AUSTRALIAN ALUMINIUM COUNCIL LTD

Department of Climate Change, Energy, the Environment and Water
https://consult.dcceew.gov.au/national-greenhouse-and-energy-reporting-nger-scheme-2024-proposed-updates

24 May 2024

Dear Minister

National Greenhouse and Energy Reporting Scheme – 2023 Proposed Amendments Consultation Paper

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, with export earnings of $16 billion per annum. The industry includes six large bauxite mines plus several smaller mines which collectively produce over 100 Mt per annum making Australia one of the world's largest producers 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. Aluminium[1] 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 19,000 people, including 6,600 full time equivalent contractors. It also indirectly supports around 60,000 families predominantly in regional Australia.

The Department of Climate Change, Energy, the Environment and Water (DCCEEW) has released a Consultation Paper (the Paper) and a draft Amendment (the Amendment) focussed on the 2024 Proposed Amendments to the National Greenhouse and Energy Reporting Scheme (NGER). The Council also notes the consultation between DCCEEW and its Members on NGER over recent months and considers this quality of consultation to be something which should be emulated by other Government processes.

Of the proposed amendments for 2024, only those associated with scope 2 emissions from consumption of electricity and a market based approach for reporting scope 1 emissions from renewable fuels are of relevance to the Council.

The Council also notes that some of its Members have also made submissions, and these should be read alongside this submission.

Scope 2 emissions from consumption of electricity

As noted in the Paper, in 2023 an optional, supplementary 'market-based method' for calculating the emissions associated with consumption of electricity ('scope 2' emissions) was introduced to allow NGER reporters to make unique claims on the zero emissions intensity attributable to some renewable electricity. The market-based method uses a residual mix factor (RMF), which is an emission factor derived from the emissions and generation on-grid, adjusted for the renewable generation associated with Large-scale Generation Certificates (LGCs).

[1] https://www.worldbank.or g/en/topic/extractiveindustries/brief/climate-smart-mining-minerals-for-climate-action

During consultation on the 2023 Paper, the Council outlined that it was concerned about the timing of the implementation of this change but that also particularly the use of a single national RMF for market based reporting instead of having state and territory (or grid) based residual mix factors available, similar to the location based factors under NGER. The Council outlined that this was important, even while this is a voluntary option, to maintain the standard and integrity of NGER reporting. The consultation with DCCEEW has identified that this matter is complex and there remains a range of views within the Council membership, as articulated in specific Member submissions.

Other concerns about the accounting (location and market based) previously raised by the Council include:

- Temporal matching of RMF to provide an incentive for measures such as daytime electric vehicle (EV) charging and powering down ancillary equipment overnight, as well baseload customers, such as aluminium smelters, that can flex their demand to support the grid. For practicality this could be done as annual averages. For example, for the SWIS for a single year there may be three RMFs based on period of use similar to time of use retail electricity plans. To further support these activities, consideration could be given to seasonal, instead of annual RMFs, consistent with other future changes in reporting and Guarantees of Origin;
- The RMF formula includes methane emissions due to organic matter decomposition within hydroelectric dams. These emissions are not covered or recognised as covered scope 1 emissions under NGER and typically form part of a lifecycle assessment. Standard accounting practices for residual mix factors take a generation only emissions approach relating to the fuels and energy consumed in electricity production. The Council would like to see a generation only approach to emissions in market based and location based electricity intensity factors.
- The inclusion of mining emissions from large generators with connected mines. These emissions and the associated electricity use should be considered scope 3 emissions rather than scope 2 consistent with the Greenhouse Gas Protocol and mines that are reported separately under NGER.

The Council notes intention that that market-based accounting for scope 2 emissions is proposed to be made mandatory from 2027 under the Treasury-led climate related financial disclosure legislation. The Council believes that this should remain optional, with reporters having the flexibility to report either or both. Mandating market based reporting puts considerable pressure on reporters to purchase LGCs. This is inconsistent with the Energy-Intensive-Trade-Exposed (EITE) provisions under the Renewable Energy Target (RET), designed to protect these activities, many of which are strategic materials or critical minerals for the net zero transition, from higher electricity prices than international competitors. This unintended consequence does not appear to have been considered in proposing this requirement.

New reportable item to flag overlap of scope 1 and scope 2 emissions estimates of a corporation

The Council welcomes the inclusion of a method to recognise that the potential overlap of scope 1 and scope 2 emissions of a corporation. This helps align NGER reporting with the GHG Protocol Corporate Accounting Standards that allow for the removal of the double counting of scope 2 emissions. This currently occurs when a facility within the same controlling corporation reports scope 1 emissions from generating electricity and a second facility consumes that electricity. When facilities are aggregated into a corporate level report this leads to double counting. The methodology must be broad enough to ensure that all double counting is removed, if the reporting requirement is only directed at an entity or facility level, this will not be sufficient.

Market-based approach for reporting scope 1 emissions from RAK and renewable diesel

The Council welcomes the proposal to introduce a market-based approach for determining scope 1 emissions that occur when renewable aviation kerosene (RAK) and renewable diesel (RD) are consumed after they have been co-mingled with their fossil fuel equivalents and supplied through shared infrastructure systems. The use of renewable fuels is a key pathway for decarbonisation of industry and resource emissions and needs recognition under NGERs and Safeguard to appropriately account for this. The Council would like a similar methodology to be developed and extended to biomethane as soon as practicable for similar reasons and which may present an even larger abatement opportunity for Council Members.

Conclusion

The Council welcomes the opportunity to continue to engage with the Department on improving NGER. The Council is happy to provide further information on any of the issues raised in this submission.

Kind regards,

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