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Department of Industry, Science, Energy and Resources
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Dear Chair

Re – National Greenhouse and Energy Reporting Scheme - 2020 Amendments Consultation Paper

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 the world's 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 May 2020 discussion paper "National Greenhouse and Energy Reporting (NGER) Scheme - 2020 Amendments Consultation Paper" (the Paper).

While the Council does not have concerns with the table presented in the Paper Section C, the Council believes there is an opportunity for improvement in future years which has not been recognised by the current process of measurement determination for Part 6 of Schedule 3, i.e. Scope 2 emission factors. Issues with the current method include:

1. *Exclusion of rooftop solar from the calculation* - To June 2019, the small-scale renewable energy capacity was 9,072 MW[i] in Australia and supply is estimated to be 20% of the relevant acquisitions by 2023. While small-scale renewables add complexity, they should not be ignored in their entirety, as is the case in the current calculations.
2. *Inconsistent allocation of generation facilities to different states in different data sets* - In the National Electricity Market (NEM) the physical location of generation facilities may not align with interconnectors. For example, the Australian Energy Market Operator (AEMO) allocates the Snowy Hydro Ltd, Murray 1 and 2 sites to Victoria[ii] but under NGERs they are included for New South Wales.
3. *Use of rolling average data*: The current method (using three years of a historical rolling average of NGER grid connected generators) creates a considerable time lag between the Scope 1 emissions from these generators and their publication. In the NEM states, this can be complicated by interstate transfers, but it can easily be seen in the South West Interconnected System (SWIS) (Figure 1).

These issues arise in respect of the NGER Measurement determination values for all State and Territory jurisdictions. This leads to reporting variations. For example, for a combination of these reasons, under the Victorian Renewable Energy Target (VRET), the Victorian emission intensity is reported at approximately 0.89 kg CO_2-e/kWh[iii] for 2018/19 compared to the NGER figure of 1.07 kg CO_2-e/kWh.

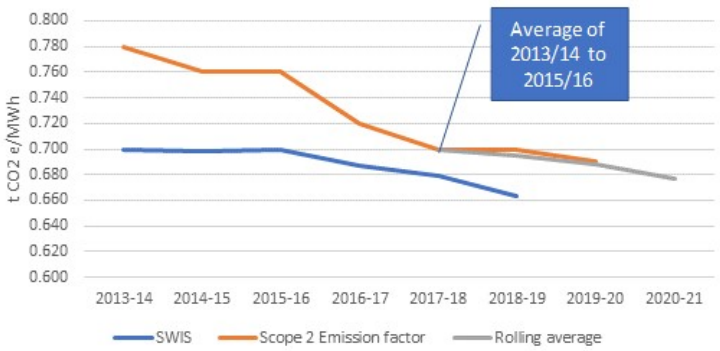

Figure 1. Showing the lag between emissions for the SWIS and the scope 2 emission factor[iv]

Pathway Forward

The Council would like to see the NGER Scope 2 calculation process updated to better align with the location-based method outlined in the GHG Protocol Scope 2 Guidance[v] referenced in the NGER Technical Guidelines[vi]. This would:

- Use the NGERs data from only the last reporting year.
- Use the NEM review data, as used in the VRET calculations (or equivalent for other grids), for estimated rooftop solar PV system grid import for the same time period as the NGER data.
- Use the AEMO NEM generation information to ensure that facilities are allocated consistently by state.
- Continue to account for transfers of electricity between states in the NEM.

These improvements to the Scope 2 calculation methodology would result in NGER emission factors better reflecting other internationally recognised reporting methods, and the evolving nature of the Australian electricity emissions profile.

The Council is happy to provide further information on any of the issues raised in this letter and look forward to continuing to work further with the Department of Industry, Science, Energy and Resources on these matters.

Kind regards,

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[i] http://www.cleanenergyregulator.gov.au/Infohub/Media-Centre/Pages/Resources/RET%20media%20resources/Small-scale-renewable-energy-tracker---Quarter-2-2019.aspx
[ii] https://www.aemo.com.au/-/media/files/electricity/nem/planning_and_forecasting/generation_information/nem-generation-information-april-2020.xlsx?la=en
[iii] https://www.energy.vic.gov.au/__data/assets/pdf_file/0030/439950/Victorian-Renewable-Energy-Target-2018-19-Progress-Report.pdf
[iv] http://www.cleanenergyregulator.gov.au/NGER/National%20greenhouse%20and%20energy%20reporting%20data/electricity-sector-emissions-and-generation-data/electricity-sector-emissions-and-generation-data-2018-19
[v] https://www.wri.org/publication/ghg-protocol-scope-2-guidance
[vi] https://publications.industry.gov.au/publications/climate-change/climate-change/climate-science-data/greenhouse-gas-measurement/publications/nger-technical-guidelines-reporting-year-2017-18.html