The Parliament of the Commonwealth of Australia

Advisory report on the National Greenhouse and Energy Reporting Amendment (Transparency in Carbon Emissions Accounting) Bill 2020

House of Representatives
Standing Committee on the Environment and Energy

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Foreword

Australia's national greenhouse and energy reporting regime is vitally important.

The Committee inquired into proposed changes to the legislation that governs this regime, put by Mr Andrew Wilkie MP by way of a private members' Bill for an Act to amend the *National Greenhouse and Energy Reporting Act 2007*.

This report summarises the Committee's findings and it includes a recommendation that the proposed amendment not be passed.

I thank my fellow Committee members and also the secretariat for their engagement on this inquiry.

Mr Ted O'Brien MP
Chair

Membership of the Committee

Chair	Mr Ted O'Brien MP	
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List of abbreviations

ABS	Australian Bureau of Statistics
ACCR	Australasian Centre for Corporate Responsibility
AIGN	Australian Industry Greenhouse Network
CCA	Climate Change Authority
CER	Clean Energy Regulator
CMEWA	Chamber of Minerals and Energy of Western Australia
DEA	Doctors for the Environment Australia
DISER	Department of Industry, Science, Energy and Resources
MCA	Minerals Council of Australia
NEM	National Electricity Market
NGA	National Greenhouse Accounts
NGER Act	*National Greenhouse and Energy Reporting Act 2007*
NGERS	National Greenhouse and Energy Reporting Scheme
NGGI	National Greenhouse Gas Inventory
RBA	Reserve Bank of Australia
UN	United Nations
UNFCC	United Nations Framework Convention on Climate Change

List of recommendations

Recommendation 1

The Committee recommends that the National Greenhouse and Energy Reporting Amendment (Transparency in Carbon Emissions Accounting) Bill 2020 not be passed.

1

Introduction and background

Referral of the Bill

1.1 On 24 February 2020, Mr Andrew Wilkie MP presented a private members' Bill for an Act to amend the *National Greenhouse and Energy Reporting Act 2007*.

1.2 On 27 February 2020, the House of Representatives Selection Committee referred the National Greenhouse and Energy Reporting (Transparency in Carbon Emissions Accounting) Bill 2020 (the Bill) to the House of Representatives Standing Committee on the Environment and Energy for inquiry and report.

1.3 On 3 March 2020, Mr Andrew Wilkie MP was appointed by the House of Representatives to the Committee as a supplementary member for the purposes of the inquiry.

1.4 At its private meeting on 4 March 2020, the Committee resolved to open the inquiry for public submissions, publish details on its website and expressed an intention to hold public hearings.

1.5 The Committee's inquiry received ten submissions and held one public hearing where five witnesses gave evidence.

Objective and scope of the inquiry

1.6 The objective of the inquiry is to investigate the adequacy of the Bill in achieving its policy objectives and, where possible, identify any unintended consequences.

Purpose and overview of the Bill

1.7 The Bill seeks to amend the *National Greenhouse and Energy Reporting Act 2007* (NGER Act) to ensure transparency and accountability in the way the Australian Government reports carbon emissions.[1]

1.8 The Bill seeks to make two key changes to the NGER Act. Firstly the Bill seeks to amend the Act to include 'scope 3' emissions in all reporting obligations and secondly, the Bill seeks to amend the NGER Act to ensure that the Minister tables Australia's national greenhouse gas inventory estimates in Parliament each quarter.

Capture of scope 3 emissions data in all reporting obligations

1.9 The Bill's Explanatory Memorandum states that this amendment allows Australia to track its impact as an exporter of fossil fuels and allows the public access to information about Australia's position in contributing to global greenhouse gas emissions.[2]

1.10 The first objective of the Bill is that it seeks to capture scope 3 emissions data in the reporting of Australia's national greenhouse gas emissions. The reporting is done through a program administered by the Clean Energy Regulator (CER) known as the National Greenhouse and Energy Reporting Scheme (NGERS). NGERS is established by the NGER Act.

1.11 The National Greenhouse and Energy Reporting (Measurement) Determination 2008 prescribes methods, criteria and measurement standards for calculating greenhouse gas emissions and energy data under the NGER Act. The Determination requires that only scope 1 and 2 emissions are reported. [3]

1.12 Under the NGERS, scope 1 emissions are defined as:

> ... the emissions released to the atmosphere as a direct result of an activity, or series of activities at a facility level. Scope 1 emissions are sometimes referred to as direct emissions … [4]

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1 Explanatory Memorandum, National Greenhouse and Energy Reporting (Transparency in Carbon Emissions Accounting) Bill 2020, p. 2.

2 Explanatory Memorandum, National Greenhouse and Energy Reporting (Transparency in Carbon Emissions Accounting) Bill 2020, p. 2.

3 Clean Energy Regulator, 'Measurement Determination' http://www.cleanenergyregulator.gov.au/NGER/Legislation/Measurement-Determination viewed 16 June 2020.

4 Clean Energy Regulator, 'Greenhouse gases and energy' http://www.cleanenergyregulator.gov.au/NGER/About-the-National-Greenhouse-and-Energy-Reporting-scheme/Greenhouse-gases-and-energy, viewed 16 June 2020.

1.13 Under the NGERS, scope 2 emissions are defined as:

> … the emissions released to the atmosphere from the indirect consumption of an energy commodity. For example, 'indirect emissions' come from the use of electricity produced by the burning of coal in another facility. [5]

1.14 In seeking to have scope 3 emissions data included in Australia's international reporting obligations, the Bill's Explanatory Memorandum provides some understanding of the concept of a scope 3 emission. [6]

1.15 The Department of Industry, Science, Energy and Resources (DISER) provided the Committee with additional background about the basis for scope 3 emissions:

> Scope 3 is a concept that comes from the World Business Council Greenhouse Gas Protocol. Scope 3 emissions are indirect emissions that occur in the value chain of the reporter, including both upstream and downstream emissions. … It is all the emissions generated by your upstream suppliers and all the emissions generated by downstream users of your products—and these could be anywhere in the world. [7]

1.16 DISER also submitted its own interpretation of a scope 3 emission as would be applicable under the Bill:

> The concept of an emission used by the UN transparency framework is that of a release of gas from a specific location to the atmosphere. 'Scope 3 emission' calculations, on the other hand, attach estimates of emission impacts to the production, supply and use of goods and services. Elements of these scope 3 emission calculations relate to the economic flows of goods and services that cross international borders and are, therefore, not consistent with the UN transparency framework established by the international community to ensure transparency and accountability in emissions reporting. [8]

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5 Clean Energy Regulator, 'Greenhouse gases and energy' http://www.cleanenergyregulator.gov.au/NGER/About-the-National-Greenhouse-and-Energy-Reporting-scheme/Greenhouse-gases-and-energy, viewed 16 June 2020.

6 Explanatory Memorandum, National Greenhouse and Energy Reporting (Transparency in Carbon Emissions Accounting) Bill 2020, p. 2.

7 Mr Rob Sturgiss, General Manager, National Inventory Systems and International Reporting Branch, Department of Industry, Science, Energy and Resources, *Committee Hansard*, 1 May 2020, p. 3.

8 Department of Industry, Science, Energy and Resources, *Submission 10*, p. 3.

Quarterly update of National Greenhouse Gas Inventory to be tabled in Parliament

1.17 The second objective of the Bill is that it seeks to have the quarterly update of Australia's National Greenhouse Gas Inventory (NGGI) be provided to the Minister and for the update to be tabled in each House of Parliament within 15 sitting days after the day on which the report is provided to the Minister.

1.18 The Explanatory Memorandum provides the following outline and rationale for this amendment:

> The Bill additionally amends the NGER Act to ensure that the Minister tables Australia's national greenhouse gas inventory estimates in Parliament each quarter. This will provide certainty for the Minister in his or her reporting obligations, and make the report accessible to the public soon after it is completed. This measure is intended to increase the transparency of emissions reporting, and promote accountability for the Government as it enacts climate change policy. This amendment is in response to criticism of the Government suggesting it delays or times the release of emissions data.[9]

Key provisions of the Bill

1.19 In seeking to amend the NGER Act, the Bill includes the following key provisions:

1.20 *Item 1* of the Bill inserts the term 'scope 3 emission of greenhouse gas' into the Dictionary of the Act.[10]

1.21 *Items 2 through 19* insert the term 'scope 3 emissions' into various reporting requirements within the Act.[11]

1.22 *Item 20* inserts a new section after section 24 of the Act.[12] Section 24 of the Act deals with the publishing of information relating to greenhouse gas emissions, energy production and energy consumption. The Bill seeks to

9 Explanatory Memorandum, National Greenhouse and Energy Reporting (Transparency in Carbon Emissions Accounting) Bill 2020.

10 National Greenhouse and Energy Reporting (Transparency in Carbon Emissions Accounting) Bill 2020, schedule 1, item 1.

11 National Greenhouse and Energy Reporting (Transparency in Carbon Emissions Accounting) Bill 2020, schedule 1, items 2 – 19.

12 National Greenhouse and Energy Reporting (Transparency in Carbon Emissions Accounting) Bill 2020, schedule 1, item 20.

insert a new section into the Act, section 24A. The new section includes four key elements:

- Section 24A(1): would cause the regulator (in this case, the Clean Energy Regulator) to have to provide the Minister with 'a report on the estimates of Australia's national greenhouse gas inventory as at the end of the quarter.'[13]
- Section 24A(2): prescribes three statistical elements that the report must include:

  (a) national emissions estimates for the quarter; and

  (b) national emissions estimates for the year ending at the end of the quarter; and

  (c) the estimates referred to in paragraphs (a) and (b) broken down by sector.[14]
- Section 24A(3): the Minister must table the report in each House of Parliament within 15 sitting days after the day on which the report is received.[15]
- Section 24A(4): prescribes the meaning of the term 'quarter' for the purposes of the new section to mean '…period of 3 months commencing on 1 January, 1 April, 1 July or 1 October of a year.'[16]

1.23 Item 21 inserts the term 'under section 24' into subsection 25(1) of the Act, after the existing term 'published'. Subsection 25(1) prescribes that a registered corporation or person required to provide a report under sections 22G, 22X or 22XB of the Act or a person required to provide information under section 20 of the Act '… may apply to the Regulator requesting information not be published if the information reveals, or could be capable of revealing …' matters relating to trade secrets or those of a commercial value that would or could be destroyed or diminished if the information were disclosed.[17]

13 National Greenhouse and Energy Reporting (Transparency in Carbon Emissions Accounting) Bill 2020, schedule 1, item 20.

14 National Greenhouse and Energy Reporting (Transparency in Carbon Emissions Accounting) Bill 2020, schedule 1, item 20.

15 National Greenhouse and Energy Reporting (Transparency in Carbon Emissions Accounting) Bill 2020, schedule 1, item 20.

16 National Greenhouse and Energy Reporting (Transparency in Carbon Emissions Accounting) Bill 2020, schedule 1, item 20.

17 National Greenhouse and Energy Reporting (Transparency in Carbon Emissions Accounting) Bill 2020, schedule 1, item 21.

Greenhouse reporting obligations

1.24 This section considers Australia's greenhouse gas reporting obligations including domestic and international frameworks.

Greenhouse gas reporting frameworks

1.25 Australia is a signatory to international climate agreements under the United Nations Framework Convention on Climate Change (UNFCCC).

1.26 The UNFCCC came into force in 2005 under the instrument known as the Kyoto Protocol, which committed industrialised countries to limit and reduce greenhouse gases emissions in accordance with agreed individual targets.[18]

1.27 The Paris Agreement, which built upon the UNFCCC's objectives, entered into force in 2016. The Paris Agreement was negotiated by all major governments and provides a framework to undertake ambitious efforts to combat climate change and adapt to its effects, while also providing enhanced support for developing countries to do so. The Paris Agreement aims to limit global temperature rise this century while strengthening the ability of countries to deal with the impact of climate change.[19]

1.28 The UNFCCC website advises that:

> The Paris Agreement requires all Parties to put forward their best efforts through nationally determined contributions (NDCs) and to strengthen these efforts in the years ahead. This includes requirements that all Parties report regularly on their emissions and on their implementation efforts. [20]

1.29 Australia ratified the Paris Agreement on 9 November 2016.[21]

National Greenhouse Accounts and National Greenhouse Gas Inventory (NGGI)

1.30 Australia's National Greenhouse Accounts (NGA) track national emissions from 1990 onwards. Australia's greenhouse gas emissions are estimated as a nation, by state and by industry. [22]

18 Kyoto Protocol to the United Nations Framework Convention on Climate Change, opened for signature 16 March 1998, 2303 UNTS 162 (entered into force 16 February 2005).

19 Paris Agreement to the United Nations Framework Convention on Climate Change, opened for signature 22 April 2016, (entered into force 4 November 2016).

20 United Nations Framework Convention on Climate Change, 'The Paris Agreement' https://cop23.unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement viewed 18 June 2020.

21 Paris Agreement to the United Nations Framework Convention on Climate Change, opened for signature 22 April 2016, (entered into force 4 November 2016).

1.31 The NGA consists of a range of publications, databases and inventories that are used to:

- meet Australia's reporting commitments under the UNFCCC
- track progress against Australia's emission reduction commitments
- inform policy makers and the public. [23]

1.32 As well as submitting the National Greenhouse Gas Inventory (NGGI), the Department produces a *Quarterly Update of Australia's National Greenhouse Gas Inventory*. The quarterly update tracks Australia's progress towards its annual NGGI report. The most recent version of the quarterly update provides estimates of Australia's national inventory of greenhouse gas emissions up to the December quarter of 2019, and emissions from the National Electricity Market (NEM) up to the March quarter of 2020. [24]

National Greenhouse and Energy Reporting Scheme (NGERS)

1.33 The NGERS provides a national framework for reporting and disseminating company information about greenhouse emissions, and energy production and consumption. The reporting published under NGERS informs the Australian Government's policy and program development nationally and contributes to Australia's international greenhouse gas reporting obligations. [25]

1.34 Under the NGERS, Australian facilities and controlling corporations must register with the CER under the requirements of the NGER Act. In the case of corporations, registration is only required once for the first year that it triggers a threshold. [26]

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22 Department of Industry, Science, Energy and Resources, 'Tracking Australia's greenhouse gas emissions' https://publications.industry.gov.au/publications/climate-change/climate-change/climate-science-data/greenhouse-gas-measurement/tracking-emissions.html, viewed 18 June 2020.

23 Department of Industry, Science, Energy and Resources, 'Tracking Australia's greenhouse gas emissions' https://publications.industry.gov.au/publications/climate-change/climate-change/climate-science-data/greenhouse-gas-measurement/tracking-emissions.html, viewed 25 June 2020.

24 Department of Industry, Science, Energy and Resources, 'National Greenhouse Gas Inventory: September 2019' https://www.industry.gov.au/data-and-publications/national-greenhouse-gas-inventory-december-2019, viewed 28 July 2020.

25 Clean Energy Regulator, 'National Greenhouse and Energy Reporting Data', http://www.cleanenergyregulator.gov.au/NGER/National%20greenhouse%20and%20energy%20reporting%20data, viewed 25 June 2020.

26 Clean Energy Regulator, 'About the National Greenhouse and Energy Reporting Scheme', http://www.cleanenergyregulator.gov.au/NGER/About-the-National-Greenhouse-and-Energy-Reporting-scheme, viewed 25 June 2020.

1.35 Broadly, the CER defines a facility as 'an activity or series of activities that generate greenhouse gas emissions and produce or consume energy.' [27] Additionally, the CER defines a controlling corporation as:

> ... a 'constitutional corporation' that does not have an Australian incorporated holding company. It is usually the corporation at the top of the corporate hierarchy in Australia and can be a 'non-operational' holding company that does not handle day-to-day business. It can also be a foreign incorporated entity that operates directly in Australia without an Australian incorporated subsidiary. [28]

1.36 Facilities and controlling corporations registered under the NGERS must provide an NGER report each year until it is deregistered under the NGERS.

1.37 Three types of reports can be submitted. For the purposes of this inquiry, only reports made under section 19 of the NGER Act dealing with energy and emissions will be considered. According to the CER:

> Controlling corporations who exceed either a corporate group or a facility threshold must report their scope 1 and scope 2 emissions and energy production and consumption data to the Clean Energy Regulator under section 19 of the NGER Act. [29]

1.38 Registered corporations must report their greenhouse gas emissions data, and energy production and consumption, to the CER by 31 October each year. A registered corporation's report must contain greenhouse and energy information in relation to the activities of the facilities under the operational control of it or its group members as at 30 June of the relevant reporting year. [30]

1.39 By 28 February each year, the CER is required to publish a point-in-time extract of reported scope 1 and scope 2 greenhouse gas emissions in

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27 Clean Energy Regulator, 'Facilities and Operational Control', http://www.cleanenergyregulator.gov.au/NGER/Reporting-cycle/Assess-your-obligations/Facilities-and-operational-control, viewed 25 June 2020.

28 Clean Energy Regulator, 'Understand your corporate group', http://www.cleanenergyregulator.gov.au/NGER/Reporting-cycle/Assess-your-obligations/Understand-your-corporate-group, viewed 25 June 2020.

29 Clean Energy Regulator, 'Report', http://www.cleanenergyregulator.gov.au/NGER/Reporting-cycle/Report, viewed 25 June 2020.

30 Clean Energy Regulator, 'Report', http://www.cleanenergyregulator.gov.au/NGER/Reporting-cycle/Report, viewed 25 June 2020.

addition to net energy consumption for each corporation or facility that exceeds its threshold.[31]

Relevant recent reports

1.40 Two recent reports consider Australia's performance against its greenhouse gas reporting obligations.

2018 Climate Change Authority Review of the National Greenhouse and Energy Reporting legislation - final report

1.41 In 2018, the Climate Change Authority (CCA) released a review of the National Greenhouse and Energy Reporting legislation and is required to conduct a review every five years thereafter.[32] In conducting an extensive review with a broad range of stakeholders, the CCA found that:

> … the legislation is operating well, is meeting its objectives and is generally fit for purpose. The reporting scheme continues to enjoy broad support from industry, governments and others. It is widely considered to be a best-practice approach to measuring and reporting emissions and energy and compares favourably to schemes in other countries. The high quality data collected by the scheme is used extensively by governments and others to develop energy and climate change policies and is a critical input to meeting Australia's international energy and emissions reporting obligations.[33]

1.42 With particular reference to scope 3 emissions, the CCA found that the collection of scope 3 emissions data would be resource intensive and unlikely to be proportionate to its value for data users at this stage. In addition, the CCA noted that other Australian Government and international fora existed to support scope 3 emissions reporting. The CCA concluded that '… reporting of scope 3 emissions should not be

31 Clean Energy Regulator, 'National Greenhouse and Energy Reporting Data', http://www.cleanenergyregulator.gov.au/NGER/National%20greenhouse%20and%20energy%20reporting%20data, viewed 25 June 2020.

32 Climate Change Authority, 'Review of the National Greenhouse and Energy Reporting legislation - final report' https://www.climatechangeauthority.gov.au/publications/review-national-greenhouse-and-energy-reporting-legislation-final-report, viewed 28 July 2020.

33 Climate Change Authority, 'Review of the National Greenhouse and Energy Reporting legislation - final report' *Fact Sheet* https://www.climatechangeauthority.gov.au/publications/review-national-greenhouse-and-energy-reporting-legislation-final-report>,viewed 28 July 2020.

required at this stage under the National Greenhouse and Energy Reporting scheme.'[34]

Auditor-General Report No. 1 of 2017-18 Accounting and Reporting of Australia's Greenhouse Gas Emissions Estimates and Projections

1.43 In 2017, the Auditor-General released his report considering the effectiveness of the then Department of the Environment and Energy's arrangements for the preparation and reporting of Australia's greenhouse gas emissions estimates and projections.[35] The audit found that Australia's national greenhouse gas inventory compared favourably to those of other developed countries. The audit concluded that the arrangements established by the department for the preparation and reporting of Australia's greenhouse gas emissions estimates and projections were largely effective.

1.44 The audit made three recommendations to which the Department agreed. These were that the Department should:

- introduce consistent quality control and assurance procedures to improve the accuracy of inventory data and referencing to source data
- to the maximum extent practicable, publish projected abatement from Australian Government greenhouse gas emission reduction measures, along with related key assumptions, in future projections documents; and expand its release of emissions projections information to include key data inputs, assumptions, formulas and methods sufficient to enable users to recalculate emissions projections within a reasonable degree of precision
- undertake fit-for-purpose risk assessments for the preparation and reporting of inventory estimates and emissions projections in accordance with the department's risk management policy and guidelines, and actively monitor its implementation of risk treatments.[36]

34 Climate Change Authority, 'Review of the National Greenhouse and Energy Reporting legislation - final report' https://www.climatechangeauthority.gov.au/publications/review-national-greenhouse-and-energy-reporting-legislation-final-report, p. 55, viewed 28 July 2020.

35 Australian National Audit Office, 'Accounting and Reporting of Australia's Greenhouse Gas Emissions Estimates and Projections', Auditor-General Report No. 1 of 2017-18.

36 Australian National Audit Office, 'Accounting and Reporting of Australia's Greenhouse Gas Emissions Estimates and Projections', Auditor-General Report No. 1 of 2017-18.

2

Analysis of the Bill

2.1 This Chapter examines the evidence received by the Committee during the inquiry. It concludes with a Committee comment and recommendation.

Inclusion of scope 3 data in greenhouse reporting obligations

2.2 Chapter 1 outlined the Bill's intention to include scope 3 emissions data in Australia's greenhouse gas reporting obligations. The current arrangements require that only scope 1 and 2 emissions (which can be directly linked to a particular facility or activity) are reported. This section discusses the key arguments raised in evidence to the inquiry relating to the Bill's amendment to include scope 3 emissions data reporting. In particular, it considers:

- whether the amendment provides transparency for policy makers and the public
- the complexities associated with the calculation and reliability of scope 3 emissions data
- whether scope 3 emissions data is effectively 'double counting' existing scope 1 and 2 emissions data as reported by other countries
- that some Australian companies already voluntarily report on their scope 3 emissions.

Transparency for policy makers and the public

2.3 The Bill seeks to ensure transparency and accountability in the way the Australian Government reports Australia's carbon emissions. NGERS is a single national framework for reporting and disseminating company information about greenhouse gas emissions, energy production, consumption and other information specified under the National Greenhouse and Energy Reporting Act 2007 (NGER Act). Currently, NGERS reports only on scope 1 and 2 emissions.

2.4 Inquiry participants considered whether the amendment to include scope 3 emissions data in Australia's greenhouse gas reporting obligations would provide increased transparency for policy makers and the Australian public.

2.5 Doctors for the Environment Australia's (DEA) submission to the inquiry considered that by not including scope 3 emissions data, Australia's contribution to global greenhouse gas emissions were not fully accounted for. DEA argued that because the intention of the NGER Act is to 'provide for the reporting and dissemination of information related to greenhouse gas emissions, greenhouse gas projects, energy consumption and energy production of corporations',[1] the Act is constrained from:

> … transparently and completely reporting the full life cycle of emissions which includes scope 3 emissions ...[2]

2.6 DEA further argued that the inclusion of scope 3 emissions data would improve public health and environmental policy outcomes.

2.7 The Australasian Centre for Corporate Responsibility (ACCR) argued that for many years Australia's largest companies and their investors have taken the same view that producers [that export materials that will generate emissions] cannot be held responsible for their customers' emissions.[3] According to ACCR this view is rapidly changing and as such:

> It is dishonest and immoral for Australia to claim that we are reducing emissions in Asia with our coal and gas exports while, at the same time, failing to accept responsibility for all of the emissions embedded in those exports.[4]

2.8 Indeed Mr Daniel Gocher, Director of Climate and Environment for the ACCR, made the point that by assessing scope 3 emissions in one country

1 Doctors for the Environment Australia, *Submission 3*, p. 4.

2 Doctors for the Environment Australia, *Submission 3*, p. 4.

3 Mr Daniel Gocher, Director of Climate and Environment, Australasian Centre for Corporate Responsibility, *Committee Hansard*, 1 May 2020, p. 22.

4 Mr Daniel Gocher, Director of Climate and Environment, Australasian Centre for Corporate Responsibility, *Committee Hansard*, 1 May 2020, p. 22.

there would be the opportunity to verify the scope 1 emissions reported in another country, thereby improving the rigour of the international reporting and carbon accounting system:

> You can look at country-level emissions data, so you can look at how the Japanese electricity grid, for instance, was saying, 'We'll look at our national electricity grid,' and you can see how it has used coal and gas and nuclear over time. But that is not tracked back to say: 'What is the proportion of that electricity that was derived from Australian coal and gas?'[5]

2.9 In contrast, other contributors to the inquiry held the view that the inclusion of scope 3 emissions data in Australia's greenhouse gas reporting obligations would not provide additional clarity on emissions because NGERS is designed to only report on scope 1 and 2 emissions that occur within Australia's territorial boundaries.

2.10 According to the Department of Industry, Science, Energy and Resources (DISER), the current NGERS was designed to sit within the UN climate treaty transparency framework. DISER's position was that the inclusion of scope 3 emissions data in Australia's greenhouse gas reporting obligations would:

> … take NGERS outside of the UN systems transparency framework scope, so it would not be assisting the government in meeting its Paris Agreement commitment.[6]

2.11 The Australian Industry Greenhouse Network (AIGN) submitted that the amendment to include scope 3 emissions was 'not a new idea' and that while it:

> … 'may' add to the depth of emissions reporting, the Committee must consider the complexity, cost and possible commercial issues that may arise, for both liable entities and the Government …[7]

2.12 AIGN questioned whether the amendments addressed a demonstrable market failure where 'the cost of regulation is less than the cost of ongoing market failure.'[8]

2.13 According to the Minerals Council of Australia (MCA):

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5 Mr Daniel Gocher, Director of Climate and Environment, Australasian Centre for Corporate Responsibility, *Committee Hansard*, 1 May 2020, p. 23.

6 Mr Rob Sturgiss, General Manager, National Inventory Systems and International Reporting Branch, Department of Industry, Science, Energy and Resources, *Committee Hansard*, 1 May 2020, p. 4. See also: Department of Industry, Science, Energy and Resources, *Submission 10*, p. 4.

7 Australian Industry Greenhouse Network, *Submission 5*, p. 3.

8 Australian Industry Greenhouse Network, *Submission 5*, p. 3.

> … the current greenhouse gas accounting rules already provide for an accurate accounting of emissions. In practice a facility's scope 3 emissions is fully and accurately accounted for as another sector's scope 1 regardless of whether they are emitted domestically or internationally.[9]

2.14 The MCA contrasted the accounting of scope 1 and 2 emissions against scope 3 emissions. It noted that scope 3 emissions are generated from external sources not necessarily owned or controlled by local facilities. As such, scope 3 emissions are 'often far removed from the point of raw material extraction.'[10]

International practice

2.15 In considering whether the amendment was consistent with international practice, inquiry contributors provided evidence about current international treaty requirements for reporting; and whether other countries also reported scope 3 emissions data.

International treaty requirements for reporting scope 1 and 2 emissions

2.16 Chapter 1 outlined the international treaty requirements for reporting scope 1 and 2 emissions. Inquiry participants considered whether the Bill's proposal to include scope 3 emissions data in Australia's greenhouse gas reporting obligations was consistent with its international treaty obligations.

2.17 DISER told the Committee that:

> Under the terms of every UN climate treaty since 1992, the Australian government is accountable for the emissions occurring within Australia's territorial boundaries. … .[11]

2.18 The Chamber of Minerals and Energy of Western Australia's (CMEWA) submission to the inquiry was also of the view that the amendment was:

> … inconsistent with the long-established United Nations Framework Convention on Climate Change's (UNFCCC's) production based emissions accounting rule, which underpins the Paris Agreement. Under the current approach all emissions are assigned to the country which directly produces them.[12]

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9 Minerals Council of Australia, *Submission 6*, p. 1.

10 Minerals Council of Australia, *Submission 6*, p. 1.

11 Mrs Helen Bennett, Head of Division, Climate Change Division, Department of Industry, Science, Energy and Resources, *Committee Hansard*, 1 May 2020, p. 2.

12 The Chamber of Minerals and Energy of Western Australia (CMEWA), *Submission 7*, p. 1.

2.19 By contrast, the Australia Institute was of the view that the inclusion of scope 3 emissions in Australia's reporting obligations was consistent with international obligations. In its submission to the Committee, the Australia Institute advised that the concept of 'scopes' (such as scope 3 emissions) does not appear within the international climate treaty system and is a concept that 'arose within the business sector to meet a need for investment information.'[13]

2.20 The Australia Institute's submission to the inquiry further noted that the UNFCCC and subsequent international climate treaties referred to national obligations to reduce 'territorial emissions'. The submission stated that:

> … no part of any UNFCCC treaty forces countries to consider and reduce only territorial emissions and prohibits other considerations. On the contrary, the Paris Agreement includes a range of obligations which cover emissions reductions outside of national territories, including overseas development assistance, technology transfer and "making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development".[14]

Practice by other countries

2.21 DISER was asked if other comparable countries reported scope 3 emissions and it confirmed that other countries did not report scope 3 emissions. For example, the Committee was advised that both the European Union and US greenhouse gas reporting programs are similar to the NGERS and do not require scope 3 emission estimates to be made.[15]

2.22 ACCR advised that it was not aware of any analysis that provided insight into the tracking of emissions that have derived from Australian coal and gas exports, rather the analysis was done on a country level.[16]

Calculation and reliability of scope 3 emissions data

2.23 Many inquiry participants, including DISER, held concerns about the calculation and reliability of scope 3 emissions data. DISER was of the

13 The Australia Institute, *Submission 9*, p. 9.

14 The Australia Institute, *Submission 9*, p. 9.

15 Mr Rob Sturgiss, General Manager, National Inventory Systems and International Reporting Branch, Department of Industry, Science, Energy and Resources, *Committee Hansard*, 1 May 2020, p. 2.

16 Mr Daniel Gocher, Director of Climate and Environment, Australasian Centre for Corporate Responsibility, *Committee Hansard*, 1 May 2020, p. 23.

view that because NGERS data was designed to support Australia's UN treaty obligations, and consequently also support the government action to fulfil those obligations, public confidence in the accuracy and transparency of the data was important.[17]

2.24 DISER told the Committee that it had not developed a methodology or the arrangements that would enable companies to report scope 3 emissions, nor, therefore, had it conducted an assessment of the compliance costs of the proposed Bill.[18] Its experience in developing methodologies for scope 1 and 2 emissions reporting provided an insight into the complexity and costs for companies reporting scope 3 emissions.[19] It was also likely that companies making such reports would require resources and incur costs in having scope 3 emissions data audited.[20]

2.25 DISER's submission to the inquiry suggested that the higher information requirements for obtaining scope 3 emissions data would be costly and it would be difficult for estimates to be verified.[21] DISER advised that approximate estimates could be developed at lower cost but that these would be 'relatively uncertain'. One drawback of developing estimates of this nature is that '... the results obtained reflect typical industry profiles rather than facility-specific information associated with the facility's actual production or commercial decisions.'[22]

2.26 Inquiry participants argued that the calculation of scope 3 emissions required a significant understanding of the complete international supply chain and product lifecycle by the Australian entity liable to report the emissions. DISER's submission to the inquiry advised that:

> The complexity stems from the intensive information requirements. In essence, to prepare an estimate of scope 3 emissions, the operator of a facility needs to also make an estimate of the emissions associated with the upstream supply of all inputs into the facility's production as well as an estimate of emissions

17 Mrs Tamara Curll, Manager, National Inventory Systems and International Reporting Branch, Department of Industry, Science, Energy and Resources, *Committee Hansard*, 1 May 2020, p. 2.

18 Department of Industry, Science, Energy and Resources, *Supplementary Submission 10.1,* p. 2.

19 Mrs Tamara Curll, Manager, National Inventory Systems and International Reporting Branch, Department of Industry, Science, Energy and Resources, *Committee Hansard*, 1 May 2020, pp. 4-5.

20 Mrs Tamara Curll, Manager, National Inventory Systems and International Reporting Branch, Department of Industry, Science, Energy and Resources, *Committee Hansard*, 1 May 2020, pp. 4-5.

21 Department of Industry, Science, Energy and Resources, *Submission 10*, p. 6.

22 Department of Industry, Science, Energy and Resources, *Submission 10*, p. 6.

> associated with all elements of the downstream supply chain of all of its products until the good or service is utilised by a consumer.[23]

2.27 The CER told the Committee that some difficulties in calculating scope 3 emissions arose because liable companies would also need to accurately attribute scope 3 emissions from imports that form part of its own supply chain and manufacturing processes.[24]

2.28 AIGN was asked whether the Bill's amendment requiring scope 3 reporting would be practical for companies with international supply chains. AIGN replied that this would differ between companies and depend on the complexity of individual supply chains. It noted that 'life cycle assessments' - a variation on a scope 3 report - could take between six and 18 months and be dependent on the level of accuracy required and the assumptions that underpin them.[25]

2.29 The MCA's submission to the inquiry advised that scope 3 emissions would include emissions generated following extraction and as part of the value-adding process. These processes include manufacturing, transport, storage, sale, usage and the ultimate disposal, recycling, re-use or repurposing of those materials.[26] The MCA suggested that a scope 3 emissions reporting regime would:

> … necessarily force firms to adopt imprecise proxy estimation approaches to represent unidentified downstream emissions processes. A more appropriate assignment of these emissions is to those firms responsible for their release (i.e. scope 1) and who have a complete understanding of how they have been generated and more importantly how they can be mitigated at point source.[27]

2.30 The CMEWA's submission to the inquiry highlighted the specific challenges that some industry participants would face in reporting scope 3 emissions. For example, it questioned how scope 3 emissions from steel manufacturing could 'be reported between the producers of the inputs including metallurgical coal, iron ore, electricity, scrap steel, and other processes associated with steel manufacture?'[28] It further questioned how

23 Department of Industry, Science, Energy and Resources, *Submission 10,* p. 6. See also: Mr Rob Sturgiss, General Manager, National Inventory Systems and International Reporting Branch, Department of Industry, Science, Energy and Resources, *Committee Hansard*, 1 May 2020, p. 2.

24 Ms Shayleen Thompson, Executive General Manager, Clean Energy Regulator, *Committee Hansard*, 1 May 2020, p. 7. See also: Ms Susan Smith, Chief Executive Officer, Australian Industry Greenhouse Network, *Committee Hansard*, 1 May 2020, p. 17.

25 Ms Susan Smith, Chief Executive Officer, Australian Industry Greenhouse Network, *Committee Hansard*, 1 May 2020, p. 19.

26 Minerals Council of Australia, *Submission 6*, p. 1.

27 Minerals Council of Australia, *Submission 6*, p. 2.

28 The Chamber of Minerals and Energy of Western Australia (CMEWA), *Submission 7*, p. 2.

liquefied natural gas exporters could accurately and efficiently trace final consumption of gas offshore (downstream of their wholesale purchasers) to determine the usage of that natural gas between different manufacturing processes with different scope 3 outcomes.[29]

2.31 The ACCR, however, advised the Committee that the calculation of Australia's scope 3 emissions was not as complex as had been put by others. It submitted that:

> The quarterly reporting of Australia's scope 3 emissions could easily be derived through the use of, for example, the Resources and Energy Quarterly, produced by the Department of Industry, Innovation and Science. The emissions embedded in Australia's exports could easily be calculated by applying "energy content factors" and "emissions factors" to the volume of fossil fuels exported each quarter.[30]

'Double counting' of emissions data

2.32 Some inquiry participants argued that the inclusion of scope 3 data in Australia's reporting obligations effectively 'double counted' the scope 1 and 2 emissions that had been reported by another entity in Australia or elsewhere.

2.33 DISER explained to the Committee that under the UN treaty system, every tonne of fossil fuel that is combusted will be reported and accounted for by only one government. Reporting scope 3 emissions:

> … runs the risk of making every company and every nation in the supply chain think they have some accountabilities … if every country has some notional accountability, there's double-counting of accountability. That's not consistent with having clarity about who is actually responsible and who is actually accountable ….[31]

2.34 The AIGN told the Committee that in considering scope 3 emissions, these emissions have already been assessed as another facility's scope 1 emissions and that arguably '… scope 3 reporting is not necessarily about a gap in reporting but rather that it is a form of analysis of that reporting.'[32]

29 The Chamber of Minerals and Energy of Western Australia (CMEWA), *Submission 7*, p. 2.

30 Australasian Centre for Corporate Responsibility, *Submission 8*, p. 2.

31 Mr Rob Sturgiss, General Manager, National Inventory Systems and International Reporting Branch, Department of Industry, Science, Energy and Resources, *Committee Hansard*, 1 May 2020, pp. 3-4. Supported by: Ms Shayleen Thompson, Executive General Manager, Clean Energy Regulator, *Committee Hansard*, 1 May 2020, p. 7.

32 Ms Susan Smith, Chief Executive Officer, Australian Industry Greenhouse Network, *Committee Hansard*, 1 May 2020, p. 17.

2.35 The CMEWA submitted to the Committee that the current approach of not including scope 3 emissions:

> … avoids issues with double accounting whilst providing the greatest opportunity for complete, accurate, administratively efficient and timely reporting of emissions by placing the onus on those most directly able to control and measure these emissions.[33]

2.36 On the issue of double counting of emissions the ACCR told the Committee that:

> Arguably, at a global level of course it's double counting. Australia is attempting to take credit for displacing more carbon intensive fuels than other countries; we're taking credit for exporting coal and gas, but we're not looking at the whole picture. … The exercise is to be more informed and to understand where Australia's exports are going and the emissions that those exports are producing.[34]

2.37 The Australia Institute's submission to the inquiry advised that rather than being considered as double-counting, scope 3 emissions provide a different perspective to looking at emissions. The submission stated that the:

> … National Greenhouse Emissions Reporting scheme (NGERS) has long required reporting of scope 2 emissions, which are also scope 1 emissions for someone else. Those objecting to inclusion of scope 3 do not appear to be objecting on the same grounds to scope 2 reporting.[35]

Current (voluntary) reporting by some Australian companies

2.38 The Committee received evidence that suggested that, while it was not mandatory, some Australian companies did voluntarily report on their scope 3 emissions. [36]

2.39 ACCR's submission to the inquiry highlighted an annual assessment by the Australian Council of Superannuation Investors which reported that in August 2019:

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33 The Chamber of Minerals and Energy of Western Australia (CMEWA), *Submission 7*, p. 1.

34 Mr Daniel Gocher, Director of Climate and Environment, Australasian Centre for Corporate Responsibility, *Committee Hansard*, 1 May 2020, p. 24.

35 The Australia Institute, *Submission 8*, p. 6.

36 Mr Rob Sturgiss, General Manager, National Inventory Systems and International Reporting Branch, Department of Industry, Science, Energy and Resources, *Committee Hansard*, 1 May 2020, p. 2.

> … while 61% of ASX200 companies reported Scope 1 or Scope 2 emissions, just 28.5% of ASX200 companies (or 57 companies) reported their Scope 3 emissions.[37]

2.40 The MCA submitted to the Committee that many of its members already voluntarily report on scope 3 emissions.[38] This practice was also highlighted by The Australia Institute, which submitted to the inquiry that:

> The practicality of reporting scope 3 emissions is also demonstrated by the actions of some of the largest producers of scope 3 emissions on the planet.[39]

2.41 In considering how it was currently possible for some Australian companies to report scope 3 emissions given the complexities and costs associated with the accurate estimation of these emissions, DISER advised the Committee that it had not conducted any analysis of the quality of those estimates and that:

> … the boundaries around what constitutes scope 3 would be difficult. You could imagine the idea of working out what emissions were generated in all of your capital equipment. What were the emissions generated downstream by downstream users that you have no visibility of? How many downstream users do you consider? Is it just the company that purchases your metal rods, or do you need to think about what happens to the equipment that used your metal rods further on in the economy?[40]

Committee comment

2.42 In considering the evidence presented to the inquiry, the Committee views that there is insufficient evidence to support the inclusion of scope 3 emissions data in Australia's greenhouse gas reporting obligations.

Transparency for policy makers and the public

2.43 The Committee notes the views of some inquiry contributors that the amendment would provide policy makers and the public with additional information to assess the impact of Australia's global contribution to

37 Australasian Centre for Corporate Responsibility, *Submission 8*, p. 2.

38 Minerals Council of Australia, *Submission 6*, p. 2.

39 The Australia Institute, *Submission 9*, p. 7.

40 Mr Rob Sturgiss, General Manager, National Inventory Systems and International Reporting Branch, Department of Industry, Science, Energy and Resources, *Committee Hansard*, 1 May 2020, p. 5. Similar evidence presented by Ms Shayleen Thompson, Executive General Manager, Clean Energy Regulator, *Committee Hansard*, 1 May 2020, p. 7.

greenhouse gas emissions. The Committee however agrees with DISER that the amendment to NGERS would fall beyond the remit of Australia's greenhouse gas reporting obligations.

International practice

2.44 The Committee believes that it is in Australia's interests to ensure that laws relating to the reporting of greenhouse gas emissions comply with its international obligations. At present, these obligations require the reporting of scope 1 and 2 emissions, consistent with the international requirement that Australia reports emissions from within its territorial boundaries. Importantly, Australia's current greenhouse gas reporting practice is also consistent with that of other comparable international jurisdictions.

Calculation and reliability of scope 3 emissions data

2.45 The Committee received significant evidence about concerns relating to the calculation and reliability of scope 3 emissions data. In the first instance, the Committee agrees with DISER that the reporting of emissions data under NGERS is a matter of public confidence. Without this, the Australian Government would have difficulty in garnering support for its emissions reduction policies and strategies.

2.46 After careful consideration of the evidence, the Committee is of the view that the calculation of scope 3 data by Australian companies would be a significant undertaking both by Australian NGERS liable companies and the regulator. It would require a complete and complex understanding of each company's supply chain and product lifecycle - in many cases these processes are conducted overseas and readily available data is unlikely to be available or have the capacity to be audited.

2.47 Significantly, the Committee notes comments from DISER that a methodology to comprehensively calculate scope 3 emissions has yet to be developed. Estimating scope 3 emissions information would be costly and difficult to verify. In the Committee's view, the development of a methodology for the calculation of scope 3 emissions for use by Australian NGERS liable entities is likely to be a significant and complex undertaking that is unlikely to provide value beyond the scope 1 and 2 emissions data that is already internationally available.

'Double counting' of emissions data

2.48 The Committee acknowledges the concerns raised by some inquiry participants that the inclusion of scope 3 emissions in Australia's greenhouse gas reporting obligations would amount to scope 1 emissions

being counted twice. Scope 3 emissions are indirect greenhouse gas emissions that are emitted either domestically or internationally as a result of a scope 1 emissions-producing activity in Australia but from sources not owned or controlled by the source of the scope 1 emissions.

2.49 As such, scope 3 emissions are likely to include emissions that have already been reported as scope 1 emissions by another country. The Committee is of the view that if Australia and other international parties continue to adhere to the international treaty principle that each jurisdiction is liable only for those emissions occurring directly within its territorial boundaries, there is reduced opportunity for scope 1 emissions to be counted twice and therefore the reporting provides a more accurate representation of each nation's progress against its international commitments.

Current (voluntary) reporting by some Australian companies

2.50 The Committee accepts that there are a number of Australian companies that do voluntarily report on their scope 3 emissions, despite it not being a requirement under NGERS. The Committee notes comments by DISER stating that it had not assessed the quality of the estimates produced by companies, and thus, individual company assessments of scope 3 emissions are not of regulatory value.

Quarterly reporting of greenhouse gas emissions inventory estimates to parliament

2.51 This section considers the Bill's amendment that the quarterly update of the National Greenhouse Gas Inventory (NGGI) be prepared by the CER, instead of DISER and presented to the Minister. Under the amendment, the Minister would then be required to table it in Parliament each quarter.[41]

2.52 This section considers a number of issues raised in the inquiry relating to the tabling of DISER's quarterly updates in Parliament:

- timing and regularity of national reporting; and
- differences in coverage between DISER's NGGI quarterly update and the CER's NGERS annual report.

41 Explanatory Memorandum, National Greenhouse and Energy Reporting (Transparency in Carbon Emissions Accounting) Bill 2020, p. 2.

Timing and regularity of national reporting

2.53 Some inquiry contributors raised concerns about the timing and regularity of NGGI reporting by DISER. DISER advised the Committee that while it prepares an annual report submitted under the UNFCCC, it also prepares quarterly comprehensive emissions estimates in the form of a quarterly update of the Australian national greenhouse gas inventory.[42]

2.54 DISER told the Committee that the update:

> … is published every three months. We publish five months after the end of the reporting period for most of the inventory, but for electricity we report within two months of the end of the reporting period in that same document.[43]

2.55 The quarterly update is published on DISER's website and is also tabled in the Senate under a Senate order.[44]

2.56 The ACCR argued that on a number of occasions, there had been significant delays between DISER providing the Minister with the report and that report being tabled in Parliament.[45] It questioned why similar delays were not acceptable for economic data but had become so with the publication of Australia's emissions data.[46]

Differences in coverage between the NGGI quarterly update and the NGERS annual report

2.57 While the Bill proposes that the NGGI quarterly updates be prepared by the CER and tabled by the Minister in Parliament, some inquiry contributors discussed whether the CER's NGERS data could also be tabled on a quarterly basis.[47]

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42 Department of Industry, Science, Energy and Resources, *Submission 1*, p. 2.

43 Mr Rob Sturgiss, General Manager, National Inventory Systems and International Reporting Branch, Department of Industry, Science, Energy and Resources, *Committee Hansard*, 1 May 2020, p. 4.

44 Mr Rob Sturgiss, General Manager, National Inventory Systems and International Reporting Branch, Department of Industry, Science, Energy and Resources, *Committee Hansard*, 1 May 2020, p. 4.

45 Mr Daniel Gocher, Director of Climate and Environment, Australasian Centre for Corporate Responsibility, *Committee Hansard*, 1 May 2020, pp. 21-22.

46 Mr Daniel Gocher, Director of Climate and Environment, Australasian Centre for Corporate Responsibility, *Committee Hansard*, 1 May 2020, pp. 21-22. See also Australasian Centre for Corporate Responsibility, *Submission 8.1*.

47 See for example: Minerals Council of Australia, *Submission 6*, p. 2.

2.58 DISER advised the Committee that tabling the NGERS data on a quarterly basis would be problematic and that it 'would be quite a radical change to the way NGER operates …'[48] There are two broad reasons for this.

2.59 The first reason is that the NGERS data collected by the CER does not capture all sectors within the economy – only approximately 60 per cent of it - and within that, only those sectors which produce emissions over defined thresholds.[49]

2.60 The Committee was advised by DISER that the NGGI quarterly update does not rely on data collected under NGERS.[50] As such, given the separate data requirements of the NGGI and NGERS:

> … it would seem inconsistent, within the scope of NGERS, to include in the NGERS publication requirements a requirement to produce data for the entire national inventory.[51]

2.61 The second reason is that under the current NGERS legislation, entities that trigger the relevant NGERS threshold are required to submit reports by October 31 of the financial year that has been recently completed. The CER is required to make its report on scope 1 and 2 emissions data by 28 February each year.

2.62 During the period between companies reporting to the CER and the CER making its report, the Committee was advised that the NGERS data is subject to a quality assurance process.[52] As such the CER believed that:

> …within the current legislative settings, it really wouldn't be possible for us to do the equivalent of the quarterly inventory reporting and provide that to parliament.

2.63 From an industry perspective, CMEWA did not support the amendment to require the Minister to report quarterly to the Parliament given that the current NGER Act:

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48 Mr Rob Sturgiss, General Manager, National Inventory Systems and International Reporting Branch, Department of Industry, Science, Energy and Resources, *Committee Hansard*, 1 May 2020, p. 4.

49 Mr Rob Sturgiss, General Manager, National Inventory Systems and International Reporting Branch, Department of Industry, Science, Energy and Resources, *Committee Hansard*, 1 May 2020, p. 3. See also: Ms Shayleen Thompson, Executive General Manager, Clean Energy Regulator, *Committee Hansard*, 1 May 2020, p. 8.

50 Mr Rob Sturgiss, General Manager, National Inventory Systems and International Reporting Branch, Department of Industry, Science, Energy and Resources, *Committee Hansard*, 1 May 2020, p. 4.

51 Mrs Tamara Curll, Manager, National Inventory Systems and International Reporting Branch, Department of Industry, Science, Energy and Resources, *Committee Hansard*, 1 May 2020, p. 4.

52 Ms Jane Wardlaw, General Manager, Clean Energy Regulator, *Committee Hansard*, 1 May 2020, p. 7.

> ... provides reporters with a four-month period from the end of financial year to prepare and validate the accuracy of greenhouse gas reporting. It is currently unclear, therefore, how in practice the altered requirements on the Minister would be translated in to altered requirements on industry… [53]

Committee comment

2.64 The Committee does not support the Bill's proposed amendment that the Minister table NGGI quarterly updates in the Parliament within 15 sitting days of the report being presented to the Minister by CER.

Timing and regularity of national reporting

2.65 A number of inquiry participants expressed concerns about the timing and regularity of reporting of the NGGI quarterly updates. In the Committee's view, these updates serve as indicators of the progress of the information that will ultimately comprise the Australian Government's annual international greenhouse gas reporting obligations. The Committee is satisfied that these indicative reports, while perhaps of interest to those seeking more regular reporting of emissions data, are published on the Department's website and also produced under a Senate Order.

2.66 The Committee notes evidence that suggests data from a number of Commonwealth agencies are released on schedules independent of the Government.[54] The Committee considers that the Department should ensure that its data releases are timely and well publicised.

Differences in coverage between the NGGI quarterly update and the NGERS annual report

2.67 The Bill sets out a requirement for CER to produce a quarterly NGGI estimates report and present it to the Minister for tabling. In developing a process for this to occur the Australian government would need to consider how the CER would produce these estimates, which is inconsistent with its current mandate. The CER is already required to produce the annual NGERS report which reports on scope 1 and 2 emissions. In the Committee's view, the CER would need to be equipped with the staff and resources to acquit such a function on a quarterly basis. This would include the need to redesign both its reporting processes to the likely detriment of NGERS liable entities and also the assurance processes required to assess the data reported by liable entities.

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53 The Chamber of Minerals and Energy of Western Australia (CMEWA), *Submission 7*, p. 2.

54 The Australia Institute, *Submission 8*, p. 11.

Recommendation 1

2.68 The Committee recommends that the National Greenhouse and Energy Reporting Amendment (Transparency in Carbon Emissions Accounting) Bill 2020 not be passed.

Mr Ted O'Brien MP

Chair

Additional comments from Deputy Chair Mr Josh Wilson MP and Mr Josh Burns MP

1.1 At present Australia's system of greenhouse gas accounting and reporting is structured to be in compliance with agreements that are in turn covered by the United Nations Framework Convention on Climate Change. Within this system all participating nations are responsible for measuring and reporting certain emission data, and in Australia under the National Greenhouse and Energy Reporting (NGER) (Measurement) Determination 2008 only scope 1 (or direct) and scope 2 (or indirect) emissions are reported.

1.2 While the Climate Change Authority among others have argued persuasively that the collection and reporting of scope 3 emissions should not be required under the NGER Scheme, there is no doubt that the concept of scope 3 emissions has some value in the broad conversation and analysis about the global task of emission reduction in order to prevent catastrophic climate change.

1.3 In order to reflect the evidence provided to the Committee on this point, Labor members sought to include the following observation in the report:

> 2.48A Some inquiry participants pointed to the fact that claims are made in relation to the role that Australian coal and gas exports play in reducing emissions in other countries by virtue of the comparatively lower emission intensity of these fuels, yet to some degree these claims really depend on some form of scope 3 calculation.

1.4 The point to be taken here is that any claim made in Australia about the extent to which the export of Australian fuels results in a lower-emission outcome in another country can only be advanced by having in mind the

comparative emission potential (or scope 3 emission) of Australian fuel in comparison to a higher-emission non-Australian fuel that would otherwise be used.

1.5 The addition of this paragraph was not supported by the Committee.

1.6 In relation to the fact that a number of Australian companies voluntarily disclose scope 3 emissions it seemed important to observe that doing so is clearly both possible and economically viable, and so when considering the evidence from the Department of Industry, Science, Energy, and Resources (DISER) that it couldn't be sure about the rigour of these estimates, it seems clear there would be value in DISER undertaking a limited assessment of the method, cost, and accuracy of such voluntary scope 3 disclosures. Labor members therefore put forward the following paragraph for inclusion in the report:

> 2.49A The Committee acknowledges that as more than a quarter of ASX200 companies are reporting scope 3 emissions the complexity and cost of doing so cannot be prohibitive, and considering DISER's uncertainty about the accuracy of these accounts it may be worth DISER undertaking a preliminary assessment on a sample basis of the quality of such estimates.

1.7 But the addition of this paragraph was not supported by the Committee.

1.8 We also note that some inquiry contributors raised concerns about the timing and regularity of NGGI reporting, and specifically the release of quarterly emissions data by the responsible Minister. For example, the Australasian Centre for Corporate Responsibility gave evidence as follows:

> In 2018, FOI requests revealed that the then minister for the environment, Josh Frydenberg, and subsequently Melissa Price sat on the quarterly emissions data for seven weeks. The department had initially provided the minister with the report on 9 August 2018 and then again on 6 September 2018. It was finally published on the afternoon of Friday 28 September 2018, a public holiday in Victoria and the day before the weekend of the AFL and NRL finals matches. While that is probably the most egregious example of delay, according to Dr Martin Rice of the Climate Council:
>
> > The Federal Government not only delays releasing climate information, it also tries to bury it. We've seen emissions data quietly released on Christmas Eve, or on a Friday evening, at a time it's least likely to attract attention or scrutiny.[1]

1 Mr Daniel Gocher, Director of Climate and Environment, Australasian Centre for Corporate

1.9 Needless to say there will be a diminution of public trust and confidence where the action of Ministers or the outcome of some other part of governmental process involves unnecessary delay, inconsistency, a lack of transparency, and the release of information in circumstances where it is less likely to be noticed or attract attention and proper scrutiny.

1.10 Evidence was provided to the Committee that building and maintaining public trust in Australia's system of greenhouse gas accounting and reporting was important. It appears there are improvements the government should consider in relation to the provision of emissions data to the Australian public.

Mr Josh Wilson MP
Deputy Chair

Mr Josh Burns MP
Member

Responsibility, *Committee Hansard*, 1 May 2020, p. 21.

Additional comments from Ms Zali Steggall OAM MP

1.1 I would like to thank the Member for Clark, Andrew Wilkie MP, for introducing this Bill and the debate it has generated.

1.2 The National Greenhouse and Energy Reporting (Transparency in Carbon Accounting) Bill 2020 (the Bill) seeks to amend the *National Greenhouse and Energy Reporting Act 2007* (NGER Act) to 'ensure transparency and accountability in the way the Australian Government reports carbon emissions.'[1]

1.3 To achieve this aim, the Bill seeks to amend the reporting requirements of greenhouse gas emissions to include scope 3 emissions (which are indirect greenhouse gas emissions arising as a consequence of the activities of a facility), requires the Minister to table Australia's national greenhouse gas inventory estimates in Parliament every 3 months and provides for the publication of the estimates by the Clean Energy Regulator instead of the Department of Industry, Science, Energy and Resources.

1.4 I support the remarks made in the Committee's Advisory Report. I agree that at this time, measuring scope 3 emissions is likely to be costly, complicated and may result in inaccurate estimates. However, given the value shown by evidence presented to the Committee, in particular evidence from the Australia Institute, Australian Centre for Corporate Responsibility and Doctors for the Environment, there should be further consideration of the Bill and measurement of scope 3 in general as circumstances and methodologies evolve.

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1 Explanatory Memorandum, National Greenhouse and Energy Reporting (Transparency in Carbon Emissions Accounting) Bill 2020, p. 1.

1.5 The Committee learned that Scope 3 emissions are significant in general because scope 3 emissions dwarf scope 1 and 2 emissions by up to forty times at a company level in some cases.[2] At a country level, evidence presented to the Committee estimated that scope 3 emissions associated with Australian fossil fuel exports could be up to 5 per cent of global emissions.[3]

1.6 Inquiry participants provided evidence that measuring scope 3 emissions is a growing practice in top Australian companies.[4] The fact that Australian companies are measuring emissions means it is a material consideration in their business operations, decision making, for their shareholders, and must, therefore, be of inherent value.

1.7 Uniformity in the measurement of scope 3, is something that will benefit investors, shareholders, communities and businesses.

1.8 The Committee also heard evidence from individuals and stakeholder groups as to the value of scope 3 for informing the public.[5] The public should know the true extent of Australia's impact on global emissions. Demand for this knowledge will grow as society becomes more concerned about climate impacts.

1.9 Regarding the second portion of the bill, that the Minister table the quarterly greenhouse gas estimates in the House 15 days after publication and that the release of the data is handed to the Regulator (formerly under the Department). The Committee received evidence that the release of the estimates currently happened on average 46 days after they are required to be released by Senate order.

1.10 It is essential that the public remain informed as to Australia's emissions and progress towards Paris Targets. I support the measures in the second portion of the Bill which would hand the co-ordination of the data to the Clean Energy Regulator.

Ms Zali Steggall OAM MP

Committee Member

2 The Australia Institute, *Submission 9*, p. 7.

3 The Australia Institute, *Submission 9*, p. 7.

4 Australasian Centre for Corporate Responsibility, *Submission 8*, p. 2.

5 Dr Elizabeth Bashford, National Committee Member, Doctors for Environment, *Committee Hansard*, Canberra, 1 May 2020, p. 11.

A

Appendix A – Submissions

1	Ms Jo Errey
2	BlueScope Steel
3	Doctors for the Environment Australia
4	Mr Benjamin Cronshaw
5	Australian Industry Greenhouse Network
6	Minerals Council of Australia
7	The Chamber of Minerals & Energy of WA (CME)
8	Australasian Centre for Corporate Responsibility (ACCR)
9	The Australian Institute
10	Department of Industry, Science, Energy and Resources

B

Appendix B – Public hearing

Friday, 1 May 2020 – Canberra via teleconference

Australasian Centre for Corporate Responsibility (ACCR)

Mr Daniel Gocher, Director of Climate and Environment

Australian Industry Greenhouse Network

Ms Susan Smith, Chief Executive Officer

Clean Energy Regulator

Ms Shayleen Thompson, Executive General Manager

Ms Jane Wardlaw, General Manager

Department of Industry, Science, Energy and Resources

Mrs Helen Bennett, Head of Division, Climate Change Division

Ms Tamara Curll, Manager, National Inventory Systems and International Reporting Branch

Mr Rob Sturgiss, General Manager, National Inventory Systems and International Reporting Branch

Doctors for the Environment Australia

Dr Elizabeth Bashford, National Committee Member

Dr Kathleen Wild, Member