

Australian Government  
Department of Climate Change, Energy, the Environment and Water

Submission via the Department's Consultation Hub

28 April 2023

## **RE: National Greenhouse and Energy Reporting Scheme 2023 Proposed Amendments Consultation**

Rio Tinto welcomes the opportunity to make a submission to the Department of Climate Change, Energy, the Environment and Water ("the Department") on the National Greenhouse and Energy Reporting Scheme 2023 Proposed Amendments consultation paper (the "Consultation Paper").

Rio Tinto would like to respond to the market-based Scope 2 reporting proposal within *the National Greenhouse and Energy Reporting (Measurement) Amendment (2023 Update) Determination 2023*.

The consultation period for a proposed start date of 1 July 2023 of this amendment is too short to allow stakeholders to have meaningful input on the Scope 2 market-based reporting. We have significant structural and technical concerns relating to the proposed methodology, and advocate for this to be excluded from NGER until it has been properly consulted on and the issues and concerns addressed.

Rio Tinto supports market-based Scope 2 reporting as an option to enable businesses to reflect commercial decisions relating to renewable electricity in Scope 2 emissions by attributing zero emissions relating to these purchases. This allows corporations greater flexibility to report location and market-based emissions within eligible extended reporting boundaries of aggregated facilities to avoid double-counting of emissions. The method also needs residual mix factors (RMFs) available on the same Australian state- and territory-based boundary and granularity, similar to location-based factors within NGER. A single national RMF is not appropriate for comparable reporting especially for corporates, and leads to highly skewed reporting for some states, that in turn may lead to erosion of confidence in these to-be publicly reported numbers.

Most importantly, this proposed NGER update should address the double-counting of Scope 1 and Scope 2 emissions that occurs when a controlling corporation reporting under NGER aggregates multiple facilities that generate and supply electricity to each other. This concept is recognised within the GHG Protocol.<sup>1</sup>

More details on our responses are set out in the Appendix to this Submission. Rio Tinto looks forward to engaging further with the Department on the content of the Consultation Paper. We would welcome the opportunity to discuss this submission with you further. In the interim, if you have any questions, please contact Alma Joglekar ([Alma.Joglekar@riotinto.com](mailto:Alma.Joglekar@riotinto.com)) or Zoe Godijn ([Zoe.Godijn@riotinto.com](mailto:Zoe.Godijn@riotinto.com)).

Yours sincerely,



Kellie Parker  
Chief Executive, Australia

---

<sup>1</sup> World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD)'s Greenhouse Gas (GHG) Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) (2015)

## Appendix: More detailed responses to the proposal

### Timing of implementation

Considering that the voluntary options are already available for reporting of market-based Scope 2 emissions under Corporate Emissions Reduction Transparency (CERT) report, there is no urgency for the Scope 2 market-based method to be pushed through without detailed consultation. We request that the Department considers allowing more time to investigate options for state- and territory-based factors to be considered in the market-based formula before its implementation within NGER and incorporation into the Determination.

### National RMF vs State based RMF

It is particularly important that the proposed market-based RMFs are available on the same Australian state- and territory- based boundary and granularity as the location-based factors within NGER, to assist with dual Scope 2 reporting requirements and flexibility. Having these on the same basis allows for meaningful comparison of market-based and location-based emissions for the same facility. A single national RMF is not appropriate for comparable reporting and leads to highly skewed reporting for some states, which can further lead to questions of confidence in these to-be publicly reported numbers. Use of a national RMF means that electricity users in states like Tasmania report unrepresentative and perversely high emissions compared to those reported using the location-based method. For some states, such as Victoria which has the highest electricity intensity, there is potential for facilities to report lower emissions using the market-based method without renewable attribute contracts. Both situations can be avoided by providing market-based RMF equivalent to location-based emissions factors.

The Department acknowledges this situation in the Consultation Paper noting that “through future refinement of available data on REC creations and surrenders, it may be possible to disaggregate the RMF to more granular spatial and temporal levels.” However, given the potential outcomes described above, until this technical issue is resolved, Rio Tinto advocates against the implementation of the Scope 2 market-based methodology using this national RMF under NGER.

Australia has large amounts of good quality electricity data available for use in RMF calculations. Our recommendation is that NGER uses a method that is based on state-by-state grid-connected electricity generation data that is adjusted for LGC certificates that are generated in the reporting period, but also allowing for inter-state transfers similar to the location-based method. This would support a better spatial and temporal granularity of the RMF that is more applicable for the market-based Scope 2 reporting approach.

### Facility based reporting vs corporate reporting

The NGER Act is based on facility level reporting. The scheme is respected as having strong technical methods and accounting principles that provide accurate Scope 1 emissions reporting for each facility. Scope 1 emissions can then be aggregated to the corporate level for public reporting. Energy Consumption reporting is also comprehensive, however introduces significant double-counting at many facilities where energy transformation occurs. This issue has been resolved with the introduction of Net Energy Consumption.

Scope 2 emission reporting in the NGER scheme is based on the state and regional grids that operate in Australia, thus representing the physical distribution of emissions and the operation of the major grids in Australia. This is not applicable away from the major state grids. Facility based reporting of Scope 2 emissions leads to double-counting of Scope 1 and Scope 2 emissions for companies that generate and transfer electricity between facilities.

At an aggregated controlling corporation level, NGER reporting should have a mechanism to eliminate the Scope 1 and Scope 2 emissions double-counting. This double-counting occurs when a generation facility supplies electricity to another facility reported under the same controlling corporation. The proposed methodology should be based on the double-counting guidance under the *GHG Protocol* which is universally applied across company reporting.

Market-based reporting was introduced by the *GHG Protocol* to encourage companies to make commercial decisions that will bring on additional low emission generation by allowing them to demonstrate the impact

through reporting market-based Scope 2 emissions. This is not suitable within a reporting scheme that is facility based such as what is currently proposed into NGER since it disregards the Scope 1 and 2 double counting at a corporate level.

### **Use of Renewable Power Percentage (RPP) and Jurisdictional Renewable Power Percentage (JRPP)**

Market based reporting is intended to show choices that an electricity consumer makes regarding an electricity supplier or product and the specific agreements in relation to the purchaser and the provider. Aside from Emissions-Intensive Trade-Exposed (EITE) electricity users, the formula assumes there is a universal application of the Renewable Power Percentage (RPP) across Australia including grids that are not liable under the Renewable Energy Target (RET) such as generation on smaller capacity grids. A review of how this is applied within Scope 2 market-based emissions calculations is warranted, and more specific guidance in alignment with the RET legislation needs to be included so invalid renewable claims are not made.

Renewable generation certificates are limited to LGCs, with no claim available for pre-RET renewable generation. The universal application of a national RMF can create distortions. For example, end users on the Ord Hydro based grid would under the approach, be required to apply the national RMF to all electricity use when Ord Hydro is unlikely to exceed its baseline.

JRPPs, which form part of the Climate Active scheme, must be included in a way that addresses concerns over the additionality or double-counting of the state or jurisdictional renewable surrenders. These state-based JRPPs are presently unclear and lack transparency and universal regulation. Any JRPP should represent the percentage of total electricity use that is additional to the RPP for a jurisdiction. Clause 7.4, (3) that applies to X should also apply to the JRPP and this should be made clear. This will then address the risk of double-counting.

### **Generation-only emissions vs life cycle emissions**

The emissions rate approach method for electricity generation should be consistent with GHG Scope 2 Accounting Methods guidance, *WRI and WBCSD's GHG Protocol: A Corporate Accounting and Reporting Standard* and use generation-only emissions which exclude life cycle emissions of methane from hydroelectric dams. This would be more consistent with other residual mix calculation methods in other countries. We would like to see the exclusion of life cycle related emissions (that are not covered process emissions under NGER Scope 1 reporting) excluded from location- and market-based NGER Scope 2 reporting, for reporting consistency across data sources.

### **Other matters**

- The market-based method should allow a local grid factor to be used for Scope 2 reporting if the facility is off grid and the purchased renewable electricity does not include LGC surrenders.
- The variable "X" in the formula proposed in Section 7.4 of the *National Greenhouse and Energy Reporting (Measurement) Amendment (2023 Update) Determination 2023* is the number of eligible RECs voluntarily surrendered. The provision of the serial numbers of the LGCs from the REC registry or GreenPower receipt of purchase should not be required as part of routine NGER reporting. The facility should have the option of providing a third-party assurance statement instead of the REC information. Since most electricity contracts have multiple years of duration, the frequency of evidential requirements should be tailored according to materiality and contract duration.
- Rio Tinto would encourage future amendments to NGER reporting (such as under Section 19 of the *National Greenhouse and Energy Reporting Act 2007*), to allow for consideration of other eligible carbon units (i.e., ACCUs) to be recognised in reporting to offset Scope 1 and 2 emissions.