

29 Oct 2021

RET and Energy Section  
Clean Energy Regulator  
GPO Box 621  
Canberra ACT 2601

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 provide further feedback to the Clean Energy Regulator's Corporate Emissions Reduction Transparency (CERT) Report consultation paper.

As mentioned in our organisation's first submission, ClimateWorks Australia, a non-profit organisation founded in 2009 by The Myer Foundation and Monash University, and working within the Monash Sustainable Development Institute, develops expert, independent solutions to support the transition to net zero emissions.

This is the 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 Celsius. To support this and manage their climate risks, government and corporate organisations are increasingly setting decarbonisation goals. Australia's federal government has announced a net zero by 2050 target, turning now the focus 'to how governments, businesses, communities and investors can work together to build-out the rest of Australia's climate response'<sup>1</sup>. Corporates need to play their part for Australia to align to the global goal of net zero emissions by or before 2050.

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 following points include feedback and recommendations to the practical application of the CERT's guidelines on organisations' commitments and emissions positions.

- **Coverage**

- **Material emissions:** Overall, there is a gap on disclosure and reduction of corporate value chain (scope 3) emissions. Yet, scope 3 emissions are often the most significant source of emissions for most sectors and should be reported and included in corporations' emissions reduction commitments and actions<sup>2</sup>. Similarly, the Greenhouse Gas Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard<sup>3</sup>, notes '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'. The CERT report should provide optional reporting of scope 3 emissions and a space for companies to disclose their scope 3 emissions reduction commitments and progress. This would incentivise corporates to account for and disclose scope 3 emissions and to set initiatives to address them.

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<sup>1</sup> ClimateWorks, 2021, ClimateWorks statement on the federal government's net zero by 2050 announcement: <https://www.climateworksaustralia.org/news/climateworks-statement-on-the-federal-governments-net-zero-by-2050-announcement/>

<sup>2</sup> ClimateWorks, 2021, Corporate action for 1.5 degrees: Best practice for Australian company net zero commitments, viewed 26 October 2021: <https://www.climateworksaustralia.org/resource/corporate-action-for-1-5-degrees-best-practice-for-australian-company-net-zero-commitments/>

<sup>3</sup> Greenhouse Gas Protocol, 2011, Corporate Value Chain (Scope 3) Accounting and Reporting Standard, viewed 26 October 2021: <https://ghgprotocol.org/standards/scope-3-standard>

- **Emissions reduction commitments:** ClimateWorks' *Decarbonisation Futures* report, a guide for Australian government and business decision-makers on priority technologies, deployment pathways and benchmarks for achieving net zero emissions, highlights that to achieve net zero emissions, companies should take ambitious actions under four main areas. These are: energy efficiency, renewable electricity, electrification and fuel switching, and reducing non-energy emissions. The CERT's current format provides companies a space to provide information on only one of these areas, their renewable energy commitments. Providing additional columns for companies to report activities falling under the other three areas is highly recommended. This would allow companies with a comprehensive plan to disclose it, whilst also encouraging other organisations to establish one.
- **Participation in CERT**
  - ClimateWorks recommends that participation in CERT should be mandatory for NGER reporters, with the option to opt in for non-NGER reporters. This is the transformative decade for climate action, in which Australia's biggest corporate Greenhouse Gas (GHG) emitters must set ambitious emissions reduction commitments to play their part in supporting the nation's decarbonisation in line with the Paris Agreement. Mandatory participation in the CERT initiative would increase corporate transparency around their emissions reduction commitments.
- **Commitments**
  - **Strength and ambition of commitments**
    - The strength of commitments and pace of reduction of emissions is key for Australia's transition to be in line with the global Paris climate goals. By verifying the progress of set commitments, the CERT report holds corporations accountable to their commitments. To further strengthen corporate climate ambition, it is recommended that columns are added to the reporting structure to indicate degree of alignment to the Paris Agreement goals, ideally verified or assessed by a third party. 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>4</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 those developed by ClimateWorks<sup>5</sup> or the Climate Action 100+ Net Zero Company Benchmark initiative<sup>6</sup>, which emphasise the need for decarbonisation targets and strategies, climate governance, capital allocations, just transition and disclosure.
  - **Other commitments**
    - As the guidance on data that is to be provided under 'other commitments' tends to be aspirational and not possible to enforce, verify or provide guidance on, it is suggested that CER find a way to incentivise companies to shift away from these types of commitments and instead provide all required data for these to be 'progress verified'.
    - Under 'Other commitments' the guidelines note that information or data provided to the agency should (amongst other points) 'be comparable among companies within a sector, industry or portfolio.' It is suggested that if including this point, the CERT design considers how this will be facilitated, for example companies could be directed/referred to guidance or

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<sup>4</sup> Science Based Targets initiative (SBTi), 2021, Companies Taking Action, viewed 26 October 2021: <https://sciencebasedtargets.org/companies-taking-action#table>

<sup>5</sup> ClimateWorks, 2021, Corporate action for 1.5 degrees: Best practice for Australian company net zero commitments, viewed 26 October 2021: <https://www.climateworksaustralia.org/resource/corporate-action-for-1-5-degrees-best-practice-for-australian-company-net-zero-commitments/>

<sup>6</sup> Climate Action 100+, 2020, Net-Zero Company Benchmark, viewed 26 October 2021: <https://www.climateaction100.org/progress/net-zero-company-benchmark/>

other groups/networks that outline industry or sector standards.

- **Offsets**

- 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).
  - As previously stated, it is recommended for companies to implement decarbonisation activities involving energy efficiency, renewable electricity, electrification and fuel switching, and reducing non-energy emissions. A company must only use offsets to reduce emissions when these four types of activities are not available.
  - In the reporting of eligible units and certificates relating to offsets, the CERT report should also distinguish between carbon sinks that sequester emissions from the atmosphere and units that are created through avoidance of emissions. This distinction is important because offsets that avoid emissions cannot be relied on solely for companies to meet their decarbonisation commitments.

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,

A handwritten signature in black ink, appearing to read 'Wei Sue', with a stylized, flowing script.

Wei Sue  
Systems Lead, Sustainable Corporates  
ClimateWorks Australia