/scope-3-technical-calculation-guidance>

<sup>3</sup> Institute of International Finance, 2020, Taskforce on Scaling Voluntary Carbon Markets, viewed 16 March 2021: [https://www.iif.com/Portals/1/Files/TSVCM\\_Consultation\\_Document.pdf](https://www.iif.com/Portals/1/Files/TSVCM_Consultation_Document.pdf)

- If ‘deemed surrenders’ - ACCUs surrendered under an Emissions Reduction Fund contract to the Commonwealth - are included in the CERT calculation of net scope 1 emissions, then they should be disclosed in a separate column in the CERT report (tCO<sub>2</sub>-e).
- With regards to reporting and tracking progress against emissions targets, reaching net zero emissions in line with the Paris climate goals requires companies to eliminate avoidable emissions at a pace consistent with Paris aligned mitigation pathways, and neutralise residual GHG emissions with an equivalent amount of carbon removals. Thus:
  - Progress measures used in the CERT report should be expressed in both gross and net terms (i.e. the report should include progress measures that both exclude and include offsets).
  - Intensity or relative measures alone should not be used to track progress. Companies with intensity targets should report progress in absolute terms, or report data on the economic or production output used as the denominator in their intensity targets to enable year on year changes in absolute emissions to be derived.
  - The CERT report consultation paper presents two options for tracking commitments: either by reporting ‘the % change of total scope 1 and scope 2 emissions from the previous year’ or by asking NGER reporters to ‘provide a projection of where they need to be to meet their commitment and provide an update against this each year’. ClimateWorks recommends both are used. The former can be used to track whether reporters are achieving year on year emissions reductions. The latter can be used to ascertain whether reporters are reducing emissions at an appropriate rate. This is crucial as, for Australia to align with the Paris goals, companies within different sectors must reduce their avoidable emissions at different rates. For example, companies within the electricity sector must achieve decarbonisation earlier than other sectors to facilitate emissions reductions in other areas of the Australian economy<sup>4</sup>.
- The equation proposed in the CERT Report draft guidelines for ‘renewable energy as a percentage of total electricity consumed’ is problematic for the following reasons:
  - The description for this measure is misleading and it is unclear what this measure is illustrating. Assuming our interpretation is correct, it should be changed to ‘renewable energy percentage of scope 2 electricity consumed - excluding emissions-intensive trade-exposed (EITE) activities’.
  - The equation is not appropriate for tracking progress against the voluntary renewable energy targets of reporters since:

<sup>4</sup> ClimateWorks, 2020, Decarbonisation Futures, viewed 16 March 2021:  
<https://www.climateworksaustralia.org/resource/decarbonisation-futures-solutions-actions-and-benchmarks-for-a-net-zero-emissions-australia/>

- It does not reflect how corporations themselves measure their renewable electricity percentage. This is typically expressed as the sum of electricity consumed from onsite renewable behind-the-meter electricity production plus purchased renewable electricity (including retail purchases from utilities, direct purchases from generators through power purchase agreements and purchase of stand-alone (“unbundled”) energy attribute certificates)<sup>5</sup> as a proportion of total electricity consumed (not just ‘scope 2 electricity consumed’).
- The equation only considers electricity consumption. Although many corporate renewable energy targets are specifically focused on electricity, some also include other forms of energy consumption, such as heat<sup>6</sup>. The CERT Report guidelines should not use the terms ‘energy’ and ‘electricity’ interchangeably, and be clear on whether the equation is calculating a renewable electricity or renewable energy percentage. If the latter, the equation should accommodate forms of energy consumption other than electricity.
- Some organisations are aiming to be “net positive”, by producing more energy than they consume. The equation should facilitate tracking of renewable energy targets that are greater than 100%.

#### **Should corporations opt into the initiative?**

- Monitoring the decarbonisation of Australia's most significant GHG emitters and energy users is necessary for Australia to understand if it is managing economic climate risks appropriately, and maintaining a sustainable economy within the context of the global net zero transition. Participation in CERT should therefore be mandatory for NGER reporters, with the option to opt in for non-NGER reporters.

#### **How can CERT build broader participation?**

- Provision of education, tools, guidelines and databases can empower corporate decision-making based on emissions outcomes, and encourage broader implementation of and greater transparency around voluntary corporate emissions and renewable energy targets at a national level. Guidance documents can provide step-by-step methodologies, template documents and define common terminology, developing a broad capability in assessing emissions and resilience to climate impacts. Making these processes mainstream enables all Australian corporations to build their ability to account for emissions and manage climate risks in all areas of the economy<sup>7</sup>.

<sup>5</sup> RE100, 2018, RE100 Technical Criteria, viewed 16 March 2021: <https://www.there100.org/sites/re100/files/2020-10/RE100%20Technical%20Criteria.pdf>

<sup>6</sup> RE100, 2020, Members, viewed 16 March 2021: <https://www.there100.org/re100-members>

<sup>7</sup> For example, Infrastructure Canada, Climate Lens - General Guidance, <https://www.infrastructure.gc.ca/pub/other-autre/cl-occ-eng.html>

- There is a role for the government to play in investing in emissions training, tools and capacity building. Building a national understanding of how to prioritise emissions in decision making should occur at all levels, from education in the classroom to decisions in the boardroom, and across all tiers of the supply chain. Ensuring schools and universities educate and provide skills training in how to reduce emissions ensures that those entering the workforce are prepared to work towards reducing emissions.

**Are there other elements that should be considered in future phases of CERT?**

- It is recommended that columns are added to the reporting structure for companies to indicate degree of alignment of their emissions reduction targets to the Paris Agreement goals. These should include columns for methodologies or emissions pathways used to develop emissions reduction targets; initiatives that have validated targets (such as the Science Based Targets initiative (SBTi) or RE100); and the global temperature goal that emissions targets are aligned to (e.g. through classifications such as those used by SBTi, which flag whether targets are 2 degrees, below 2 degrees or 1.5 degrees aligned<sup>8</sup>).
- In addition to transparency around whether companies are reducing emissions in line with their targets, interest is shifting (particularly amongst investors) towards how well corporate emissions targets and management of climate risks are strategically embedded and operationalised. To support this, CERT could incorporate indicators, based on a reporting framework such as that developed under the Climate Action 100+ Net Zero Company Benchmark initiative, which evaluates decarbonisation targets and strategies, climate governance, green vs brown capital allocations, just transition and disclosure<sup>9</sup>.

On behalf of ClimateWorks, I thank you for the opportunity to provide input in response to the consultation paper. Please do not hesitate to contact me if you have any further questions.

Yours sincerely,



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<sup>8</sup> Science Based Targets initiative (SBTi), 2021, Companies Taking Action, viewed 16 March 2021: <https://sciencebasedtargets.org/companies-taking-action#table>

<sup>9</sup> Climate Action 100+, 2020, Net-Zero Company Benchmark, viewed 16 March 2021: <https://www.climateaction100.org/progress/net-zero-company-benchmark/>