
04 April 2022

Climate Change Authority

By Email: enquiries@climatechangeauthority.gov.au

Dear Chair,

Iberdrola Australia welcomes the opportunity to make a submission. Iberdrola Australia delivers reliable energy to customers through a portfolio of wind capacity across New South Wales, South Australia, Victoria, and Western Australia, including both vertical integrated assets and PPAs. Iberdrola Australia also owns and operates a portfolio of firming capacity, including open cycle gas turbines, dual fuel peaking capacity, and battery storage. Our development pipeline has projects at differing stages of development covering wind, solar and batteries. This broad portfolio of assets has allowed us to retail electricity to over 400 metered sites to some of Australia's most iconic large energy users.

Iberdrola Australia is part of the global Iberdrola group. With more than 120 years of history, Iberdrola is a global energy leader, the world's number-one producer of wind power, an operator of large-scale transmission and distribution assets in three continents making it one of the world's biggest electricity utilities by market capitalisation. The group supplies energy to almost 100 million people in dozens of countries, has a workforce of more than 37,000 employees and operates energy assets worth more than €123 billion.

Decarbonising Australia's economy is critical to avoiding the most significant impacts of climate change and creating new industries and economic growth for Australia. Offsets therefore provide an important tool for smoothing the transition and delivering abatement from sectors most easily and cheaply able to deliver it, but do not replace the need to avoid carbon emissions in the first place. In particular, the IPCC suggests that negative emissions will be required to meet the Paris Agreement, meaning low-cost carbon sinks and offsets will be valuable long term.

Evidence based analysis suggests that offsets, and in particular international offsets, may be of low quality. For example, studies suggest that over half of approved

carbon offsets in India were allocated to projects that would very likely have been built anyway¹, and that most CDM projects were unlikely to be additional².

A major challenge is measurement and verification, where additionality, long-term stability of carbon sinks, and delivery can be challenging. The diversity of international schemes and regulations increases the risk of double counting or double claiming³.

In our view, international offsets should not be counted towards Australian government or industry targets and schemes. If offsets are permitted, they should be limited to no more than, say, 5% of total emissions, to ensure that genuine emissions reduction still occurs. Any offsets should also only apply to emissions in the year of generation. That is, historical offset certificates or similar should not be used to avoid emissions in the present year, and offsets should not be “banked” for future years. Deeming should also be avoided, as this increases the delivery risk.

In the electricity sector, there is a risk that “zero emissions” or “fully offset” or “100% green” consumer retail products backed by offsets (particularly international offsets) rather than renewable energy may mislead consumers. Given the ready availability of GreenPower and similar fully-renewable offerings, we would recommend that offsets not be counted towards electricity sector claims.

More broadly, we support delivering domestic emissions reduction through the most efficient and least-cost methods. That is, there should be opportunities to effectively offset emissions in one sector with genuine reductions in emissions in another. This could include reducing electricity sector emissions (where LGCs provide high quality measurement and verification tools, with no deeming or long-term forecasting required) to offset transport or other emissions. Similarly, proposals for hydrogen Guarantee of Origin schemes by the Clean Energy Regulator will help link decarbonization in electricity and industrial uses.

We look forward to continuing to work with the Climate Change Authority on this issue. If you would like to discuss our submission further, please me on joel.gilmore@iberdrola.com.au or 0411 267 044.

Yours sincerely

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Iberdrola Australia

¹ <https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2021/11/working-paper-371-Calel-et-al..pdf>

² https://ec.europa.eu/clima/system/files/2017-04/clean_dev_mechanism_en.pdf

³ <https://www.tandfonline.com/doi/full/10.1080/14693062.2018.1521332?src=recsys>