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Department of Climate Change, Energy, the Environment and Water
Via <https://consult.dceew.gov.au/aus-guarantee-of-origin-scheme-consultation>
3 February 2022

Dear Minister

Re: Australia's Guarantee of Origin (GO) and Renewable Energy Generation (REGO)

The Australian Aluminium Council (the Council) represents Australia's bauxite mining, alumina refining, aluminium smelting and downstream processing industries. The aluminium industry has been operating in Australia since 1955, and over the decades has been a significant contributor to the nation's economy. Today's aluminium industry contributes around \$16.9Bⁱ a year to the economy in export value. More than \$15 B of this comes from the alumina and aluminium industries, as value adding mineral processing sectors. The industry includes six large bauxite mines plus several smaller mines which collectively produce over 100 Mt per annum making Australia the world's largest producer of bauxite. Australia is the world's largest exporter of alumina with six alumina refineries producing around 21 Mt per annum of alumina. Australia is the seventh largest producer of aluminium, with four aluminium smelters and additional downstream processing industries including more than 20 extrusion presses. Aluminiumⁱⁱ is one of the commodities most widely used in the global transition to a clean energy future. It is also recognised for its importance to both economic development and low emissions transition. Aluminium is Australia's top manufacturing export. The industry directly employs more than 17,000 people, including 4,000 full time equivalent contractors. It also indirectly supports around 60,000 families predominantly in regional Australia. The aluminium industry has been operating in Australia since 1955, and over the decades has been a significant contributor to the nation's economy. Today's aluminium industry contributes around \$16.9Bⁱⁱⁱ a year to the economy in export value. More than \$15 B of this comes from the alumina and aluminium industries, as value adding mineral processing sectors.

The Council welcomes the opportunity to provide comment and feedback to the Discussion Papers on Australia's Guarantee of Origin (GO) and Renewable Energy GOs (REGO). However, as there is some overlapping context in the Council's position, a single submission has been prepared. The Council has responded to questions where relevant and notes that as each aluminium smelter, alumina refinery and bauxite mine has unique circumstances and contractual arrangements, the Council will present high level comments on the Papers.

Renewable Energy Certification

Within the East Coast National Electricity Market (NEM) the Australian aluminium industry has four aluminium smelters and two alumina refineries and uses more than 10% of the electricity consumed in the NEM. The four smelters collectively use about 2600 MW of electricity, which is more than the states of South Australia and Tasmania combined. Within the South-West Interconnected System (SWIS), there are four alumina refineries and three grid connected bauxite mines. However, if there was to be an increased supply

of competitively priced low or zero emissions electricity, and subject to technological advances, there is the potential to materially increase the electrification of alumina refineries in both the NEM and SWIS electricity markets. The Australian Renewable Energy Agency (ARENA) in consultation with Alcoa, Rio Tinto and South32 published a Roadmap for Decarbonising Australian Alumina¹ which articulates the scale of this potential

As noted in the Paper, many schemes use a market based Scope 2 emissions accounting framework. In 2022² the Government updated its Scope 2 reporting methodology under the National Greenhouse and Energy Reporting Scheme (NGERS) which largely addressed the Council’s concerns with the methodology including the removal of the three year rolling average and application of more complete data. There are, however, a number of outstanding issues including that total generation may still be an underestimate and the inclusion of land based emissions in Scope 2 but not Scope 1 methodologies³. Ensuring accurate estimates of Scope 2 emissions under NGERS remains an issue during the development of Renewable Electricity Guarantee of Origin (REGO) and the Guarantee of Origin (GO) initially for hydrogen (H2) and other future GO products.

The Council and its Members, like many electricity consumers are entering into future arrangements with regard to their electricity, including in the period beyond 2030 (Table 1). As such, the Council recognises the need to provide policy certainty around the structure for the certification of renewable energy beyond the timeline of the Renewable Energy Target (RET).

The Council notes the recognition of ‘below-baseline’ generation (generation from capacity which existed prior to 1997), small scale and offshore renewable generation accounting for the full range of generations within Australia. The RET is a specific scheme which was aimed at providing additional funding for additional renewable generation, over and above that which existed prior to 2001. The ongoing exclusion of below-baseline generation, predominantly hydropower generation from the Snowy Scheme and Tasmania, disadvantages Australian aluminium industry compared to international counterparts where there is no distinction based on the age of hydropower generation assets.

The Council notes the focus of a new mechanism to extend renewable electricity certificate creation for voluntary purposes outside the RET scheme, especially beyond 2030, to create a new form of renewable electricity certificate –Renewable Electricity Guarantee of Origin (REGO).

The Greenhouse Gas Protocol Standards and Guidance is currently undergoing consultation⁴. Market based reporting is one area that is likely to see significant interest in revision. The Clean Energy Regulator (CER) should monitor the development of market based reporting in the development of these schemes.

Table 1 Key Aluminium Industry Future Electricity Announcements

Activity	Link
Gladstone Renewable Request for Proposals	https://www.riotinto.com/news/releases/2022/Rio-Tinto-calls-for-proposals-for-large-scale-wind-and-solar-power-in-Queensland
Memorandum of Understanding between Tasmania and Rio Tinto	https://www.stategrowth.tas.gov.au/_data/assets/pdf_file/0010/334558/TAS-RIO_TINTO_MOU_Feb_2022.pdf
Spinifex Wind Farm (Portland)	https://arena.gov.au/news/offshore-wind-could-power-portland-aluminium-smelter/ https://www.spinifexoffshore.com.au/#/
Tomago Aluminium Renewable Future	https://www.tomago.com.au/tomago-aluminium-future-renewable-energy-needs/

¹ <https://arena.gov.au/assets/2022/11/roadmap-for-decarbonising-australian-alumina-refining-report.pdf>

² <https://consult.dceew.gov.au/2022-nger-scheme-proposed-updates>

³ <https://aluminium.org.au/wp-content/uploads/2022/05/220429-Aluminium-NGER-2022-Scope-2.pdf>

⁴ [Survey on Need for GHG Protocol Corporate Standards and Guidance Updates | Greenhouse Gas Protocol](#)

The Council's Members have responded to the consultation questions in their own submissions.

Guarantee of Origin

The Council recognises that while the GO scheme will focus on hydrogen, hydrogen energy carriers (e.g. ammonia) and renewable electricity over time it may be expanded over time to include metals such as aluminium (i.e., 'green' aluminium). A well-designed GO scheme will provide consumers with transparent and robust information regarding 'green' claims and other credentials of that product.

It is important that hydrogen GO schemes are internationally consistent to facilitate efficient international trade and enables informed choice for customers of both hydrogen and other Australian exports, including alumina and aluminium. Within the industry, the Aluminium Stewardship Initiative (ASI) provides a global certification scheme which includes not just carbon content, but the full range of Environmental, Social, and Governance (ESG) issues for all parts of the value chain⁵. Many of Australia's mines, refineries, smelters and chains of custody supply chains are certified. The global aluminium industry is also differentiating products on the basis of the carbon credentials⁶ and uses blockchain technology to provide provenance traceability and transparency⁷.

The Council has responded to selected consultation questions and also refers the Department to Members submissions for further details.

1: The scheme will be covered under new legislation administered by the CER

The Council supports the CER being the administrator of any new legislation on GO.

2: The Product GOs will cover the well-to-user system boundary.

The Council supports broadly aligning the calculation methodology boundary with an internationally recognised standard. The well-to-user system boundary is suitable for informing energy users as to the value chain emissions of the product GO. However, while this may be appropriate for hydrogen and its carriers, it is not appropriate for renewable energy or other materials such as aluminium. For example, the ASI outlines a Mine to Metal boundary.

3: There will be no minimum emissions intensity requirements for Product GOs and participation will be voluntary for both Product GOs and REGOs.

The Council supports the position that GOs should be voluntary with no minimum emission intensity requirements. The purpose of the scheme is to provide information to enable consumers to assess whether products meet their needs.

4: The GO scheme will be cost recovered in line with Australian Government policy.

The Council supports a simple cost recovery model.

5: The scheme will be reviewed in 2025 and every five years thereafter to ensure it is fit for purpose and able to support the industry.

The Council welcomes a framework which outlines the timing for future reviews. It would be useful to also articulate when the Department believes the future inclusion of other materials such as metals will be considered.

⁵ <https://aluminium-stewardship.org/asi-standards/performance-standard>

⁶ For example: <https://www.riotinto.com/-/media/Content/Documents/Products/Aluminium/RT-Aluminium-RenewAl-fact-sheet.pdf?rev=f89b8d105e15400fa053d58a364c3be8>,
<https://www.alcoa.com/sustainability/en/pdf/EcoSource.pdf>

⁷ <https://www.startresponsible.com/>

1: Product GOs and REGOs will be housed on a publicly visible register with general information and the ability to share specific information with other scheme participants.

The Council supports the visibility of general information (e.g., time of generation, grid location, commissioning date, end user, emissions intensity, volume, relevant inputs, etc.) required to enable an effective and transparent conduct of the schemes to the extent where information are not commercially sensitive and are within legal frameworks.

8: An upfront data reporting model will be implemented to provide a practical reporting process.

The Council supports the above policy to the extent that the model will be fit for purpose, streamlined, and will not become an additional administrative burden or cost.

9: There will be four scheme participant roles with differing responsibilities and permissions.

The roles for registration and participation are reasonable. The Council supports the flexibility of having the same participants being able to register for multiple roles. However, this model would require some review before being applicable to metals

10: The creation process will be implemented which combines batch data with the upfront profiles to create certificates. The creation period for GOs can range from a single hour to a year.

The Council supports this policy of flexibility in the creation of the GOs certificates.

11: Product GOs are proposed to require creation and transport and storage information to be complete. Product GOs can then be surrendered and report consumption information.

See response to Proposal 9.

13. The CER will undertake compliance monitoring and will have regulatory powers to address non-compliance.

The Council supports the CER undertaking appropriate compliance monitoring and having powers to address non-compliance. Since there is a requirement to complete third party assessments to generate the GO certificates, the risk-based audits should be limited.

14: LSTRs will provide third-party assurance of the information reported under the GO scheme. The need for LSTRs will be front-loaded requiring less as time goes on and participants demonstrate compliance with the requirements of the scheme

The Council supports this position.

15: Where Product GOs have incorrect information, they will be updated to reflect the most up to date information. After the ARC process, Product GOs will be finalised and not subject to further amendments.

The Council supports this position.

16: Where REGOs have incorrect information, they will not be updated and instead will follow an 'unders' and 'overs' reconciliation process to minimise impacts on the renewable electricity certificate market.

The Council supports this approach which is consistent with other renewable electricity market approaches.

17: The Department proposes the GO scheme methodologies will align where possible with the NGER and the Safeguard mechanism.

The Council supports that the GO scheme, NGERs and Safeguard Mechanism will align emissions accounting methodologies where relevant and possible. The Council supports the alignment of GO scheme methods to Safeguard Mechanism and NGER where possible with the exception of market-based Scope 2 emissions accounting in the well-to-user calculation of emissions as NGER only provides location-based electricity factors and possible this alignment should be extended to align with State based reporting schemes.

Emissions from hydrogen production required to be reported under NGER should be limited to the Scope 1&2 emissions of the operation as it is already within the NGER (Measurement) Determination. Expansion of this to incorporate the well-to-user method would be better placed in the National Greenhouse Accounts.

The recognition of consumption of hydrogen as a zero emissions source should be covered by NGER. Having Product GOs recognised under NGER and Safeguard mechanism reporting is important.

However, the Council notes that the GO scheme is voluntary where the other two schemes are mandatory. Additionally, and as noted in the Paper, some facilities which do not participate in NGER or the Safeguard Mechanism may still wish to participate in a GO scheme, for example the producer of a finished aluminium good.

18: The CER will be able to establish formal data sharing arrangements with the administrators of these schemes to streamline the creation process.

The Council supports the above policy to the extent that it will be fit for purpose and do not compromise commercially sensitive information and breach privacy laws.

19: Material emissions sources that must be measured for each product and production pathway will be specified in the methodologies. The sources will be selected based on materiality threshold of 2.5% of total emissions per source.

The Council generally supports the above principle of having an approach to materiality. As low emission sources emerge, an approach of fixed quantity minimum emissions and/or the % for materiality will be less burdensome on low emission producers.

20: ACCUs issued from within the system boundary will need to be surrendered for the emissions reductions to be recognised under the GO scheme. ACCUs or other carbon offsets cannot be used to reduce the emissions intensity of products listed on GO certificates.

The Council is supportive of this proposal and agrees that inclusion of offsets may not be internationally aligned.

22: A new RMF will be calculated for use within the GO scheme that is updated frequently and can be accessed by other market-based frameworks.

The Council supports a new method of calculating a RMF as a way of accounting electricity use not claimed by renewable energy certificates. This should be calculated and available on a State and Territory basis since the electricity mix across the country is vastly different and a national factor is not representative, and does not allow for a good comparison to the state-based location-based factors in NGER/NGA. We believe the use of the RPP as a proxy for calculating renewables within a RMF is also not a representative method and should be avoided.

23: RECs used to demonstrate renewable electricity usage in production of a GO product must have been issued within the previous 12 months. Additional information will be captured on REGOs to allow for voluntary time matching at a more granular level.

The 12-month time frame constraints are too limiting to be practical and reasonable for creation and surrender. The Council would like to see similar vintage allowances and flexibility as is currently available for LGCs/STCs which allow surrender of certificates created the year the electricity was acquired or earlier.

24: The GO scheme will expand over time by incorporating new product-specific methodologies. A prioritisation, development and review process with industry input and international engagement will be established to ensure domestic applicability, international alignment, and continued suitability of legislation.

The Council recognises the expansion of the GO scheme over time to incorporate new product-specific methodologies. When undertaking these expansions, the Council believes consideration will need to be given to existing and evolving global methodologies such as ASI for aluminium. The Council would welcome further insights into the timeline over which this will occur (note Feedback to Position 5)

Conclusion

It is important that GO schemes are internationally consistent to facilitate efficient international trade and enables informed choice for customers of Australian exports, including ultimately alumina and aluminium. The Council seeks a national climate and energy policy framework which is transparent, stable and predictable, while maintaining the economic health of the nation including vital import and export competing industries. The Council is happy to provide further information on any of the issues raised in this submission and looks forward to continuing to work with the Government on the development of climate policy.

Kind regards,



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ⁱ <https://www.industry.gov.au/sites/default/files/minisite/static/ba3c15bd-3747-4346-a328-6b5a43672abf/resources-and-energy-quarterly-september-2022/documents/Resources-and-Energy-Quarterly-September-2022-Aluminium.pdf>

ⁱⁱ <https://www.worldbank.org/en/topic/extractiveindustries/brief/climate-smart-mining-minerals-for-climate-action>

ⁱⁱⁱ <https://www.industry.gov.au/sites/default/files/minisite/static/ba3c15bd-3747-4346-a328-6b5a43672abf/resources-and-energy-quarterly-september-2022/documents/Resources-and-Energy-Quarterly-September-2022-Aluminium.pdf>