AUSTRALIAN ENERGY COUNCIL

Australian Government
Department of Climate Change, Energy, the Environment and Water

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National Greenhouse and Energy Reporting (NGER) Scheme – 2024 Proposed Amendments

The Australian Energy Council ('AEC') welcomes the opportunity to make a submission to the National Greenhouse and Energy Reporting ('NGER') Scheme – 2024 Proposed Amendments ('Consultation Paper').

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.

Maintaining the robustness of emissions reporting frameworks like the NGER Scheme is important to enable companies who make claims about emissions reduction to reliably verify them, as well as the ability of regulators and civil society to properly scrutinise. The AEC is broadly supportive of the proposed amendments outlined by DCCEEW and considers these reforms should improve alignment with international standards and recent domestic policy, namely the climate-related disclosure framework and guarantee of origin certification schemes.

There are some things the Department should be mindful of when implementing these reforms, which the AEC has highlighted below.

Open-cut coal mines: phasing out Method 1

As detailed in the Consultation Paper, open cut mines covered by the Safeguard Mechanism that "reported more than 10 million tonnes of run-of-mine coal was extracted during FY2023 must estimate fugitive methane emissions from open-cut mines using Method 2 or 3" from 1 July 2025. All other facilities under the Safeguard Mechanism will likewise need to estimate fugitive methane emissions using Method 2 or 3 from 1 July 2026.

Under these amendments, Non-Safeguard Mechanism facilities are still allowed to use Method 1. Indeed, the increase in the number of mines using Method 2 resulting from the proposed changes would result in additional and more accurate fugitive emissions data. This could be used to refine the accuracy of the emissions factor EFj used in Method 1 (3.20 of NGER reporting determination), thus reducing the need/benefit to move the smaller mines (non-Safeguard Mechanism facilities) from Method 1 to Method 2.

As such, the AEC is broadly supportive of these proposed amendments. However, we would stress that should DCCEEW intend to phase out Method 1 for non-Safeguard Mechanism facilities, a lead time of roughly 5 years may be required to ensure there is enough time to gather the required data to transition to method 2. This is attributable to Method 2 data collection requirements for gas emission modelling development including drilling and exploration programs, gas testing and specialist consulting services.

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Market based approach for reporting scope 1 emissions from renewable aviation kerosene and renewable diesel

The AEC considers this amendment, which enables the use of renewable aviation kerosene and renewable diesel to be recognised when it is co-mingled with other fossil fuels and supplied through shared infrastructure system as a step in the right direction. Likewise, the AEC appreciates the Department's intention to apply learnings from this approach to enhance the market-based accounting for scope 1 emissions overtime, including potential future expansion to other fuel types, such as biomethane.

Biomethane

We would encourage the department to consider expansion of market-based reporting to biomethane. The AEC has noted in past submissions that biomethane is a direct zero-carbon substitute for natural gas and will likely play a role in substituting gas particularly in industries which require high temperature heat combustion. Indeed, the CCA likewise put forth a recommendation in their December 2023 NGER review to "Introduce optional market-based reporting of renewable liquid and gaseous fuels once a framework for approving certifications for renewable fuels is operational."

While a framework for gaseous fuels is not yet operational, the AEC notes that these reforms were anticipated in the May Federal Budget allocation of funding to develop a Guarantee of Origin certification scheme for low carbon liquid fuels. The Department has also previously acknowledged stakeholder interest in expanding the GO Scheme to include biomethane. In line with the intent to maintain a robust reporting framework, the Department should consider flagging biomethane as an area for future inclusion under a market-based approach.

Scope 2 emissions from consumption of electricity – state and territory specific residual mix factors

Market-based disclosure of Scope 2 emissions will be mandatory under the Treasury led climate-related financial disclosure legislation, with the requirement expected to commence in July 2027. The Department has proposed the market-based estimate will be determined through use of a residual mix factor (RMF) for each state and territory to be calculated each reporting period.

There are some limitations to applying a jurisdictional RMF compared to the current national RMF that require greater consideration. The NEM is an interconnected market with varying energy flows between states. These energy flows have daily and seasonal patterns as well as significant variability dependent on weather outcomes.

This means that a jurisdictional RMF will attribute a different carbon value depending on the location of the company where the renewable certificate is surrendered, rather than where it is created. This seems to confuse physical and financial reporting, and it has not been made entirely clear the reasons for this. We would, therefore, appreciate greater clarity as to whether applying jurisdictional RMFs will provide greater value or clarity around customer emissions.

The Department should also be aware that:

- It is expected that the GO Scheme, proposed by the Federal Government, will be applying this RMF in the emission intensity calculation for the Product GO certificate.
- LGCs will be wound down in 2030 and the proposed replacement, Renewable Electricity Guarantee of Origin ('REGO') certificates, is still being developed. It has been slated to

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commence 1 January 2025, and will operate concurrently with LGCs until 2030. This might have some impacts for the RMF.

As the Department has invited further comments on other refinements that could be made to this amendment, the AEC would like to highlight potential risks of double counting. There is a need to consider the differences between the LGC and REGO with respect to the treatment of energy storage, such as battery storage and pumped hydro for instance, where network electricity is both the input and output to ensure the application of these certificates in the RMF formula results in an accurate RMF value at all times during the transition from LGCs to REGOs.

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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