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Submissions

Climate Change Authority

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11 September 2018

Review of the National Greenhouse and Energy Reporting Legislation

AGL Energy (**AGL**) welcomes the opportunity to provide a submission in response to the Climate Change Authority's Review of the National Greenhouse and Energy Reporting Legislation (**Review**).

AGL is one of Australia's largest integrated energy companies and the largest ASX listed owner, operator and developer of renewable generation. Our diverse power generation portfolio includes base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources. AGL is also a significant retailer of energy, providing energy solutions to around 3.5 million customers throughout eastern Australia.

In addition, AGL is continually innovating our suite of distributed energy services and solutions for customers of all sizes. These behind-the-meter energy solutions involve new and emerging technologies such as energy storage, electric vehicles, solar PV systems, digital meters, and home energy management services delivered through digital applications.

The diversity and size of our portfolio has allowed us to develop a detailed understanding of the risks and opportunities presented by energy and greenhouse policy settings.

Experience with the NGER Scheme

AGL has been reporting under the National Greenhouse and Energy Reporting (**NGER**) scheme since the program's inception in 2007. The major activities covered by our reported facilities are traditional thermal power generation through combustion of coal and gas, coal mining, oil and gas extraction and production, diesel and fuel oil combustion, and landfill gas combustion to generate power. Some of our facilities are the largest point source emitters of some substances in Australia and frequently receive public attention in this area.

AGL also has a significant and growing renewable energy portfolio including wind power, solar and hydroelectricity. We are continuing to advance a plan to reduce our emissions over time based on our Greenhouse Gas Policy,¹ and within this context, long-term policy certainty, including on reporting obligations, is a pre-requisite for decarbonisation to occur efficiently and affordably for consumers. Both

¹ AGL Greenhouse Gas Policy, available at https://content.agl.com.au/wp-content/uploads/2017/04/AGL_Greenhouse_Gas_Policy.pdf



renewable and lower-emission fossil fuel generation will form an integral part of the energy generation mix throughout the transition to a low-emission global economy.

Given our significant and long-term experience with greenhouse emissions reporting we have developed robust processes for gathering and reporting data. We also take a proactive approach to reducing our emissions and improve our reporting processes and data collection methods where it is economic to do so.

In addition to reporting under the NGER scheme on an annual basis, AGL's emissions results and the underlying data that feeds into these results have significant overlap with other government and non-government sustainability reporting schemes, including:

1. State-based licensing schemes including load-based licensing
2. Our own sustainability reporting to investors and emerging voluntary regimes such as with the Task Force on Climate Related Financial Disclosure (TCFD)
3. National Pollutant Inventory (NPI) reporting
4. ABS Energy, Water and Environment Survey
5. Environmental impact assessments for new projects and works

In aggregate, these reporting commitments as they apply to several AGL's facilities are significant.

Process and scope

Generally, we are supportive of the processes employed under the NGER scheme to facilitate greenhouse reporting. In recent years, improvements have been made and we consider that the process is currently working well to meet the objectives of the scheme.

With that in mind, we would caution against extending the requirements of the scheme; for example, to include Scope 3 emissions or to attempt to extend the reach of the scheme to cover additional aspects of greenhouse reporting. While we would welcome efficiencies in our reporting processes, care needs to be taken that extending the reach of the NGER scheme does in fact assist in provide useful information in a more efficient and economic manner.

While AGL does seek to employ efficiencies across data collection and reporting obligations, methodology and timings of reports are not directly comparable. Data obtained under the NGER scheme does not always align with other reporting obligations. While some of these obligations are perhaps more difficult to align (for example where reports are due prior to NGER data being made final), we would encourage state and federal Government departments to work with each other to facilitate efficiencies and develop a more consistent approach to reporting where possible. For example, there could be some benefit in better aligning NPI obligations and submission deadlines with NGER reporting.

As a significant emitter of greenhouse gases, AGL takes its reporting obligations seriously, and understands the importance of accurate and transparent data. However, we do consider that a focus on increased granularity of data could diminish the value that the scheme provides and make it difficult in the future to extend the reach of the scheme to other sectors, liable entities, or reportable data sets. If the tolerances and methodology currently applied to Scope 1 emissions reporting are extended to other data sets or new sectors, it may be difficult for those new liable entities to comply.

There may therefore be an argument to provide information regarding emissions to within a tolerable certainty and providing relevant information regarding the calculation of the range of any uncertainty within a set methodology. We consider that this could bring significant efficiencies to the scheme and reduce costs for



businesses while maintaining acceptable outcomes for the operation of the scheme as a whole. It could also facilitate reporting of a greater percentage of Australia's overall emissions profile.

Data use and publication

We are not against the publication of more data and consider that the CCA could review how best to present information more clearly both for liable parties and members of the general public seeking to obtain and interpret NGER data.

While we do see the value of impartial data being published without the risk of any associated misleading commentary, we do consider that some explanation of the data is likely to be useful for persons who may be seeking to use the publicly available data or gather insights from the information.

To better inform the public about the accuracy of our emissions estimates, AGL has in previous years published articles on its own website and issued media statements and press releases, but this context is not always apparent from the published reports.

Potential improvements could be made to mitigate this, such as providing more detail around which methods have been used, allowing reporters to voluntarily provide public commentary against each substance emitted, enabling reporters to report a range or uncertainty of values, or to only publish the results as falling within a band to encourage broader comparisons and avoid false accuracy.

NGER (Measurement) Determination 2008

We consider that the current annual review of the Determination should remain. It is our view that a new section relating explicitly to the treatment of battery storage facilities needs to be included due to the increasing number of large scale battery storage systems in Australia and the uncertainty regarding measurement at these facilities.

We also consider that the Clean Energy Regulator should continue to release updated and detailed guidance relating to the specific implementation of the Determination.

Auditing and assurance

As well as covering emissions and energy reporting and the safeguard, the legislation establishes the greenhouse and energy auditing framework. This is an important part of the compliance regime applying to audits under the reporting scheme, the safeguard, and other climate change policies such as the Emissions Reduction Fund and the Renewable Energy Target.

We do not have any concerns with the current auditing framework as it stands and do not consider that any significant changes are warranted. We consider that it is fit for purpose and does not need to be extended or revised significantly.

Safeguard Mechanism

AGL in principle supports the proposed changes to the operation of the Safeguard Mechanism as outlined in the Australian Government Department of the Environment and Energy's Safeguard Mechanism Consultation² released in February 2018. Some of the changes we support include:

² AGL Submission in response to the Safeguard Mechanism Consultation, available at <https://thehub.agl.com.au/articles/2018/03/submission-in-response-to-the-safeguard-mechanism-consultation>

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- Bringing baselines up-to-date by transitioning all facilities to calculated baselines over 2018-19 and 2019-20;
 - Simplifying the application process by giving businesses the option to use Government-determined 'production variables' and default emissions-intensity values for calculating baselines; and
 - Updating baselines annually for actual production, so they continue to reflect facility circumstances and enable growth.

AGL appreciates that these changes will make reporting against the Safeguard Mechanism fairer and simpler for liable businesses by transitioning baselines towards a more consistent approach that takes into account growing businesses' production forecasts.

Nevertheless, we remain concerned that the proposed changes will do little to facilitate the decarbonisation of the Australian economy, consistent with Australia's commitments made under the Paris Agreement. In the absence of an approach that entails declining baselines across sectors, there remains a serious risk that the emissions trajectory of covered industries will continue to rise.

While we acknowledge attempts to address emissions reductions directly through the integration of energy and emissions policy (most recently with the proposed design of the National Energy Guarantee), we consider that the Safeguard Mechanism may also have an important role to play in Australia's climate and energy policy suite especially in its potential to address the emissions from other sectors of the Australian economy.

Should you have any questions in relation to this submission, please contact Theo Comino, Manager Greenhouse & Sustainability, on 02 9921 2107, Aleks Smits, Manager Policy and Research, on 03 8633 7146 or myself on 02 9921 2516.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tim Nelson'.

Dr Tim Nelson

Chief Economist