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Climate Change Authority
<https://consult.climatechangeauthority.gov.au/nger-scheme-survey>

15 September 2023

Dear Chair

Re: NGER Scheme Survey

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. It includes six 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 20 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. Aluminium is Australia's highest earning manufacturing export. The industry directly employs more than 19,000 people, including 6,600 full time equivalent contractors. It also indirectly supports around 60,000 families predominantly in regional Australia.

The Council welcomes the opportunity to respond to the Climate Change Authority's (the Authority) review (the Review) of the National Greenhouse and Energy Reporting Act 2007 (NGER Act) due to be submitted to the Minister for Climate Change and Energy before 31 December 2023. The Review of the NGER Act will focus on the NGER scheme, recognising the Safeguard Mechanism has been through a significant reform process. The Review focuses on:

- NGER scheme coverage, including sectoral coverage and thresholds
- Fugitive methane measurement, reporting and verification
- Transparency and data publication
- Confidentiality and Section 25 of the NGER Act
- Administration and compliance

This submission is made in addition to the Council's submission¹ to the CCA's Issues Paper earlier this year. In responding to the Review, the Council will respond only to selected questions for consideration.

NGER scheme coverage, including sectoral coverage and thresholds

1. *Are the current corporate group reporting thresholds under the NGER scheme appropriate?*

The Council believes that the current corporate group thresholds are appropriate and should be retained.

2. *Are the current facility reporting thresholds under the NGER scheme appropriate?*

¹ <https://aluminium.org.au/wp-content/uploads/2023/07/230630-Aluminium-CCA-Issues-Paper.pdf>

The Council's Members are already included in reporting thresholds. Lowering the threshold potentially increases the coverage of NGERs within the economy. If the NGERs threshold should be lowered, then there should be consultation on what this level should be, how many more facilities and what sectors would be included.

3. *Are there any sectors not currently part of the scheme that should be added? (e.g. agriculture, land)*

The Council notes that, to date, there has been considerable national focus on the electricity generation and industrial sectors, including through NGERs and the associated Safeguard Mechanism. To date, the Government has outlined incentives for all emissions sectors groupings in the economy, but Safeguard is the only sector facing significant punitive financial impacts.

The Government is currently developing development of Sectoral Decarbonisation plans² and these plans should help inform whether NGER is an appropriate part of the reporting process for these sectors, such as land and agriculture. However, at a principle level, the Council supports the implementation of consistent schemes, such as NGER, across the economy.

4. *Currently only constitutional corporations can have obligations under the NGER scheme. Should the NGER scheme be expanded to other entities?*

The Council believes that NGERs should continue to be applied at the current constitutional corporation level.

5. *Should the NGER scheme be expanded to include scope 3 emissions? Why/why not?*

The Council does not support the expansion of NGER to include Scope 3 emissions.

Firstly, there is still considerable work to be done to continue to improve NGERs Scope 2 methodologies. The Council has been raising concerns about Scope 2 methodologies with both the Department and the Clean Energy Regulator (CER) since early 2020 and while substantial progress has been made to improve the Scope 2 emission factors methodology since this time, including as part of the 2022 NGER amendments, there are still issues to be resolved. The Council believes that there are further opportunities to improve Scope 2 reporting under NGER, including alignment with the Greenhouse Gas Protocol Corporate Accounting Standards (currently under review), where appropriate. Australia's methodologies need to ensure they are updated to international standards such as modified IPCC methodologies and global warming potential changes, in a timely manner. The Department, CER and industry all have collective capacity limitations on resolving these issues and this should be the focus, not Scope 3.

Secondly, and more importantly, Scope 3 reporting has complexities in boundaries, double counting and assurance of data which are well beyond the current complexities of existing NGER requirements. NGER reporting is focussed on facility level reporting of energy and emissions within operational control. By contrast, Scope 3 emissions are already reported at a corporation level, where the appropriate materiality and context can be quantified. NGER aims to avoid duplication, however, Scope 3 emissions are already being considered under the current Treasury Climate Related Financial Disclosure³. The scale and complexity of inclusion expansion of NGER to Scope 3 should not be underestimated.

6. *Is there anything else you would like to tell us about the NGER scheme thresholds or coverage?*

Overall, the Council urges caution before attempting to add any additional emissions reporting requirements to existing NGERs requirements. The same resources within organisations which are responsible for NGER reporting are also those which are currently implementing the Safeguard, considering the new climate related financial disclosure requirements, understanding the implications of changing energy market conditions and supporting decarbonisation of assets. There is limited capacity for change, and the Council would argue that, rather than increasing reporting burdens, changes to NGER should be limited to allow these resources to focus on decarbonisation as the most important of these tasks.

² <https://minister.dccew.gov.au/bowen/speeches/address-clean-energy-council>

³ <https://treasury.gov.au/consultation/c2023-402245>

Transparency and data publication

13. *How well does the current publicly available data meet your data needs?*

The current publicly available data meets the Council's and its Member's needs. However, as data for Safeguard facilities is already publicly available, the Council would support increased public transparency of other NGER data.

14. *Thinking about the current publication threshold and the impacts of publishing data on reporting corporations, data users and meeting our climate targets, what changes would you recommend to government?*

Also noting the response to Q6, the Council would not support any changes to publication of data which impact on the reporting requirements for NGER facilities and corporations. However, the Council recognises the need for increased public transparency based on data which is already collected.

Administration and compliance

19. *How satisfied are you with the Department of Climate Change, Energy, the Environment and Water's role in maintaining and updating the NGER scheme?*

The Council has appreciated the responsiveness of the Department in addressing concerns with regard to Scope 2 methodologies over recent years. However, the Council has been concerned about the inclusion of some processes, particularly the inclusion of voluntary options with less rigorous methodologies under NGER⁴. This has risked the current reputation of a high standard and integrity of NGER.

20. *How satisfied are you with the Clean Energy Regulator's administration of the NGER scheme?*

The Council has been raising concerns about Scope 2 methodologies with both the Department and the Clean Energy Regulator (CER) since early 2020 and while substantial progress has been made to improve the Scope 2 emission factors methodology since this time, including as part of the 2022 NGER amendments, there are still issues to be resolved. The Department, CER and industry all have collective capacity limitations on resolving these issues.

22. *How helpful do you find the Clean Energy Regulator's guidance provided on its website and through other channels, such as by phone and email, in ensuring you correctly report under the NGER scheme?*

The Council's Members appreciate the support of the CER in ensuring compliance with NGER reporting requirements.

Conclusion

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 recognises that the Authority has an important ongoing role in the evolution of Australia's climate framework and looks forward to continuing constructive dialogue with during its development. The Council is happy to provide further information on any of the issues raised in this submission.

Kind regards,



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⁴ <https://aluminium.org.au/wp-content/uploads/2023/05/230428-Aluminium-NGER-Measurement-Update-2023.pdf>