

# Review of the National Greenhouse and Energy Reporting Legislation

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## Introduction

Since 1959, the Australian Petroleum Production & Exploration Association (APPEA) has been the peak national body representing the upstream oil and gas exploration and production industry. APPEA has around 60 member companies that explore for and produce Australia's oil and gas. In addition, APPEA's more than 130 associate member companies provide a wide range of goods and services to the industry. Further information about APPEA can be found on our website, at [www.appea.com.au](http://www.appea.com.au).

APPEA welcomes the opportunity to provide comment on the Climate Change Authority (the Authority) *Review of the National Greenhouse and Energy Reporting Legislation Consultation Paper* (the Consultation Paper), released on 31 July 2018.

APPEA has been engaged in the greenhouse policy debate since the 1990s and has participated in every major consideration of national climate change policy approaches in Australia since that time.

APPEA and its members commenced publicly reporting the industry's greenhouse gas emissions and abatement activities voluntarily in 1990 and through the Greenhouse Change and Greenhouse Challenge Plus programmes in 1996. APPEA supported the development of the National Greenhouse and Energy Reporting (NGERs) legislation in 2006 and 2007<sup>1</sup> and welcomed the introduction of a single national reporting regime to replace the hotch potch of often inconsistent report regimes that existed at that time.

APPEA is also committed to working with governments as they develop policy responses to climate change. APPEA in February 2016 released a second edition of its *Climate Change Policy Principles* – a copy is at [Attachment 1](#)<sup>2</sup> – setting out the principles that APPEA considers should underpin Australia's policy response to climate change. These principles inform this submission in response to the Consultation Paper.

In addition to the APPEA submission, a number of APPEA members have made individual submissions to the Consultation Paper. This response should be read in conjunction with submissions from individual APPEA members. APPEA has also contributed to and supports the submission provided to the Authority by the Australian Industry Greenhouse Network (AIGN).

APPEA's submission addresses specific aspects of the Consultation Paper, focussing on those areas that are particularly important for the upstream oil and gas industry.

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<sup>1</sup> For example, APPEA's submission to the April 2006 *Reducing the Burden Consultation Paper* (as part of the Council of Australian Governments process that lead to NGERs) noted "... APPEA supports the mandatory reporting of greenhouse gas emissions and energy through a single, national scheme. The scheme should be consistent with international methodologies and aim to meet the needs of both industry and government." APPEA wrote to all States and Territories in June 2006 urging them to support NGERs. Similar, APPEA appeared before the *Senate Environment, Communications, Information Technology and the Arts Committee Inquiry into the National Greenhouse and Energy Reporting Bill 2007* on 3 September 2007 noting "... members have for many years supported the need for a rigorous, transparent, nationally consistent, energy and greenhouse reporting system, underpinned by purpose-built Commonwealth legislation." See [www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Environment\\_and\\_Communications/Completed\\_inquiries/2004-07/greenhouse/index](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Completed_inquiries/2004-07/greenhouse/index).

<sup>2</sup> A copy of APPEA's *Climate Change Policy Principles* can also be found at [www.appea.com.au/2016/02/appea-updates-climate-change-policy-principles](http://www.appea.com.au/2016/02/appea-updates-climate-change-policy-principles).



**APPEA supports a national climate change policy that reduces greenhouse gas emissions at least cost and facilitates investment decisions consistent with an international price on carbon.**

**As part of this, APPEA continues to support environmentally effective and economically efficient climate change policies underpinned by transparent reporting arrangements.**

### The Australian upstream oil and gas industry

Reliable, secure and competitively priced energy is crucial to our everyday lives in Australia. Oil and gas plays a key role in meeting many of our energy needs. Gas-fired electricity generation is a cost-effective technology which combines reliability and rapid ramp-up times to complement intermittent renewable energy technologies.

Gas is an indispensable fuel for many industrial processes and a critical feedstock for industry that often cannot be substituted in producing fertilisers, cleaners, polymers and refrigerants. A large part of the manufacturing sector uses natural gas to generate electricity, heat and steam for industries, including alumina refining, food and beverage manufacturing, and grocery production<sup>3</sup>.

Provided we have appropriate regulatory and policy settings, including through the outcomes of this Review, our abundant natural gas resources places Australia in an enviable position to deliver long-term, cleaner energy domestically and across the Asia-Pacific. Australia's liquefied natural gas (LNG) exports offer a cleaner energy source to a world with a steadily growing appetite for energy.

The stakes are high in realising the industry's full potential benefits.

However, future investment is not certain. The challenging market and increasingly challenging regulatory conditions facing the industry, both globally and in Australia, mean it is more important than ever to ensure the policy and regulatory framework facing the oil and gas industry in Australia remains competitive and encourages further exploration and development activity.

### The key role natural gas plays in reducing global greenhouse gas emissions

Greater use of Australian natural gas – in the domestic market, and in Asia – can significantly reduce greenhouse gas emissions.

Gas has an essential role to play in reducing emissions. In the home, natural gas is a cleaner fuel compared to the National Electricity Market (NEM) average. Gas-fired generators can be rapidly started making them complementary with intermittent renewable energy. Exporting gas as LNG will allow our Asian trading partners to reduce the emissions from their economies<sup>4</sup>.

### Natural gas: integral to a low carbon Australian economy

Australia could generate significant additional national economic, environmental and social benefits through greater use of its substantial natural gas resources.

<sup>3</sup> See [www.appea.com.au/oil-gas-explained/benefits/gas-and-manufacturing](http://www.appea.com.au/oil-gas-explained/benefits/gas-and-manufacturing).

<sup>4</sup> See *Gas Vision 2050* for more information. *Gas Vision 2050* was developed by Australia's peak gas industry bodies and demonstrates how gas can continue to provide Australians with reliable and affordable energy in a low-carbon energy future. See [www.appea.com.au/media\\_release/gas-vision-2050](http://www.appea.com.au/media_release/gas-vision-2050) and [www.appea.com.au/wp-content/uploads/2017/03/GasVision2050\\_March2017.pdf](http://www.appea.com.au/wp-content/uploads/2017/03/GasVision2050_March2017.pdf) for more information.



Using more natural gas in Australia's power generation and resource processing would significantly enhance the nation's ability to meet increasing energy needs and reduce emissions.

The potentially growing role of natural gas considered in these reports reflects the role gas could play as a lower emissions and cost effective generation technology, both in replacing coal-fired generation and in complementing the growth in renewable technologies.

Intermittent renewable energy requires "on call" electricity generation to manage falls in renewable output or peaks in demand. Gas-fired generation is a key technology capable of delivering that flexible response. As more renewable energy is integrated into the grid, this balancing role becomes more critical.

Experience in the United States demonstrates how quickly emissions from the generation sector can be cut by fuel switching. Data from the US Government Energy Information Administration (EIA)<sup>5</sup> shows energy-related emissions in the US in the first six months of 2016 were at their lowest level since 1991, having fallen about 13 per cent from their peak in 2007. Amongst other reasons, this was possible because the US is developing its abundant natural gas resources.

More recently, the EIA found<sup>6</sup> emissions from power generation fell by nearly 5 per cent. The EIA noted the fall in emissions can be attributed to:

*... a significant reduction in coal use for electricity generation was offset by increased generation from natural gas and renewable sources. Renewables do not emit CO<sub>2</sub>, and a shift towards natural gas from coal lowers CO<sub>2</sub> because natural gas has lower emissions per unit of energy than coal and because natural gas generators typically use less energy than coal plants to generate each kilowatthour of electricity.*

We have a similar opportunity in Australia. If the industry is able to develop them, there are sufficient natural gas resources to underpin a historic shift to a lower emissions generation sector.

The increased use of natural gas also has several additional environmental benefits, such as:

- Reduced emissions of fine particulates.
- Reduced emissions of sulphur dioxide (an important contributor to smog and acid rain) and nitrogen oxides.
- Significantly lower demand for water for power station cooling.

Much greater use of Australia's extensive gas resources will be crucial in meeting the challenge of significantly reducing global greenhouse gas emissions at least cost whilst enhancing Australia's economic and export performance.

#### Natural gas: integral to low carbon economies in Asia

In considering Australia's climate change policy responses both in the period to 2030, and beyond, and Australia's existing and future contribution to global emissions reduction efforts, it is important to acknowledge the positive contribution Australia's LNG exports make now and will increasingly make to that global effort.

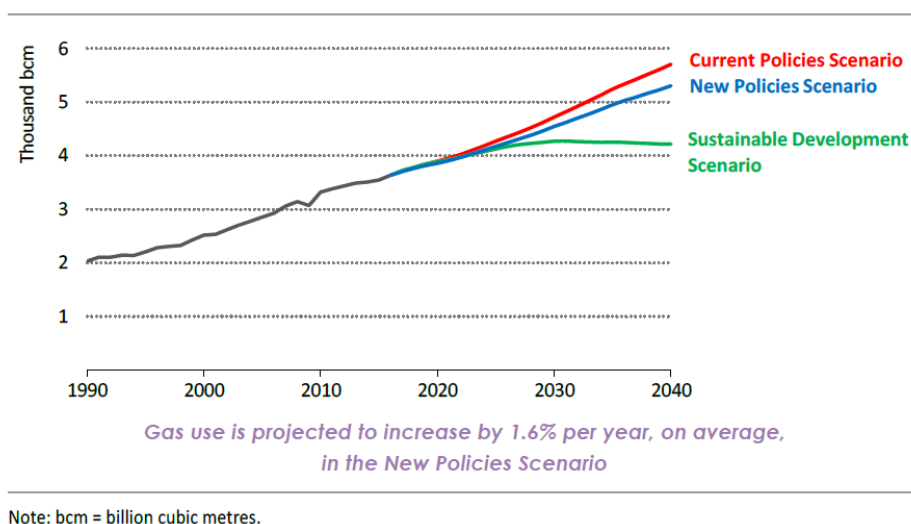
<sup>5</sup> See [www.eia.gov/todayinenergy/detail.php?id=28312](http://www.eia.gov/todayinenergy/detail.php?id=28312) for more information.

<sup>6</sup> See [www.eia.gov/todayinenergy/detail.php?id=30712](http://www.eia.gov/todayinenergy/detail.php?id=30712) for more information.

Australia's LNG industry is in a unique position to contribute substantially to the economic development of the nation and to reduce greenhouse gas emissions. Australia's resources of natural gas and proximity to growing markets make us well-placed to meet the global climate change challenge while substantially contributing to Australia's economic growth. While the demand for energy as part of the industrialisation of Asian economies is a key driver, the properties of natural gas as a lower emitting and cleaner burning fuel is also driving much of the international demand for LNG.

As the International Energy Agency (IEA) found in its *2017 World Energy Outlook (2017 WEO)*<sup>7</sup>, the use of natural gas is expected to grow consistently over the Outlook period (to 2040) under all scenarios. For example, in its 'New Policies Scenario' (the central scenario in the 2017 WEO) the IEA forecasts global natural gas demand to grow by nearly half over the Outlook period. The annual growth rate of 1.6 per cent means natural gas increases its share in global primary energy demand from 22 per cent today to 25 per cent in 2040. In the 'Sustainable Development Scenario'<sup>8</sup>, gas use plateaus from the 2030s, but the IEA notes, as a clean and flexible fuel, gas still sees its share increasing.

**Figure 1. 2017 WEO: World Natural Gas Demand by Scenario**



Source: International Energy Agency (2017).

A 2008 (updated in 2011) study by WorleyParsons<sup>9</sup>, for example, compares lifecycle greenhouse gas emissions of Australian LNG exports from the North West Shelf Project with Australian east coast black coal exports in terms of lifecycle greenhouse gas emissions: from extraction and processing in Australia through to an end use of combustion (using different power generation technologies) in China for power generation.

Figure 2 below is derived from data within the study, and shows that:

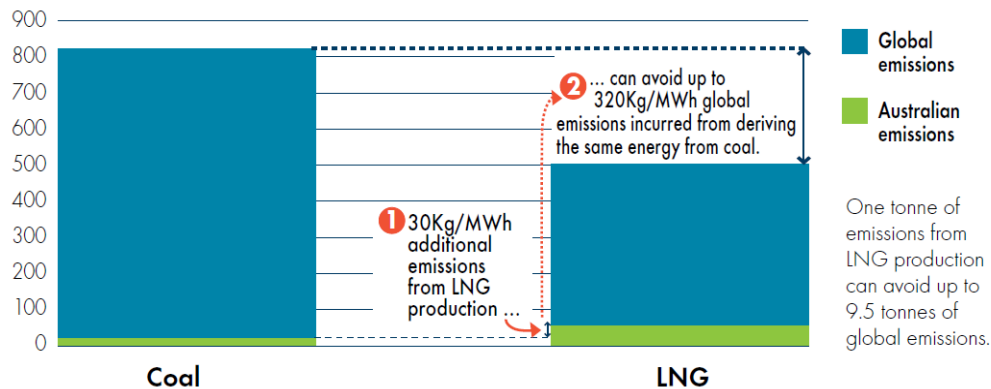
<sup>7</sup> See [www.iea.org/newsroom/news/2017/november/a-world-in-transformation-world-energy-outlook-2017.html](http://www.iea.org/newsroom/news/2017/november/a-world-in-transformation-world-energy-outlook-2017.html).

<sup>8</sup> Implementing the IEA 'Sustainable Development Scenario' would require increasing investments in energy production and distribution infrastructure, changes in consumer behaviour and lifestyles, and the imposition of a variety of policies. The IEA acknowledges the scale of this challenge, noting that the 'Sustainable Development Scenario' is not a prediction or forecast, but rather an illustration of a possible pathway that society could pursue to achieve its climate change goals.

<sup>9</sup> WorleyParsons (2008; 2011), *Greenhouse Gas Emissions Study of Australian LNG*, August 2008; March 2011.

- For every tonne of carbon dioxide equivalent (CO<sub>2</sub>-e) emitted in LNG production within Australia, between 5.5 and 9.5 tonnes of emissions from the coal alternative can be avoided globally.
- LNG has a substantially lower greenhouse footprint associated with it compared to coal – not just in combustion emissions, but throughout its lifecycle.
- The lifecycle greenhouse intensity for LNG is about 50 per cent lower than that of coal.

**Figure 2. Displacement of Coal by LNG (kg/MWh CO<sub>2</sub>-e by Fuel Source)**



Source: Derived from data in WorleyParsons (2008; 2011).

A similar 2011 WorleyParsons study<sup>10</sup> considered lifecycle greenhouse gas emissions of Australian coal seam gas (CSG) to LNG (CSG→LNG) exports from projects in Queensland with Australian east coast black coal exports in terms of lifecycle greenhouse gas emissions: from extraction and processing in Australia through to an end use of combustion (using different power generation technologies) in China for power generation.

The study found that, in the case of CSG→LNG exports:

- For every tonne of CO<sub>2</sub>-e emitted in LNG production within Australia, between 2.5 and 4.3 tonnes of emissions from the coal alternative can be avoided globally.
- Considering savings from a 30 year 10 million tonnes per year (Mtpa) CSG→LNG project, if CSG→LNG is combusted in a combined cycle gas turbine (CCGT) plant instead of a subcritical coal plant, the life cycle emissions are 42.7 Mt CO<sub>2</sub>-e per annum, the annual savings 37.2 Mt CO<sub>2</sub>-e and the project life savings 1,114 Mt CO<sub>2</sub>-e<sup>11</sup>. For CSG→LNG combustion in a CCGT plant instead of a supercritical coal plant the annual savings and project life savings are 21.7 Mt CO<sub>2</sub>-e and 652 Mt CO<sub>2</sub>-e respectively.

In addition, and as noted above, burning gas instead of coal improves urban air quality. This is particularly important in many Asian countries that are importing Australian LNG or considering imports.

<sup>10</sup> WorleyParsons (2011), *Greenhouse Gas Emissions Study of Australian CSG to LNG*, April.

<sup>11</sup> This compares to total Australian annual emissions in 2017 of 533.7 Mt CO<sub>2</sub>-e (see [www.environment.gov.au/climate-change/climate-science-data/greenhouse-gas-measurement/publications/quarterly-update-australias-national-greenhouse-gas-inventory-dec-2017](http://www.environment.gov.au/climate-change/climate-science-data/greenhouse-gas-measurement/publications/quarterly-update-australias-national-greenhouse-gas-inventory-dec-2017)).

There are significant benefits to Australia and the world from the greater use of gas as a lower greenhouse gas emitting energy source.

Much greater use of Australia's extensive gas resources will be crucial in meeting the challenge of significantly reducing global greenhouse gas emissions at lowest possible cost whilst enhancing Australia's economic and export performance.

### Review of the National Greenhouse and Energy Reporting Legislation: general comments

As noted above, APPEA has been a supporter of a national greenhouse and energy reporting regime for many years and welcomed in 2007 the passage of the *National Greenhouse and Energy Reporting Act 2007*.

**The oil and gas industry maintains a strong preference for NGERs as the single national greenhouse and energy report scheme as opposed to a multitude of often poorly defined and uncoordinated reporting schemes.**

That said, it appears appropriate that with greenhouse and energy reporting under the *National Greenhouse and Energy Reporting Act 2007* now in operation for over ten years that the operation of the scheme be reviewed.

The Emissions Reduction Fund Safeguard Mechanism (ERF-SM) has, however, been in operation for less than two years and has recently been reviewed as part of the Australian Government's 2017 Climate Change Policy Review<sup>12</sup>.

In addition, the Department of the Environment and Energy (the Department) is consulting with stakeholders on amendments to the ERF-SM<sup>13</sup> arising from the 2017 Review and further review and amendment is possible as part of the Australian Government's stated intent to review its climate policy settings in 2020.

The Authority's review adds to these reviews and will mean the ERF-SM has been subject to frequent review and amendment since its inception. This does little to provide for a stable and certain policy environment to underpin Australia's greenhouse gas emission reduction efforts.

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<sup>12</sup> APPEA's submission to the Review can be found at [www.environment.gov.au/submissions/climate-change/review-climate-change-policies-2017/australian-petroleum-production-and-exploration-association-appea-ltd.pdf](http://www.environment.gov.au/submissions/climate-change/review-climate-change-policies-2017/australian-petroleum-production-and-exploration-association-appea-ltd.pdf) and [www.environment.gov.au/submissions/climate-change/review-climate-change-policies-2017/australian-petroleum-production-and-exploration-association-appea-ltd-att-a.pdf](http://www.environment.gov.au/submissions/climate-change/review-climate-change-policies-2017/australian-petroleum-production-and-exploration-association-appea-ltd-att-a.pdf).

<sup>13</sup> See [www.environment.gov.au/climate-change/government/emissions-reduction-fund/consultation/safeguard-mechanism](http://www.environment.gov.au/climate-change/government/emissions-reduction-fund/consultation/safeguard-mechanism) and [www.environment.gov.au/climate-change/government/emissions-reduction-fund/consultation/safeguard-mechanism-legislative-amendments-2018](http://www.environment.gov.au/climate-change/government/emissions-reduction-fund/consultation/safeguard-mechanism-legislative-amendments-2018) for more information the two ERF-SM consultation processes conducted by the Department so far in 2018. APPEA's submission to the February 2018 consultation process can be found at [www.environment.gov.au/submissions/emissions-reduction/operation-erf-safeguard-mechanism/australian-petroleum-production-and-exploration-association.pdf](http://www.environment.gov.au/submissions/emissions-reduction/operation-erf-safeguard-mechanism/australian-petroleum-production-and-exploration-association.pdf) and to the August 2018 consultation process at [www.appea.com.au/wp-content/uploads/2018/09/APPEA-submission-Amendments-to-the-Safeguard-Mechanism-Sept-18.pdf](http://www.appea.com.au/wp-content/uploads/2018/09/APPEA-submission-Amendments-to-the-Safeguard-Mechanism-Sept-18.pdf).





## Review of the National Greenhouse and Energy Reporting Legislation: comments on specific sections of the Consultation Paper

The sections below offer some comments on sections of the Consultation Paper. Answers to some of the specific questions posed in the Consultation Paper can be found at [Attachment 2](#). APPEA would welcome the opportunity to meet with the Authority to discuss these comments.

### The Reporting Scheme

One of the key drivers for industry support for the introduction of NGERs in 2007 was the agreement through COAG that the States and Territories would look to NGERs as the single national source for greenhouse and energy reporting requirements. While NGERs has been mostly successful in achieving this aim, there have been instances where some States have continued to require the reporting of greenhouse data leading to duplication of regulation and compliance burden<sup>14</sup>.

The Australian Government should continue to work with the States and Territories to ensure NGERs fulfils its intent to be the single national scheme for reporting of greenhouse and energy data.

In addition, APPEA argued in 2006 and 2007 for the establishment of a single national reporting regime for greenhouse and energy reporting and that a standalone scheme separate from the National Pollutant Inventory (NPI) was necessary and appropriate.

The inclusion of greenhouse and energy reporting in the NPI was rejected by COAG in 2006 and again in 2007, with a standalone NGERs scheme preferred.

This continues to be the case and APPEA recommends NGERs continues as the national scheme for greenhouse and energy reporting.

### Materiality

Under the reporting approach adopted in NGERs, once reporting thresholds are exceeded, every tonne of greenhouse gas emissions must be reported irrespective of the materiality of the emissions, the inherent uncertainty in estimating an emissions source and whether data can be obtained from other sources.

Examples of these emissions sources (more detailed examples are available in submissions from APPEA member companies) include:

- The reporting of mud degassing from the drilling of oil and gas wells and the use of soda ash while drilling those wells.

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<sup>14</sup> For example, in Western Australia, a number of project approvals granted over the last ten years under the *Environmental Protection Act 1986 (WA)* contain conditions requiring the reporting of greenhouse gas emissions. This is notwithstanding Western Australia's access to NGERs data for these projects.





- Sulfur hexafluoride (SF<sub>6</sub>)<sup>15</sup> emissions.
- The combustion of lubricating oils and greases<sup>16</sup>.

A number of APPEA member companies have estimated that in some cases up to 80 per cent of the NGERs reporting effort is spent collecting and compiling the data necessary to report on these non-material emissions sources. Much of this effort could be better spent elsewhere.

In recent years, reporting thresholds have been introduced for a number of these non-material emissions sources. While recognition of the non-material nature of some of these emissions sources is welcome, a reporter often has to collect the raw data and undertake the required calculations to determine if they are below the reporting threshold. Consequently, the reporting burden may not be reduced substantially.

A more “fit for purpose” approach would be for NGERs to include the concept of materiality in reporting. This would mean that if an emissions source does not materially impact on the overall values being reported it should not be included in the *National Greenhouse and Energy Reporting (Measurement) Determination 2008* (the Measurement Determination). This could include removing certain classes of greenhouse gases that do not materially impact the emissions reported by individual facilities and for which the Department has access to alternative data for estimating national emissions.

## Energy Reporting

While much of the focus of the NGERs is on the estimation and reporting of greenhouse gas emissions, NGERs also requires the estimation and reporting of energy production and consumption.

A number of inconsistencies and shortcomings in the treatment of energy production exist in NGERs, particularly the treatment of energy transformations, which can see the same production reported multiple times as an energy transformation, providing a distorted/inflated dataset under the NGERs approach.

Addressing these inconsistencies/shortcomings to ensure NGERs data more accurately and appropriately reflects energy production and use is important, and APPEA would welcome the opportunity to discuss this further with the Authority and the Department and to work with the Department and the Clean Energy Regulator (the Regulator) to improve this aspect of NGERs.

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<sup>15</sup> Where the Australian Government has access to data on the import, manufacture and creation of these gases which could be used to determine the national inventory.

<sup>16</sup> For some APPEA members, emissions associated with these sources can be as low as or 0.002 per cent (in the case of lubricating oils and greases), 0.004-0.02 per cent (in the case of mud degassing) and 0.02 per cent (in the case of SF<sub>6</sub>) of a member's total reported greenhouse gas inventory. In the case of lubricating oils and greases, following the passage of the *Petroleum and Other Fuels Reporting Act 2017*, there is now another (comprehensive) mandatory reporting obligation, that covers recycling used lubricants and oils (producing fuel from used lubricant and specialty oils), including those imported, recycled, and produced in Australia. This data is published monthly in the *Australian Petroleum Statistics* ([www.energy.gov.au/government-priorities/energy-data/australian-petroleum-statistics](http://www.energy.gov.au/government-priorities/energy-data/australian-petroleum-statistics)), that publishes data on sales of petroleum products, exports and imports of petroleum products and crude oil, production of crude oil and condensate, refinery input and output, and stocks of petroleum products. If these products were to be used as an energy source then they would already been covered under the energy sources listed in NGERs (as they are simply refined petroleum) and so should not be a separate category.



## Auditing

APPEA agrees that auditing of reports is an essential component of NGERs and the use of both a voluntary and Regulator-initiated audits is appropriate.

APPEA member companies have, in their submissions, highlighted the costs involved in the audit process. APPEA recommends the Authority consider the evidence provided in member company submissions highlighting the nature and magnitude of these costs.

It is important that the Regulator has regard to the cost these audits impose on NGERs reporters when initiating audits (particularly in cases where voluntary audits have recently occurred). In addition, audits should focus more directly on areas that have been matched to a risk of non-compliance<sup>17</sup>.

## Coverage

APPEA notes the Authority in the Consultation Paper has sought stakeholders' views on whether, for example, agriculture emissions be included under the coverage of the NGERs. APPEA supports broad coverage, both of reporting under NGERs and in Australia's climate change policy responses. Excluding a sector from reporting based on the nature of that sector would appear inconsistent with the principles of equity, public interest and the development of an effective global response to climate change.

Agriculture is a significant source of greenhouse gas emissions and improved reporting for agriculture would appear to be in the national interest. The top down measurement technologies that have been used, for example, to verify the fugitive emissions from the oil and gas industry could also be used to determine emissions factors from intensive agricultural practices, which may exceed NGERs reporting thresholds.

## Data Confidentiality

When NGERs was introduced in 2007 an underlying principle was that, while facility level data would be reported to the Government (now the Regulator), it would not be published as it may disclose commercial data on the operation of a facility. This principle was important in delivering industry support for the introduction of the scheme and was, as is considered below, supported by the Government at the time.

APPEA is concerned that this principle appears to have been overlooked in recent policy development processes. In particular, Section 72 of the *National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015* requires publication of emissions data at a facility level, an outcome inconsistent with the long-standing principle of not publishing such data at the facility level.

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<sup>17</sup> APPEA notes the Regulator has recently released a 'posture' on the use of voluntary assurance audit reports for NGERs. See [www.cleanenergyregulator.gov.au/NGER/Pages/Reporting%20cycle/Complying%20with%20NGER/Use-of-voluntary-assurance-audit-reports-for-National-Greenhouse-and-Energy-Reporting.aspx](http://www.cleanenergyregulator.gov.au/NGER/Pages/Reporting%20cycle/Complying%20with%20NGER/Use-of-voluntary-assurance-audit-reports-for-National-Greenhouse-and-Energy-Reporting.aspx) for more information.



In addition to a range of concerns about release of potentially commercially sensitive information that could place facilities at a competitive disadvantage, both domestically and with international competitors<sup>18</sup>, the Government has agreed, through various consultation processes dating back to 2007, that publication of data at a facility level (as opposed to reporting to the Regulator) serves no public policy purpose and can indeed provide misleading information about the operations at particular facilities.

When the *National Greenhouse and Energy Reporting Bill 2007* was introduced to the Australian Parliament in August 2007, the Explanatory Memorandum<sup>19</sup> stated, on page 27:

*It is proposed that company-level data be made publicly available online by the national reporting system.*

In evidence to the Senate Standing Committee on Environment, Communications, Information Technology and the Arts as part of its *Inquiry into the National Greenhouse and Energy Reporting Bill 2007*<sup>20</sup>, the Department explained the rationale for providing that public disclosure should be at a company level on pages 27-28 of the Committee's September 2007 report, as follows:

*Concerning public right to know at a facility level, public right to know generally applies to emissions that might be of the nature that would have a potential local impact on people's health or amenity, and greenhouse gas emissions are a global impact rather than a localised impact.*

The Department went on to note on page 28 that a major issue with disclosure at the facility level

*... is the commercial-in-confidence nature of that. It can go directly to the efficiency of production and their competitiveness with other facilities.*

The *National Greenhouse and Energy Reporting Act 2007*, under Section 25, includes a provision to allow reporters to apply for facility-level data to be withheld from publication.

However, on its website, the Regulator has noted<sup>21</sup>:

*A registered corporation, or a person required to report under the NATIONAL GREENHOUSE AND ENERGY REPORTING ACT 2007 (the NGER Act), may apply to have its data withheld from publication. A request can only be made in relation to information which reveals or could be capable of revealing a trade secret or any other matter having a commercial value that would be, or could reasonably be expected to be, destroyed or diminished if the information were disclosed specific to the facility or responsible emitter.*

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<sup>18</sup> Knowledge of the emissions profile of an LNG facility could offer a distinct competitive advantage to an LNG facility competing with Australia from an overseas jurisdiction where no such publication process exists.

<sup>19</sup> See [www.aph.gov.au/Parliamentary\\_Business/Bills\\_Legislation/Bills\\_Search\\_Results/Result?bld=r2857](http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bld=r2857) for a copy of the Explanatory Memorandum.

<sup>20</sup> See

[www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Environment\\_and\\_Communications/Completed%20inquiries/2004-07/greenhouse/index](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Completed%20inquiries/2004-07/greenhouse/index) for a copy of the Committee report.

<sup>21</sup> See [www.cleanenergyregulator.gov.au/NGER/National%20greenhouse%20and%20energy%20reporting%20data/Safeguard-baselines-table](http://www.cleanenergyregulator.gov.au/NGER/National%20greenhouse%20and%20energy%20reporting%20data/Safeguard-baselines-table).

This is an inappropriately high benchmark which limits its availability and therefore usefulness to reporters as well as being, as was noted above, inconsistent with the publication arrangements under NGERs when it was established in 2007.

The rationale provided on the Regulator's website for publication of facility-level data is<sup>22</sup>:

*This data informs government policy, programs and activities, and helps meet Australia's international reporting obligations.*

While this is a valid rationale for reporting to the Government through NGERs (and the need to report has been supported by the industry for well over a decade) it is not a rationale for publication of facility level data.

APPEA recommends the Government broaden and simplify the process under Section 25 of the *National Greenhouse and Energy Reporting Act 2007* to allow reporters to apply for facility-level data to be withheld from publication.

#### Annual updates to the Measurement Determination

The annual process of updating the Measurement Determination provides an important opportunity to improve reporting arrangements, correct errors and ensure NGERs remains a leading greenhouse and energy reporting regime. APPEA supports the maintenance of an ongoing Measurement Determination update process.

That said, the process could be improved through greater consultation with reporters prior to the development of exposure draft amendments. In some cases, the first opportunity to provide input to the annual update process was when an exposure draft of proposed amendments was released for public comment.

An improved consultation process would commence with engagement between the Department, the Regulator and relevant reporters on areas where the Determination could be improved by making the requirements on reporters simpler, clearer and generally made fit for purpose.

In addition, amendments to the Act, Regulations and Determination should not take effect until the start of the reporting year following the amendments coming into force. There have been cases where amendments have been made following the end of a compliance year and the 31 October reporting date.

#### Guidance provided by the Clean Energy Regulator

The ability for the Regulator to provide guidance on often complex reporting issues under NGERs is an important way to lessen administrative complexity and compliance burden, reduce errors and improve NGER compliance.

However, the guidance provided by the Regulator, while generally useful for those receiving the guidance, can often be ad-hoc and not widely "advertised" to other reporters who may have similar issues.

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<sup>22</sup> See [www.cleanenergyregulator.gov.au/NGER/National%20greenhouse%20and%20energy%20reporting%20data/What-data-is-published-and-why](http://www.cleanenergyregulator.gov.au/NGER/National%20greenhouse%20and%20energy%20reporting%20data/What-data-is-published-and-why).



This is because it remains the case that there is no process outside the annual updates to the Measurement Determination to have areas of ambiguity or confusion resolved at a “regime-wide” level.

APPEA and its members have been involved with the Regulator during 2017 on the development of a guidance document to provide advice on NGERs reporting for the oil and gas industry. While APPEA has supported the idea of providing this guidance and has engaged constructively with the Regulator, the guidance is yet to be finalised. Consultation with APPEA has also revealed that, consistent with earlier comments on the development of amendments to the Measurement Determination, earlier consultation with the industry may have produced more appropriate guidance in a timelier manner.

Providing the Regulator with the power to make “rulings”<sup>23</sup>, developed in consultation with relevant reporters, with regard to interpretation of the NGERs Regulations and Measurement Determination would establish a mechanism to assist industry compliance.

The Regulator should also be encouraged to engage earlier with reporters when considering the development of guidance material to assist reporters in meeting their NGERs obligations.

#### Emissions and Energy Reporting System

APPEA supports the Emissions and Energy Reporting System (EERS) as a generally fit for purpose reporting system.

APPEA members have, however, identified an area for improvement.

At present, all data must be input into the EERS manually and the database lacks the ability to output data in a spreadsheet format. The need to manually input data is resource intensive and introduces the potential for errors. The ability to export data from EERS to a spreadsheet would enable quick checks to be applied to the data to ensure data integrity.

#### Safeguard Mechanism

The ERF-SM notionally applies to facilities across the mining, oil and gas, mineral processing, manufacturing, transport and electricity generation sectors of the Australian economy.

As the Consultation Paper notes, the ERF-SM covers approximately 55 per cent of Australia’s emissions.

However, the sectoral approach to grid-connected electricity generators means at present individual facility baselines do not apply to electricity generation facilities, differentiating their treatment for other ERF-SM facilities.

APPEA has been involved in consultation with the Government and the Department since 2013 in the development and implementation of the ERF-SM.

The following sections highlight APPEA’s comments on some relevant aspects of the ERF-SM.

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<sup>23</sup> Such a process could be modelled on the Rulings process followed by the Australian Taxation Office as part of its advice and guidance services ([www.ato.gov.au/General/ATO-advice-and-guidance](http://www.ato.gov.au/General/ATO-advice-and-guidance) ).

## Proposed 2018 amendments

The Consultation Paper appears to have been drafted prior to the 2018 exposure draft amendments to the ERM-SM being finalised. As such, a number of the issues canvassed in the Consultation Paper may no longer be relevant (such as the alternative compliance option of using an “emissions intensity baseline variation”).

APPEA comments on the proposed 2018 amendments were provided to the Department on 10 September 2018<sup>24</sup>. They should be read in conjunction with this submission to the Authority.

APPEA recommends this aspect of the Authority’s Review be revisited once the ERF-SM amendments are finalised.

## Coverage

As the Authority notes in the Consultation Paper, the industrial facilities subject to individual facility baselines under the ERF-SM represent around 25 per cent of Australia’s emissions. This means it remains vital to ensure that sectors responsible for only one quarter of Australia’s emissions are not asked to carry a disproportionate share of the effort to reduce Australia’s emissions. While outside the scope of this Review, it remains important the emitters responsible for the other 45 per cent of Australia’s emissions (or 75 per cent, if the baseline for the electricity sector is considered separately) not covered by the ERF-SM are also contributing to the national greenhouse gas emissions reduction effort.

The Consultation Paper has raised an option to reduce the emissions threshold at which facilities become covered under the ERF-SM. As noted in the Consultation Paper, reducing the threshold to match the reporting threshold at which facilities are required to report emissions under NGERs would increase the greenhouse gas emissions effectively covered by the ERF-SM from around 25 per cent to around 35 per cent. This would increase the number of facilities having to comply with the ERF-SM from less than 200 to around 800, exposing around 600 Australian facilities to the additional transaction costs associated with the ERF-SM.

The ERF-SM compliance and transaction costs are significant and must be considered in deciding whether to lower the threshold at which facilities are covered by the ERF-SM.

## Transaction Costs

As noted above, the ERF-SM can have significant transaction costs for liable entities. Member company experience with preparing applications for a Calculated Emissions Baseline suggest that each application can cost several hundred thousand dollars once the significant internal and external (for example, NGERs audit) costs are considered.

While the proposal under the proposed amendments to the ERF-SM to introduce default production variables and emissions intensities will mitigate the cost of applying for a Calculated Emissions Baseline for some, others may still need to go through this process if the default factors are either unavailable or unworkable. The extent to which the default approach will be available

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<sup>24</sup> APPEA’s submission is available at [www.appea.com.au/wp-content/uploads/2018/09/APPEA-submission-Amendments-to-the-Safeguard-Mechanism-Sept-18.pdf](http://www.appea.com.au/wp-content/uploads/2018/09/APPEA-submission-Amendments-to-the-Safeguard-Mechanism-Sept-18.pdf).

and workable will depend on the consultation process with the Department, which is expected to commence in late September or early October 2018.

#### The need to maintain the Safeguard Mechanism's 'inherent resource variability' criteria

It is a unique attribute of the resources industry that as the resource being developed is depleted additional energy is required to maintain production capacity. This can take the form of extra mine haulage as a mine deepens, extra processing as an ore grade reduces or, for the oil and gas industry, additional pumping and water separation and handling as a field depletes or additional field compression as the pressure in the gas field depletes.

This attribute was acknowledged in the initial design of the ERF-SM with Section 25 of the *National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015* allowing for the ability to obtain a Calculated Emissions Baseline using the 'inherent resource variability' criteria.

While APPEA welcomed the maintenance of these provisions through the 2017 Review of Australia's Climate Change Policy, which acknowledged the provisions were developed following extensive consultation and consideration during 2014 and 2015, and endorsed again during the February and August 2018 ERF-SM consultation processes, it remains the case that the provisions:

- Have limits on their application:
  - To make use of these provisions, the relevant facility must satisfy all of the criteria set out in section 25(3) and, under section 25(4), the provisions only apply when the facility's covered emissions in respect of the first financial year to be covered by the calculated-emissions baseline determination have exceeded, or are reasonably expected to exceed, the baseline emissions number which would otherwise apply to the facility in that financial year.
  - In addition, under section 25(7) the provisions are not available if a benchmark-emissions baseline determination (considered further below) has been made in relation to the facility.
    - This is notwithstanding the fact that the criteria to which section 25 relates – the inherent emissions variability arising as a result of the properties of the natural resource or natural gas reserve – will not “disappear” if a benchmark-emissions baseline determination is made.
- Are only in place for a limited period of time:
  - Under section 25(9) the calculated-emissions baseline determination to which the application relates is to commence on a 1 July up to and including 1 July 2024 and therefore does not apply after that time.
    - This is notwithstanding the fact that the criteria to which section 25 relates – the inherent emissions variability arising as a result of the properties of the natural resource or natural gas reserve – will not “disappear” after 1 July 2024.
    - Indeed, as was explained in 2015 during the consultation period for the Rule, and during the consultation period for the 2017 Review, there are a number of examples of natural gas projects that will experience an increase in emissions as a direct result of production moving into a new reservoir which has different properties from the existing reservoir, and that this change is known now and will take place after 1 July 2024.



APPEA recommends the existing provisions to accommodate natural resource variability in the mining, oil and gas sectors be expanded and maintained as an enduring feature of the ERF-SM. The attractiveness of Australia for further investment in the oil and gas industry will be adversely affected if these provisions lapse.

### Treatment of post-2020 investments

APPEA provided a submission to the Department in May 2016<sup>25</sup> on the draft *Emissions Reduction Fund: Safeguard mechanism Emissions Intensity Benchmark Guidelines* (the draft Guidelines), recommending against the benchmark approach proposed in the draft Guidelines. The ERF-SM must be designed and implemented in a way that enhances Australia's international competitiveness and does not impose costs on Australian industry, including the oil and gas industry, that are not faced by our competitors. With that in mind, APPEA recommended that emissions baselines for new facilities and major expansions be determined from actual facility emissions data, once the facility has been fully commissioned and is operating under steady state conditions.

In its submissions to the February and August 2018 consultation processes, APPEA recommend to the Department that the annual adjustment to baselines based on actual production and the use of prescribed production variable and default emissions intensities, be applied to all facilities, including new facilities.

Such an outcome would remove the need for a complex, costly and resource-intensive benchmarking process, ensuring all facilities are treated equitably, and in a consistent manner under the new approach proposed by the Department in their August 2018 Consultation Paper.

APPEA recommends the development of benchmarks for new facilities post-2020 is replaced by the approach settled through the ERF-SM consultation process underway with the Department and that all facilities, both existing and new, be treated in the same way.

### Next Steps

As noted above, APPEA looks forward to further consultation with the Authority to consider the comments made in this submission.

Beyond this consultation on NGERs, APPEA looks forward to further consultation with the Authority, the Department and the Regulator on the other issues arising from the 2017 Review of Australia's Climate Change Policies, including to pursue, as a priority, a determination of when and how international units can be used and developing a long-term emissions reduction strategy.

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<sup>25</sup> See [www.environment.gov.au/submissions/emissions-reduction/draft-benchmark-guidelines/appea.pdf](http://www.environment.gov.au/submissions/emissions-reduction/draft-benchmark-guidelines/appea.pdf) for a copy of APPEA's submission.



appea

the voice of australia's  
oil and gas industry

ATTACHMENT 1: APPEA *CLIMATE CHANGE POLICY PRINCIPLES*



# Climate change policy principles



Second edition: December 2015  
Australian Petroleum Production & Exploration Association



**APPEA has developed these  
climate change policy  
principles to assist policymakers  
in developing efficient and  
effective responses to deal with  
climate change.**

APPEA supports a national climate change policy that delivers greenhouse gas emissions reductions at least cost and facilitates broad-based investment decisions consistent with an international price on carbon.

Climate policy must be fully integrated and consistent with policies in other areas – including energy, international trade, taxation, economic growth, population, and environmental and social responsibility.

## Policy principles

### 1. International engagement is crucial.

Australia should continue to engage the international community to pursue environmentally effective and economically efficient climate change policies<sup>1</sup>.

An international policy framework should:

- Promote international participation.
- Minimise the costs and distribute the international burden equitably.
- Be comprehensive in its coverage.
- Allow for the unrestricted flow of credible emissions units between international jurisdictions.
- Be underpinned by transparent reporting arrangements.

### 2. Climate change and energy policies must be integrated and harmonised.

Australia's policy response should seek to:

- Deliver lowest cost greenhouse gas emissions abatement through an appropriately designed mechanism that provides an economy-wide transparent price signal to shape business and consumer plans and investments. The mechanism should be efficient, have low compliance costs, and support international trade that recognises different national circumstances.
- Recognise and allow the use of the widest range of credible domestic and international offsets.
- Provide a level playing field for new entrants.
- Avoid penalising early movers who have previously implemented abatement measures.
- Support research into low-emissions technologies, and development and deployment of such technologies.

In the event Australia takes action before comparable action is taken by the nations with which we compete, the Australian policy response should maintain the competitiveness of Australian trade exposed industries, such as LNG, by minimising the costs the industry faces in the absence of a carbon price being imposed on energy sources in customer countries and competitors.

Policies inconsistent with the principles should be phased out and additional measures should only apply to sectors of the economy that are not covered by the price signal on greenhouse gas emissions.

### 3. Climate change adaptation strategies are necessary.

Australia must:

- Continue to support international and national modelling to provide location-specific climate change forecasts.
- Develop risk-management strategies to reflect likely impacts of climate variability.

### 4. Climate policy must not compromise national or global economic development or energy security.

Australia's policy response should recognise that:

- Increasing global population and urbanisation generate growing demand for energy.
- Secure energy supply is crucial for a strong modern economy and a healthy, vibrant society.
- Natural gas has a key role to play in the transition to a low-carbon economy – switching to gas could halve the emissions from the Australian electricity sector – and if solar and wind power are to deliver genuine emissions reductions they must have gas-fired back-up.

<sup>1</sup> Australia's contribution to the global climate change effort as set out here reflects the principle in Article 3.1 of the United Nations Framework Convention on Climate Change (UNFCCC) (see [unfccc.int/files/essential\\_background/background\\_publications\\_htmlpdf/application/pdf/conveg.pdf](http://unfccc.int/files/essential_background/background_publications_htmlpdf/application/pdf/conveg.pdf)). In determining Australia's differentiated responsibilities and capabilities, consideration should be given to matters such as Australia's economic growth and structure, population growth, energy production and energy use.





Australian LNG exports can make an important contribution to reducing global greenhouse emissions intensity.

### The global challenge

Throughout the world, policymakers are implementing a variety of regulatory responses to reduce greenhouse gas emissions and mitigate the risks of global climate change.

The Intergovernmental Panel on Climate Change (IPCC) found in its Fifth Assessment Report (AR5) that:

- The human influence on the climate system is clear.
- The more we disrupt our climate, the more we risk severe, pervasive and irreversible impacts.
- Humans can limit climate change and build a more prosperous, sustainable future.<sup>2</sup>

The multilateral United Nations Framework Convention on Climate Change (UNFCCC) has elicited a global commitment to holding the increase in the global average temperature to well below 2 degrees Celsius above pre-industrial levels and to pursuing efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels.<sup>3</sup>

### APPEA's stance on climate change

Societies around the world will continue to face two major, interdependent challenges:

- Maintaining and expanding affordable, secure energy supplies to meet growing consumer demand.
- Addressing the social and ecological risks posed by rising greenhouse gas emissions and climate change.

Managing greenhouse gas emissions and meeting growing energy demand requires action by individuals, companies, and governments. Making genuine progress requires an integrated set of solutions. This includes increasing energy efficiency, advancing lower carbon energy technologies, and supporting effective national and international policies.

Reliable and competitively priced energy underpins economic growth and stability, and is crucial to raising living standards in both developing and advanced nations. Therefore, policies aimed at reducing greenhouse gas emissions must do so at the lowest possible cost.

<sup>2</sup> IPCC (2014), Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, R.K. Pachauri and L.A. Meyer (eds.)]. IPCC, Geneva, Switzerland (available at [www.ipcc.ch](http://www.ipcc.ch)).

<sup>3</sup> UNFCCC (2015), Adoption of the Paris Agreement, 12 December (available at [unfccc.int/resource/docs/2015/cop21/eng/l09r01.pdf](http://unfccc.int/resource/docs/2015/cop21/eng/l09r01.pdf)).

## Natural gas: integral to a low-carbon economy

Natural gas is a lower-carbon form of energy suitable for electricity generation, industry and households.

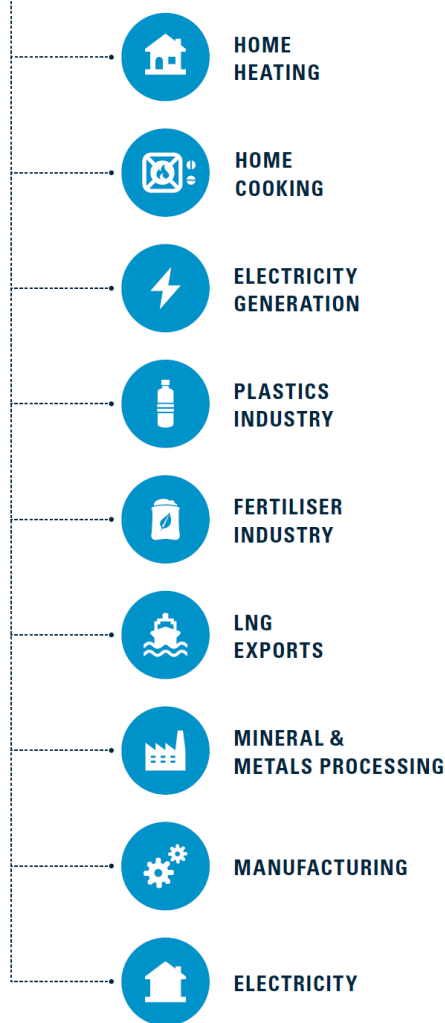
Increasing its use can deliver immediate and substantial carbon savings. Simply switching from coal to natural gas can reduce greenhouse gas emissions by 40-50% and by as much as 75% in some circumstances.<sup>4</sup>

Australia's gas industry, domestically and through our exports of liquefied natural gas (LNG), contributes substantially to the economic development of the nation and reduces global greenhouse gas emissions.

Natural gas is a highly flexible fuel:

- Natural gas is commonly used to generate electricity, heat and steam for industries, including alumina refining, food and beverage manufacturing, and grocery production.
- Natural gas is ideally suited as a complement to renewable electricity generation because gas generation plants can be rapidly turned on and off to respond to changes in intermittent generation from renewable sources.
- Natural gas is the fuel of choice in co-generation and tri-generation. These technologies can provide electricity, heating and cooling at very high thermal efficiencies approaching 80%.<sup>5</sup>
- Compressed natural gas and LNG are used in the transport sector, and this use can be expanded.
- Innovative technologies, such as natural gas fuel cells, have been developed that can provide electricity and heat requirements in applications ranging from a small house to a medium sized office or factory. These technologies can deliver thermal efficiencies as high as 85%.<sup>6</sup>
- Natural gas is also a critical feedstock for industry that often cannot be substituted in producing fertilisers, cleaners, polymers and refrigerants.

## NATURAL GAS



<sup>4</sup> Australian Council of Learned Academies (2013), Engineering Energy: Unconventional Gas Production, June (available at [www.acola.org.au/index.php/projects/securing-australia-s-future/project-6](http://www.acola.org.au/index.php/projects/securing-australia-s-future/project-6)). While the emissions benefit is lower when compared to ultra supercritical coal fired power generation, as the Council has noted "gas-fired electricity generation will generally replace existing coal-fired boilers that are less efficient subcritical facilities".

<sup>5</sup> These technologies are already being deployed in commercial buildings in Australia (see [www.urbanenergy.com.au/projects](http://www.urbanenergy.com.au/projects), [www.originenergy.com.au/files/Origin\\_Coca\\_Cola\\_place\\_FactSheet.pdf](http://www.originenergy.com.au/files/Origin_Coca_Cola_place_FactSheet.pdf), [www.cityofsydney.nsw.gov.au/vision/towards-2030/sustainability/carbon-reduction/trigeneration](http://www.cityofsydney.nsw.gov.au/vision/towards-2030/sustainability/carbon-reduction/trigeneration) and [www.qantas.com.au/travel/airlines/electricity/global/en#power](http://www.qantas.com.au/travel/airlines/electricity/global/en#power) for examples).

<sup>6</sup> Recently there have been significant advances in ceramic fuel cells that run on natural gas, with a range of commercial available products now on the market.



## Reducing emissions

The Australian Council of Learned Academies has found using gas to provide more baseload and peak electrical power generation in Australia – in scenarios of higher use of both renewables and gas – would deliver substantial emissions reductions.

This would reduce the Australian electricity generation sector's emissions by between 54 Mtpa-103 Mtpa CO<sub>2</sub>-e (million tonnes per annum, carbon dioxide equivalent) by 2030 – a reduction of 27% to 52% from the base case of 197 Mtpa CO<sub>2</sub>-e in 2012.

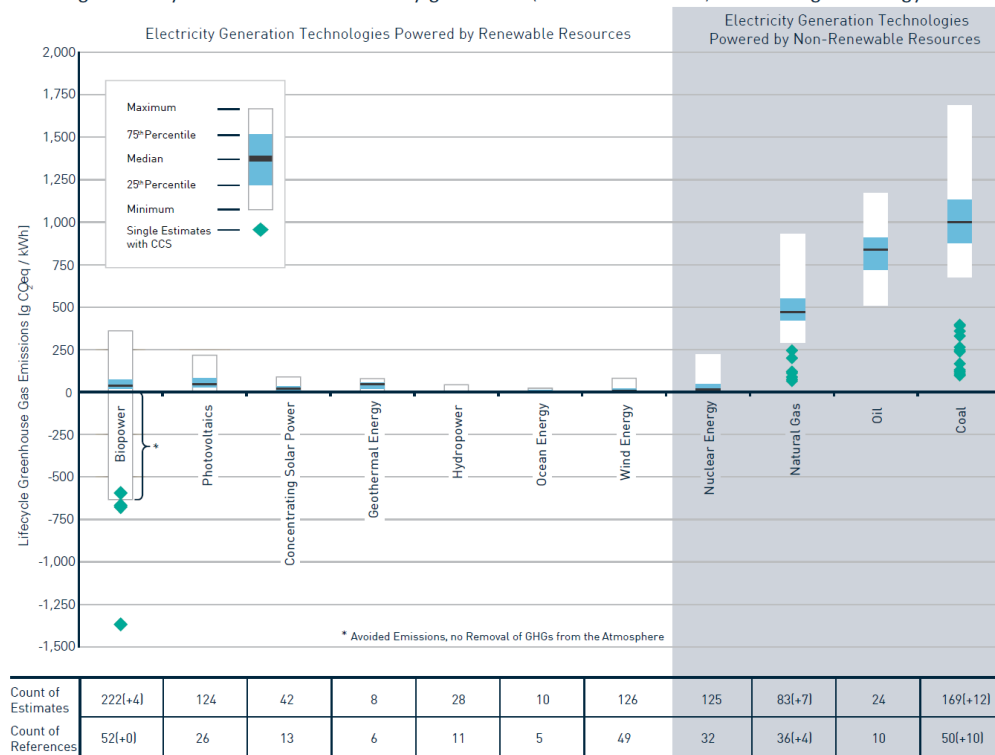
### Other environmental benefits

Fuel switching would also have other benefits. Natural gas plants use much less water than coal-fired power and produce much lower levels of noxious substances such as sulphur dioxide, nitrogen oxides and fine particle emissions.

Burning gas instead of coal improves urban air quality. This is particularly important in many Asian countries that are importing Australian LNG or considering imports.

Baseload power is the level of generation needed to meet forecast minimum demands. Baseload power plants must run constantly and at predictable levels. Peaking power is power that can be brought online quickly in periods of peak demand. Intermittent power is any source of energy (such as solar and wind) that is not continuously available.

The range of life cycle emissions for electricity generation (tonne CO<sub>2</sub>-e/MWh) from a range of energy sources



Source: IPCC (2011)<sup>7</sup>

<sup>7</sup> IPCC (2011), Summary for Policymakers. In: IPCC Special Report on Renewable Energy Sources and Climate Change Mitigation [O. Edenhofer, R. Pichs-Madruga, Y. Sokona, K. Seyboth, P. Matschoss, S. Kadner, T. Zwickel, P. Eickemeier, G. Hansen, S. Schlomer, C. von Stechow (eds)], Cambridge University Press, Cambridge, UK and New York, NY, USA (available at [srren.ipcc-wg3.de/report/IPCC\\_SRREN\\_SPM.pdf](http://srren.ipcc-wg3.de/report/IPCC_SRREN_SPM.pdf)).



Australia has substantial natural gas resources. Natural gas offers a relatively low-cost emissions abatement opportunity. This means developing these resources can provide significant national environmental, economic and social benefits.



The Moomba gas plant in South Australia.

#### Carbon capture and storage (CCS)

Greenhouse gas storage is seen as one of the pathways to the continued use of fossil fuels in a low-carbon economy.

The global oil and gas industry is leading the world in the practical deployment of this technology. Norway's Statoil has developed large carbon capture and storage (CCS) projects at Sleipner and Snøhvit. In Canada, Shell has developed the Quest CCS project.

In Australia, the oil and gas industry has been at the leading edge of researching and deploying greenhouse gas storage technologies.

The industry instigated significant research efforts into greenhouse gas storage in the late 1990s through the Australian Petroleum Cooperative Research Centre (which has continued through the CO2CRC Limited).

Since that time, several hundred million dollars has been invested in assessing large greenhouse storage projects.

The Gorgon Carbon Dioxide Injection Project<sup>8</sup> – soon to be commissioned – is the world's largest greenhouse gas mitigation project undertaken by industry.

<sup>8</sup> See [www.chevronaustralia.com/our-businesses/gorgon/carbon-dioxide-injection](http://www.chevronaustralia.com/our-businesses/gorgon/carbon-dioxide-injection) for more information.



**APPEA supports a national climate change policy that delivers greenhouse gas emissions reductions at least cost and facilitates broad-based investment decisions consistent with there being an international price on carbon.**

#### **APPEA climate change policy: key points**

1. International engagement is crucial.
2. Climate change and energy policies must be integrated and harmonised.
3. Climate change adaptation strategies are necessary.
4. Climate policy must not compromise national or global economic development or energy security.

APPEA and its members will continue to work with all of Australia's governments to:

- Support a national climate change policy response consistent with the policy principles outlined in this paper.
- Expand the use of natural gas in the domestic economy, with consequent reduction in the emissions intensity of the Australian economy, for example, in electricity generation and resource processing.
- Promote development of lower emissions technologies, such as high-efficiency electricity generation and greenhouse gas storage.
- Make Australia more attractive as an investment destination for LNG projects, so that Australian LNG can help Australia's trading partners reduce their greenhouse gas emissions, thereby contributing to a potential significant reduction in global emissions when compared to the use of higher-emitting fuels.

#### **About APPEA**

The Australian Petroleum Production & Exploration Association is the peak national body representing Australia's oil and gas exploration and production industry. APPEA has about 80 full member companies. These are oil and gas explorers and producers active in Australia. APPEA members account for an estimated 98 per cent of the nation's petroleum production. APPEA also represents more than 230 associate member companies that provide a wide range of goods and services to the upstream oil and gas industry.

APPEA works with Australian governments to help promote the development of the nation's oil and gas resources in a manner that maximises the return to the Australian industry and community. APPEA aims to secure regulatory and commercial conditions that enable member companies to operate safely, sustainably, and profitably. The Association also seeks to increase community and government understanding of the upstream petroleum industry by publishing information about the sector's activities and economic importance to the nation.

[www.appea.com.au](http://www.appea.com.au)

## ATTACHMENT 2: ANSWERS TO THE QUESTIONS POSED IN THE CONSULTATION PAPER

| Chapter 2: National Greenhouse and Energy Reporting Scheme |   |  |
|--|---|--|
| Q.1  | Do the National Greenhouse and Energy Reporting scheme reporting thresholds balance coverage with administrative costs? Should thresholds be increased, decreased or kept as is?  | See the main body of the APPEA submission for further detail.  |
| Q.2  | Should the scope of reporting under the National Greenhouse and Energy Reporting scheme be expanded or reduced e.g. to include or exclude certain greenhouse gases, emissions sources, inventory sectors or types of entities who report? | See the main body of the APPEA submission for further detail.  |
| Q.3  | Do you have any feedback on the annual policy and consultation process to update the measurement determination?   | See the main body of the APPEA submission for further detail.  |
| Q.4  | Are the methods for reporting emissions and energy in the measurement determination fit for purpose?  | See the main body of the APPEA submission for further detail.  |
| Q.5  | Does the frequency and timing for reporting cause any particular issues for companies?  | Annual reporting is appropriate. Aligning timing of key dates under the safeguard mechanism with the NGERs submission date effectively means that NGERs reports need to be completed well in advance of the NGERs due date. Providing additional time to make ERF-SM-related submissions would assist.   |
| Q.6  | Is the Emissions and Energy Reporting System tool easy to use and fit for purpose?  | See the main body of the APPEA submission for further detail.  |
| Q.7  | Are there emissions and energy data that companies would like to report through the Emissions and Energy Reporting System but are currently unable to? Would the development of a voluntary tool be useful for this information?          | <p>The oil and gas industry's material energy and emission sources are captured by NGERs.</p> <p>For those elsewhere in the economy with emissions and energy data not effectively captured, allowing NGERs and EERS to be used voluntarily may be appropriate, provided as data quality was maintained and voluntary submissions were clearly identified.</p> |
| Q.8  | Are there opportunities to streamline emissions and energy reporting obligations under the National Greenhouse and Energy Reporting scheme and other programs?  | <p>See the main body of the APPEA submission for further detail.</p> <p>In addition, the Australian Government should work with State and Territory</p>  |



|                                       |  |  |
|---------------------------------------|--|--|
|                                       |  | governments to ensure ACCUs surrendered under the ERF-SM also count towards any state-based emissions reduction requirement. Failure to do this could result in a legal obligation to offset the same emissions under both state and national schemes.   |
| <b>Chapter 3: Safeguard mechanism</b> |  |  |
| Q.12                                  | Is the safeguard mechanism delivering on its objectives and fit for purpose?   | See the main body of the APPEA submission for further detail.<br><br>APPEA's submissions to the 2017 Climate Change Policy Review and the 2018 consultation on the ERF-SM cover APPEA's views on this question.  |
| Q.13                                  | Are the emissions thresholds under the safeguard mechanism efficient and effective or should they be changed so more or fewer emissions are covered?                                 | While APPEA does not recommend at this stage the thresholds be amended, further analysis of the costs and benefits of lowering the threshold to align in with NGERs reporting threshold (that is, to 25,000 tonnes CO <sub>2</sub> -e) should be further investigated.   |
| Q.15                                  | Should the provision allowing baseline variations in response to a change in global warming potentials be extended to other changes that may occur in the measurement determination? | Where changes to the measurement determination lead to changes in reported, but not actual, emissions, this should be reflected in baselines. Further consideration of the way in which this could be required.  |
| Q.17                                  | Should facilities be able to use the same emission reductions to meet safeguard mechanism and Emissions Reduction Fund contract obligations?   | Provided double-counting can be avoided, such an outcome may provide for more cost-effective emissions reduction opportunities to be pursued.  |
| Q.18                                  | What actions are facilities taking to meet safeguard mechanism obligations and are the options available to facilities to manage their excess emissions effective and efficient?     | APPEA member companies take a variety of measures to ensure they meet their ERF-SM obligations. These were detailed in APPEA's submission to the 2017 Climate Change Review and are also discussed in detail in APPEA member company submissions to this Review and engagement with the Department and the Regulator.<br><br>A number of improvements can be made to compliance options available under the ERF-SM. These are considered in the main body of the APPEA submission. |



#### Chapter 4: Data use and publication

|      |   |   |
|------|---|---|
| Q.20 | Are any changes required to the data reported, when it is published or how it is published?   | A more regular and publicly announced publication process (similar to that used by the Australian Bureau of Statistics) would improve public awareness and availability of NGERs data.  |
| Q.21 | Do the rules for data publication and sharing balance the public interest with commercial or other interests or should they be changed?                                   | See the main body of the APPEA submission for further detail.<br><br>In particular, APPEA recommends the Government broaden and simplify the process under Section 25 of the <i>National Greenhouse and Energy Reporting Act 2007</i> to allow reporters to apply for facility level data to be withheld from publication.  |
| Q.23 | How do you access and use emissions and energy data published or shared under the National Greenhouse and Energy Reporting legislation and are any improvements required? | APPEA makes extensive use of the Department's published inventories and Australia's Greenhouse Emissions Information System (AGEIS).<br><br>Amongst other things, APPEA uses this to inform our understanding of the industry's emissions profile and Australia's emissions profile more broadly.<br><br>This data also informs the advocacy positions adopted by APPEA on various climate change policies. |

#### Chapter 6: Governance and compliance

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| Q.30 | Is the guidance provided by the Clean Energy Regulator on its website, and through other channels such as by phone or email helpful in complying with National Greenhouse and Energy Reporting legislation obligations? How (if at all) could it be improved? | Feedback from APPEA member companies indicates the industry has a professional and constructive relationship with the Regulator.<br><br>Recommendations for enhancing the guidance provided by the Regulator are detailed in the main body of the APPEA submission.  |
| Q.31 | Does the timing of obligations for National Greenhouse and Energy Reporting and the safeguard mechanism allow sufficient time to meet the obligations?  | As noted above, aligning the timing of key dates under the ERF-SM with the NGERs submission date effectively means that NGERs reports need to be completed well in advance of the NGERs due date. Providing additional time to make ERF-SM submissions would assist. |