

Queensland Government
Department of Environment and Science

Submitted via email.

29 February 2024

Dear Sir/Madam

Draft Greenhouse Gas Emissions Guideline (Environmental Protection Act 1994)

The Australian Energy Council ('AEC') welcomes the opportunity to make a submission to the Queensland Department of Environment and Science ('DES') Draft Greenhouse Gas Emissions Guideline for the Environmental Protection Act 1994 ('the Guideline').

The AEC is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

As Australia transitions towards its climate targets, federal and state governments are implementing a range of reforms designed to improve the maturity and sophistication of decarbonisation planning and reporting. The Federal Government is about to commence its climate-related financial disclosure framework – which places climate reporting obligations on major companies – as well as being in the process of implementing wholesale reforms to federal environmental laws, which includes requirements around the reporting of the lifecycle emissions of new projects.

While the AEC understands the desire for state regulators to be involved, there are some concerns that this Guideline will only duplicate or confuse existing reporting obligations, without adding much value. For the electricity sector, in particular, the proposed approach to administering this Guideline is not entirely intuitive because the decarbonisation of electricity generation involves whole-of-industry planning rather than individual company efforts.

Because of this unique characteristic, the electricity sector is subject to a sectoral baseline under the Safeguard Mechanism and was not included in the most recent reforms to baselines, which complicates the Guideline's proposal to require businesses to reference the Safeguard Mechanism to determine their emissions category.

Rather, electricity decarbonisation is being driven through government electricity planning policies. In this respect, the Queensland Government's Jobs and Energy Plan functionally serves as the greenhouse gas abatement plan for the electricity sector.

The AEC encourages DES to consider allowing electricity businesses to reference committed government policy, as well as federal reporting obligations, to meet compliance with this Guideline.

Application Requirements

Regarding the requirement to provide and follow an abatement plan, the AEC has several concerns. The first relates to the Safeguard Mechanism as the reference point to determine the emissions reduction trajectory for high emitters. This, as mentioned, is not entirely intuitive to electricity generators given that it takes a whole-of-sector approach and generators do not have individual

baselines under the Safeguard Mechanism. The AEC suggests that this needs to be clarified within the Guideline, so electricity generators understand what their obligations are.

Likewise, there are requirements for the applicant to provide a program that details GHG emissions reduction measures that will be implemented throughout the life of the project to achieve the emissions reduction trajectory. The AEC stresses that the unique circumstances of electricity decarbonisation make the creation and implementation of such a plan on an individual generator basis difficult. Specifically, the AEC would like to outline:

- The emissions reductions of a generator usually occur at a single space in time (i.e. when a fossil fuel plant closes), as opposed to linear reductions overtime. Indeed, variable changes to a generator's emissions will occur during the life of a fossil fuel plant due to unexpected outages, unseasonal weather, fuel supply issues, market dynamics and technical limitations. This would make it difficult to outline a reduction trajectory and measure progress against a target.
- Such plant closures are dependent of whole-of-system factors which are beyond the remit of an individual electricity EA holder. These factors can include system security, building of replacement capacity and transmission access.
- Both State and Federal governments are heavily involved in the NEM, with generators increasingly reliant on the effective rollout of government electricity planning policies to progress with their closure. In Queensland, there is the Jobs and Energy Plan which is designed to provide an orderly pathway for the electricity sector to decarbonise in a manner aligned with the state's climate targets.

It is important to consider this context given some of the requirements being proposed in this Guideline. For example, Appendix A states that 'interim measures may be required to meet targets including shutting down operations and temporarily reducing operation throughout.' The AEC stresses that intermittent operation is technologically impractical for baseload coal-fired power generation, and that these generators curtailing their generation through reduced load would be a high-cost exercise, which would only drive added maintenance and plant closure. This would, in turn, have further implications on the overall reliability of the energy grid and consumer costs with little material benefits in turn.

Likewise, with respect to the requirements for EAs to 'describe the risk and likely magnitude of impacts to environmental values resulting from the project's GHG emissions', the Guideline notes that any GHG emissions from a new QLD project will add to a wider pool of emissions that collectively result in global warming. This in turn can result in changes to climate systems and have a localised impacts such as extreme weather which may have an impact on environmental values.

The AEC agrees with the Department's acknowledgement that determining the likelihood and magnitude of impacts to environmental values from an individual project's GHG emissions would be 'difficult'. Further clarity needs to be provided here, as any assessment on the likelihood and magnitude of impacts to environmental values could only be done through a generalisation of global impacts rather than on an individual project level.

Finally, the AEC considers that the threshold for the low emissions category is too low. We would suggest that a floor be put in place, for example, adjusting the range to be between 500 to 25,000 tonnes of CO₂-e per annum, which would help businesses avoid incurring the costs and regulatory burden of assessing GHG emissions for very minor amendments.

Reporting of Scope 3 emissions

The Guideline is proposing that new project and amendment applicants should ‘provide an estimate of annual Scope 3 emissions and total Scope 3 emissions over the life of the project’. The AEC has some concerns with respect to this requirement and considers that further consultation with stakeholders is needed.

Treasury contemplated Scope 3 reporting in its climate-related financial disclosure framework and recognised that reporting entities might currently lack internal capability to undertake sophisticated Scope 3 reporting. It has subsequently recommended taking a proportional approach to Scope 3 reporting, as well as limiting it to “material” emissions.

Given this is a Guideline, DES should provide applicants with greater clarity about what is expected with respect to Scope 3 emissions reporting to manage regulatory burden, specifically:

- The level of precision – the data and reporting capabilities related to Scope 3 emissions are not yet robust. The requirement for an “estimate” indicates DES are mindful of avoiding unnecessary administrative burden and complexity, but further clarity is needed about what level of precision is expected.
- Materiality – to reduce administrative burden, there should be a materiality threshold enforced so businesses are not required to trace negligible Scope 3 emission sources.
- Clear boundary thresholds – the Guideline at present makes vague references to both domestic and international Scope 3 emissions. While understandably being a valuable data source for export industries, there are administrative complexities tracing Scope 3 tracing and verifying emissions activity outside of Australia. DES should consider how this can be balanced.

The AEC would expect that companies reporting Scope 3 disclosure to the Treasury framework is sufficient to meet requirements here, and that additional and/or duplicative reporting would not be required. Moreover, owing to the nature of Scope 3 calculations in general, the AEC suggests that any data presented under this category be provided a year in arrears. This is because it takes time for emissions data to be gathered from providers with any final value presented still subject to significant error.

Background greenhouse gas emissions

The AEC is currently unclear on the purpose behind the requirement to identify background GHG emissions for the DES in discharging its obligations and the extent of information expected from EA holders on this. Notwithstanding, this requirement from the Guideline to identify and quantify natural sources of background GHG emissions would not add much value. This is because unlike non-GHG air pollutants, background and project GHGs do not act cumulatively to impact environmental values at a local/regional level while being both resource intensive and time consuming for project proponents to monitor.

The AEC suggests that if such information is already available through the DES or any other regulator, it would help applicants if the Department published or nominated suitable background data during the application process. Should this be an ongoing concern, with the need for further monitoring, the DES could consider coordinating this work and provide data to all proponents to be applied in a consistent manner.

Proposed management practices

The Guideline sets out a proposed hierarchy of GHG abatement strategies under this section, listed as 1) Avoid, 2) Reduce, 3) Substitute, and 4) Offset. Notwithstanding the aforementioned issues an individual generator may experience in achieving some of these management practices, the AEC has other areas of concern.

Indeed, with respect to the offsets, the Guideline notes that ‘If there is still a residual impact from GHG emissions, after all reasonable avoidance, reduction and replacement measures have been taken, carbon offsets may be used.’ The AEC is currently unclear what is meant by residual impact and considers that there will be difficulty determining what would trigger the need for carbon offsets at a project level, especially in the instance of a minor EA amendment.

Further to this, and as alluded to above in the Treasury climate-related financial disclosure consultation, it can be difficult to find consultants and auditors with a full understanding of State, Federal and International emissions reductions schemes. This poses issues for the required management practices outlined for Scope 3 emissions. The assumption that applicants could find consultants or conduct their own research to determine whether Scope 3 emissions would be subject to similar emissions reduction requirements might be beyond the reach of most applicants. Indeed, this would pose an immense regulatory burden for minor amendment applications.

The AEC believes this issue, among others, could perversely deter applicants from seeking amendments to contemporise EA conditions to improve other environmental outcomes. Indeed, it is difficult to determine what type of EA amendment would trigger the requirements set out in the Guideline, since Scope 1, 2 and 3 emissions are ubiquitous in any activity where the use of energy is involved. Improving environmental outcomes would require some form of energy to be created, leading inevitably to GHG emissions in some form.

To assist applicants in determining risk, the Department should consider outlining clear boundaries as to what amendments are in and outside the scope of the Guideline. The AEC suggests that an impact risk matrix be included within the Guideline to ensure that organisations and officers are comparing the likelihood and consequences of impacts in a consistent manner across industries.

Any questions about this submission should be addressed to me by email to braeden.keen@energycouncil.com.au or by telephone on 0422792557.

Yours sincerely,

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