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Clean Energy Regulator

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Dear Chair

***Re: Draft guidance on meeting the regulatory additionality requirement for the Emissions Reduction Fund***

The Australian Aluminium Council (the Council) represents Australia's bauxite mining, alumina refining and aluminium smelting industries. The Australian aluminium industry has been operating in Australia since 1955, and over the decades has been a significant contributor to the Australian economy. Alongside many decades of economic contribution, the industry is globally comparatively young and well maintained. The industry includes five bauxite mines (>10 Mt per annum), six alumina refineries and four aluminium smelters. Australia is the world's largest producer of bauxite and largest exporter of alumina, and the sixth largest producer of aluminium. The industry directly employs around 14,500 people, including 4,000 full time equivalent contractors. The industry also indirectly supports around 40,000 families in regional Australia.

The Council welcomes the opportunity to provide feedback to the Draft guidance on meeting the regulatory additionality requirement for the Emissions Reduction Fund (ERF) as outlined in the April 2020 Consultation Paper (the Paper).

The Council supports the intent of the Paper, that if a business wishes to generate Australian carbon credit units (ACCUs) to meet a state obligation, by initiating an ERF project, it should be able to do so. The Council is particularly supportive of the approach of encouraging the use of the ERF framework by States and Territories for carbon accounting, rather than developing alternative methodologies. Increased alignment is likely to result in decreased administrative burden and more efficient processes.

However, it is not clear in the Paper if the ACCUs are created under an ERF and delivered to the Commonwealth holding account, how this affects the net emissions number of a responsible emitter. There is reference to the double counting rule still applying, but the example provided doesn't go far enough to be clear and explain how the ACCUs would be counted for, in the emissions number of a facility under the safeguard rule.

For instance, under the current policy a facility reports their actual Scope 1 covered emissions, then adds on any ACCUs they have received from an ERF project.

Emissions = Actual + ACCUs from ERF.

If this emissions number is above the site safeguard baseline, the emitter has the following options

- a) If you are in an Emissions Reduction Fund contract with the Commonwealth for ACCUs, the entity gets to surrender and deliver the ACCUs in one go. Where the financial benefits from the contract are obtained *and* this draws down on the site emissions number.
- b) If you are not in a contract with the CER, the entity must surrender ACCUs to the CER to offset the emissions without the financial benefit, but with the effect of drawing down on the site emissions number.



Under the proposed new approach, it's not clear if the ACCUs which are surrendered to a State government agency to meet obligations be counted as surrendering (and offsetting) a site emissions number in the safeguard mechanism? For example:

- An entity emits 200,000 t CO<sub>2</sub>-e of scope 1 covered emissions;
- The entity has an ERF project which generated 20,000 ACCUs;
- The entity surrenders them all to the Commonwealth account to meet the regulatory requirement;
- Is the net emissions number (for comparison against the baseline):
  - a) 200,000 + 20,000 (ACCUs gained) = 220,000 t CO<sub>2</sub>-e; or
  - b) 220,000 + 20,000 (ACCUs gained) - 20,000 (offset) = 200,000 t CO<sub>2</sub>-e.

Clarification of this detail as to whether the ACCUs surrendered can be used to manage an excess emissions situation is important to members of the Council in understanding the workability of the proposed approach for responsible emitters, registered under the safeguard mechanism.

Given the importance of greenhouse and energy policy to the Aluminium industry, the Council welcomes the opportunity to be involved in ongoing consultation on this matter including engagement with the Clean Energy Regulator.

Kind regards,



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