



**CEMENT INDUSTRY  
FEDERATION**



# Cement Industry Federation

## Submission to the

Climate Change Authority's

Review of the National Greenhouse and Energy Reporting  
Legislation

*Consultation Paper*

***September 2018***





## 1. Introduction

The Cement Industry Federation (CIF) welcomes the opportunity to comment on the Climate Change Authority (CCA) *Review of the National Greenhouse and Energy Reporting Legislation*.

The CIF is the national body representing the Australian cement industry and comprises the three major Australian cement producers - Adelaide Brighton Ltd, Boral Cement Ltd and Cement Australia Pty Ltd. Together these companies account for 100 per cent of integrated clinker and cementitious supplies in Australia.

## 2. Overview

The National Greenhouse and Energy Reporting ACT establishes the legislative framework for the National Greenhouse and Energy Reporting scheme (NGERs).

The Act has two main objectives:

- 1) to introduce a single national reporting framework for the reporting and dissemination of information related to greenhouse gas emissions, greenhouse gas projects, energy consumption and energy production of corporations, and
- 2) to ensure that net covered emissions of greenhouse gases from the operation of a designated large facility do not exceed the baseline applicable to the facility.

The first objective of the Act states that the data is to be collected for a specific set of reasons, namely to: inform government policy formulation and the Australian public, meet Australia's international reporting obligations, assist Commonwealth, State and Territory government programs and activities and avoid the duplication of similar reporting requirements in the States and Territories.

The second objective forms the basis for the safeguard mechanism, which is designed to ensure that emissions reductions achieved through the Emissions Reduction Fund are not displaced by emissions above business as usual in other areas of the economy.

From an industry perspective the reporting framework implemented under the NGERs legislation appears to largely be working as intended. Also, the focus on business as usual is an important aspect of the safeguard mechanism that recognises trade-exposed industries by seeking to avoid disadvantaging Australian businesses ahead of their international competitors.

However, there is scope to address a number of ongoing industry concerns in terms of NGERs and the safeguard mechanism – including issues such as materiality, coverage and granularity of published material.

The most recent review of the safeguard mechanism and resulting draft amendments that aim to make the measure 'fairer and simpler' are supported by the CIF. Further details on our position can be found in our submissions to that process.



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### **3. The Clean Energy Regulator**

The CIF and its members have welcomed the consultative approach taken by the Clean Energy Regulator (CER) in communicating with industry. Interactions with the CER, both at the industry and company level, have been positive and constructive.

From the outset the CER has been clear in its focus on providing information and guidance to stakeholders (clients) in the first instance – an approach that has been welcomed by industry as promoting a positive and productive regulatory environment that is focussed on achieving the objectives as constructively as possible.

Where issues have arisen the CER has provided clear and comprehensive reasoning to justify its decisions.

### **4. The National Greenhouse and Energy Reporting Scheme**

#### Who is required to report under the legislation?

To be effective climate policy must be applied to all sectors of the economy with significant emissions including: electricity, stationary energy, transport, fugitive emissions, industrial processes, agriculture, waste as well as land use.

As operators of integrated cement manufacturing facilities, CIF members have been reporting greenhouse gas emissions and energy data under NGERs since its inception. This has involved significant investment over the years in terms of internal resourcing and capacity building, as well as mandatory compliance measures, including audit requirements.

It is not equitable, nor preferable, for some sectors of the economy to remain excluded from reported and other measures.

#### Greenhouse Gas Emissions

The scope of reporting under NGERs aligns with the emissions currently covered under international conventions such as the Kyoto Protocol and should remain so. While reporting of indirect (scope 2) emissions has the potential to introduce an element of duplication with direct emissions (scope 1), the logic behind doing so remains sound.

Any consideration of altering the types of emissions to be reported under NGER is not supported.

#### Emissions Sources

While it would be preferable for comprehensive reporting of emissions across all sectors under NGERs, including agricultural emissions, it is recognised that difficulties exist in terms of scale.

Ensuring that those land and agriculture businesses that do meet a proposed threshold are reporting is therefore important – particularly if agriculture emissions are to be included in any future market-based emissions management scheme.



**C E M E N T I N D U S T R Y  
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### Measuring Emissions and Energy

The annual process for updating the measurement determination is working to ensure that emissions measurement methods remain relevant and are aligned with international rules.

The methods for our industry are appropriate attempt to balance the administrative workload and accuracy by providing generic, industry-based factors to simplify calculations if a reporter so desires.

### How and When Companies Report

The majority of environment-related reporting that CIF members are required to undertake (e.g. EPA licences, National Pollutant Inventory, NICNAS) is centred on a 30 June reporting cycle.

While this helps to some degree in terms of common data points used to input into the various reports, it does mean that reporting deadlines (including for NGERs) are all within a few months of each other.

While it may not be possible (or desirable in most cases) to create one single reporting system to meet the requirements of all jurisdictions, consideration could be given to aligning certain common, input-related elements (e.g. facility definitions, reporting periods) of the various reporting schemes to minimise the administrative burden for all parties as much as possible.

Experiences with the emissions and energy reporting system (EERS) have improved since the previous version; however, the introduction of an auto-upload feature would remove the need for reporters to manually input data into the system.

### Climate Risk Disclosure

NGERs is a tool for collecting information on greenhouse gas emissions and energy in Australia to inform various stated objectives. It should not be expanded into a risk-based tool as the onus is on the reporter to ensure these are actioned as appropriate.

### Does Reporting Help Companies Manage Their Emissions and Energy?

The Australian cement industry has long recognised the challenge that climate change poses to our natural environment, both at the regional and global scale. Our industry has been at the forefront of domestic action to monitor and reduce emissions through programs such as Greenhouse Challenge, the National Greenhouse Reporting Scheme, and the Asia Pacific Partnership on Clean Development and Climate.

The CIF has also been an active and ongoing participant in the development of the Government's Emissions Reduction Fund and the associated safeguard mechanism.

Strong action already taken by the Australian cement industry has resulted in significant carbon emissions reductions – with a greater than 20 per cent reduction in terms of total emissions from the sector since 2005.

Cement manufacturing is an energy-intensive process and CIF members are already heavily focussed on reducing emissions and energy use as part of their day-to-day business. The reporting of emissions and energy data under mandatory schemes such as NGERs does not drive change within CIF member organisations.



## **5. The Safeguard Mechanism**

The safeguard mechanism is meeting its stated intent, i.e. ‘...to protect taxpayers’ funds by ensuring that emissions reductions paid for through the crediting and purchasing elements of the Emissions Reduction Fund are not displaced by significant increases in emissions above business-as-usual levels elsewhere in the economy’<sup>1</sup>.

The safeguard mechanism applies to industrial and fugitive emissions (including the electricity sector) and was developed over several years and in close consultation with business and the community.

This has resulted in a mechanism that protects emissions reductions achieved through the Emissions Reduction Fund (ERF), while providing flexibility for industry, particularly those that are trade-exposed, to be able to maintain and grow their operations whilst maintaining their international competitiveness.

Amendments are currently being considered to make the safeguard mechanism ‘fairer and simpler’, which are largely supported by our industry. Please refer to our submissions on the safeguard mechanism made in [March](#) and September 2018 for more detail.

### *The Safeguard Emissions Threshold*

It is in the national interest that any measure to safeguard Australia’s emission be equitably shared across the economy to reduce emissions.

Given that all facilities captured under the safeguard mechanism are already reporting under NGERs, it may be appropriate to consider lowering the threshold under the safeguard mechanism.

### *Varying a Baseline*

The NGERs measurement determination is updated annually to reflect improvements in the methods for measuring emissions. The CIF considers that the methodology used to calculate a baseline under the safeguard mechanism should be consistent with the current methodology for reporting emissions.

### *Future Directions*

The recommendation to broaden the scope of units available to safeguard entities to meet their compliance obligations is supported. Having a limited number of Australian Carbon Credit Units (ACCUs) in the market becomes problematic when these units are being accessed for compliance under the mechanism.

## **6. Data Use and Publication**

### *Safeguard Mechanism Data*

The CIF is concerned over the granularity of data published under the safeguard mechanism and proposes the publication of aggregated data for the industry, rather than by individual facility.

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<sup>1</sup> <http://www.environment.gov.au/climate-change/government/emissions-reduction-fund/publications/factsheet-erf-safeguard-mechanism>



The publication of facility-level data under the safeguard mechanism raises significant issues for our industry. Our members are concerned over the publication of sensitive, facility-level emissions data that has the potential to provide information into the market that would otherwise not be available. This is critically important given the import-competing nature of our industry.

Competitiveness pressures are paramount here given there are three integrated clinker and cement manufacturers currently operating in Australia – Adelaide Brighton Ltd, Boral Cement Ltd and Cement Australian Ltd.

Not only do we have competition amongst domestic producers, the industry is also under significant pressure from imported material – largely from Asia. While some Australian producers also import clinker to supplement domestic production, international producers – without a domestic production base – are increasingly looking to invest in facilities to import material.

This is critical as imported material, particularly from the Asian region, is not subject to similar regulatory barriers as Australian producers. When making decisions about whether to invest in import facilities and related infrastructure, our competitors look at the cost structure of local producers to see if they can compete.

The industry proposes the publication of aggregated data for the industry, rather than by individual facility. This approach has been successful under the National Greenhouse and Energy Reporting scheme (NGERs), where data is published at an enterprise or company level rather than by facility.

Such an approach would alleviate the core concerns of our industry. The publication of aggregated data sets is common practice within the global cement industry to comply with all anti-trust legislation and competition law.

For example – the World Business Council for Sustainable Development – Cement Sustainability Initiative (WBCSD-CSI) publishes emissions and energy information at a regional level AND with a one-year time lag to address issues around competition policy. The WBCSD notes: “As a general rule, there must be four or more independent producers in one country so that aggregate reports on this country can be released.”

The CIF also follows strict competitiveness guidelines and is subject to the Competition and Consumer Act 2010, with all annual facility statistical information collected and aggregated by a third party (PwC) before being passed through to the CIF. This data collates financial and annual year data and therefore only provides an estimate of changes within the industry.

Both the WBCSD-CSI and CIF practices as described above serve to further highlight the commercially sensitive nature of facility-level emissions information.

Site-specific information that provides commercially sensitive information should not be publicly disclosed.

### Future Data Needs

To support changing data needs into the future it may be useful to consider allowing for the customisation of output reports. This would provide flexibility for reporters to be able to create tools to validate their input data – for example using frameworks such as extensible Business Reporting Language (xBRL).



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## **7. Audits**

The CIF recognises the need to conduct audits as part of the various measures covered by the NGERs legislation, as well as the need for effective and efficient audit provisions and guidelines.

While CIF members do not have any major concerns with the overall audit framework, concerns do exist on the issue of materiality and how it is addressed by auditors and the CER.

Under NGERs materiality is not considered in *de minimus* terms, which is typically the case in other jurisdictions. This means that significant time is often spent calculating emissions from sources that end up being a small fraction of total emissions of the facility.

A review of the concept of materiality under NGERs is recommended to investigate options to reduce the administrative burden associated with calculating emissions from minor sources that could be determined by other means (e.g. estimates for common sources, default factors).

## **8. Further Contact**

Thank you for the opportunity to provide the above comments. The CIF welcomes the opportunity to discuss any of the comments included in this submission.

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