

Clean Energy Regulator
GPO Box 621
Canberra ACT 2601

Submitted online.

22 March 2021

Corporate Emissions Reduction Transparency Report Consultation Paper

The Australian Energy Council ('AEC') welcomes the opportunity to make a submission to the Clean Energy Regulator's ('CER') *Corporate Emissions Reduction Transparency report – Consultation Paper* ('Consultation Paper').

The Energy Council is the industry body representing 22 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia, sell gas and electricity to over ten million homes and businesses, and are major investors in renewable energy generation.

The AEC supports the overall intent of the CERT report and believes it is a useful mechanism for promoting transparency over whether companies are taking genuine steps to meet their climate goals. This transparency will benefit governments and policymakers when developing climate-related policies, as well as prospective investors, by giving them greater confidence in their ability to manage climate risk and opportunity. For the energy sector, this is especially important because many company pledges are underpinned by commitments related to electricity. This includes, for example, using and investing in renewable generation or increasing their uptake of electric vehicles.

The AEC notes that three of its members, AGL, Energy Australia and Meridian Energy, are part of the Climate Active program, while many other members have implemented their own voluntary initiatives to reduce their climate impact. We also note that some of our members already have a very low emissions footprint as well as large investments in renewable energy. It is important that the CERT report avoids inadvertently implying that these companies are not taking action to address climate change because they are not participants.

The AEC has proposed some suggestions at the end on how to improve the CERT report. We would welcome the opportunity to be part of any future working group that works through the finer details of the CERT report.

Improving transparency

As governments increasingly recognise the need to shift to a net-zero emissions future, many corporations have also realised the opportunities and challenges that climate change poses to their long-term viability. The United Nations reported that the number of corporations and local governments committing to a net-zero target has doubled in the past year, with strong climate action being seen as linked to the recovery from COVID-19.¹ While this level of aspiration is admirable, it has implications for the ability of governments, policymakers, and system operators to efficiently plan for the scale and pace of the transition underway. If statements of ambition are made but not fulfilled, it can lead to the inefficient allocation of capital as governments and businesses make policies or investments in preparation for demand that does not actually exist. This is especially true in relation to the energy sector, which is at the centre of Australia's climate transition and is leading the way

¹ United Nations, 'Commitments to Net Zero Double in Less Than a Year', UN Climate Press Release, 21 September 2020. <https://unfccc.int/news/commitments-to-net-zero-double-in-less-than-a-year>

when it comes to efforts to decarbonise. Advancing this transition in a manner that is both efficient for the customer and maintains energy security requires significant future planning which, in turn, requires access to reliable information.

Similarly, investor groups, such as the Investor Group on Climate Change, have raised concern that private investors often do not have any systemised way of obtaining reliable information about whether companies with climate goals are making actual progress. The increasing importance of sustainability to the long-term viability of businesses, both in terms of minimising climate risk and enhancing social reputation, means climate goals have become a key attraction for prospective investors. However, without reliable information to allow for a comparison between businesses to show whether progress is real and tangible, capital may not be invested efficiently, ultimately reducing the confidence of investors to make future investments. For the energy sector, providing investors with confidence and certainty is critical given the long-term and high capital nature of energy infrastructure.

There is also a concern about stakeholder and customer reputation. So long as compliance with emissions reduction pledges remains unsystematic, varied and sometimes controversial approaches will emerge. Whether or not the criticisms are fair, stakeholder and consumer suspicions could emerge that ultimately taint the entire activity of climate pledging.

Noting the above, the AEC supports the intent of the CERT report to be a simple, voluntary mechanism for enhancing transparency over whether companies are meeting their climate goals. The proposed structure provides a simple and consistent reporting framework that enables governments, investors, stakeholders and the general public to gain a quick and easy to understand snapshot of a corporation's progress, without imposing an excessive regulatory burden on participants. The AEC suggests that the climate ambition of the Federal Government should be partially informed by the level of progress the participants are making, noting that a consistent national emissions framework would only facilitate the ability of corporations to meet their climate goals.

Suggestions for improvement

The AEC has proposed some suggestions below for how the scheme could be improved:

- The CER should clarify how it intends to make participants measure their scope 2 emissions. There are currently two broad approaches that prospective participants generally use, as recommended by the Greenhouse Gas Protocol: a location based approach or a market based approach. It is not completely clear if the Consultation Paper is proposing a third approach that would see participants required to align with Climate Active's approach. To ensure transparency and consistency in the data reported, the AEC suggests the CER nominate one of the approaches contained in the Greenhouse Gas Protocol, noting many companies already use them to report their emissions and are aligned with global best practice reporting standards.
- In addition to renewable energy certificates, participants should be able to balance out their scope 2 emissions by providing evidence that their electricity emissions are offset by purchasing from a Climate Active certified energy retailer.
- ACCUs should not be promoted to the extent that Certified Emissions Reductions become second class offsets. Many offset programs are offered to customers at no additional cost. Without access to cost-effective offsets, such programs may no longer be as popular. The collective objective of the CERT report should be to grow participation in using offsets more generally, and to develop participation in ACCUs by normalising the existence of offsets in the cost stack.

- The CER should consider coordinating a working group to work through the finer details of the CERT report. This should include some consideration about how to present the report so it is not suggested companies with an already low emissions profile are not taking action, and which approach for measuring scope 2 emissions is most desirable among prospective participants.
- To encourage uptake, it may be beneficial to have a branding scheme that rewards participants who meet, or are on track to meet, their climate goals. For example, a corporation that shows evidence of having met a certain renewable energy threshold could claim it has been “CER approved” or something to that effect. Any such scheme should maintain Climate Active’s status as the premier proof point for offsets and fairly recognise companies with an already low emissions profile. Whether a branding scheme is practical may be something to be considered at a future working group.

Any questions about this submission should be addressed to Rhys Thomas, by email to Rhys.Thomas@energycouncil.com.au or by telephone on (03) 9205 3111.

Yours sincerely,



Ben Skinner
GM Policy and Research
Australian Energy Council