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

11 April 2025

Dear Minister

National Greenhouse and Energy Reporting Scheme – 2025 Public Consultation

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. Department of Industry, Science and Resources has recently forecast[1] that earnings for Australian exports of aluminium, alumina and bauxite are expected to rise from $16 billion in 2023–24 to $18 billion in 2024–25. More than $14B 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 one of the world's largest producers of bauxite. Australia is the world's largest exporter of alumina with five 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[2] 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 21,000 people, including 6,600 full time equivalent contractors. It also indirectly supports a further 55,000 families predominantly in regional Australia. The integrated industry contributes around $18 B to Australia's GDP.

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 2025 Proposed Amendments to the National Greenhouse and Energy Reporting Scheme (NGER).

Of the proposed amendments for 2025, only those associated with scope 2 emissions from consumption of electricity and a market-based reporting of emissions from consumption of biomethane and hydrogen are of relevance to the Council. The Council notes the NGERs forward work program, particularly for scope 2 emissions.

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

[1] https://www.industry.gov.au/publications/resources-and-energy-quarterly-december-2023
[2] https://www.worldbank.org/en/topic/extractiveindustries/brief/climate-smart-mining-minerals-for-climate-action

Scope 2 emissions from consumption of electricity

The Council has previously outlined that it was concerned about 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.

The Council recognises the Departments proposal that where a reporting entity voluntarily uses the market-based method for a facility within a controlling corporation's group and the alignment proposes to make it mandatory to use the market-based method for all facilities within a controlling corporation's group that reported a location-based scope 2 emissions estimate from the purchase or acquisition of electricity.

It is essential that the pathway forward on this is aligned with the work being undertaken on the development of the Guarantees of Origin (GO) Scheme, particularly the application of the Renewable Energy Guarantees of Origin (REGO) including below baseline certificates for Scope 2 accounting. At the very least, this should include a public commitment to update the measurement determination when the REGO legislation takes effect as the Council believes that this may require consultation to reflect the necessary changes in RMF calculation methodologies.

Potential future updates to the Market Based method to incorporate the Renewable Electricity Guarantee of Origin (REGO)

The Council notes that the department is considering how to recognise Renewable Electricity Guarantee of Origin (REGO) under the NGER scheme. However, as outlined in DCCEEW's Consultation Paper Exposure draft (tranche 1) – Future Made in Australia (Guarantee of Origin) Rules 2025 (February 2025) the Rules containing restrictions on retirement of below-baseline certificates, spatial and temporal restrictions on certificates for particular products and schemes will follow in future consultation rounds on exposure drafts.

The GHG Protocol Scope 2 Guidance recognises a range of contractual instruments that can convey unique rights to MWh of renewable energy, some of these contracts involve certificate transfer and surrender and others agree the rights to the zero emission claims where are a certificate is not created. Where entities are purchasing renewable electricity directly from the electricity producer, the purchaser could stipulate that the renewable energy attributes from the producer are included. This means the producer would be prevented from selling these energy attributes elsewhere (unbundled REC). In line with the GHG Protocol, the entity would then report its market-based scope 2 emissions reflecting the unique commercial rights to this purchased renewable electricity. Is there anything in the REGO scheme that would prevent this? If not, the Council believes that the NGER measurement determination should consider recognition of this as a valid market based Scope 2 reporting mechanism?

Until consultation commences on REGO, which outlines the treatment of below baseline REGOs, spatial and temporal restrictions, it is difficult for the Council to offer opinions on the interactions of the future REGO and RET. The Council would welcome the opportunity to engage further with the Department once further details of the Government's current position are publicly available.

Market-based reporting of emissions from consumption of biomethane and hydrogen

The Council notes the proposal to introduce a market-based approach reporting of emissions associated with the consumption of biomethane and hydrogen. In its 2024 submission the Council noted that the use of a variety of low carbon liquid and gaseous 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 paper outlines that a key impediment to the use of renewable gas is not being able to claim the emission saving which would be resolved by market based reporting. The Council is satisfied with the treatment of biomethane due to the similar nature to natural gas, like renewable liquid fuels.

However, the proposed changes appear premature for hydrogen without further consideration of:

- The potential for double counting with facilities that use methods 2-4 to report emissions from the combustion of natural gas. These higher order methods are mandatory for gas fired designated power stations and are used by other facilities to allow for more accurate reporting. The molar percentage of component gases, including hydrogen, is used for the calculation of the emission intensity using this method. Changes to methods 2-4 for the combustion of natural gas should not be made without further consultation.
- The consultation paper mentions that emissions from network losses will be reported by the gas distribution owner, but no changes have been proposed for Division 3.3.8.
- Should a facility be able to claim a larger proportion of hydrogen usage than their onsite equipment can take? For example, most gas fired boilers would require modifications to run on 100% hydrogen, these changes may not be required for a lower percentage blend.
- Beyond reporting, other issues need to be considered before blending hydrogen into a natural gas pipeline, including impacts to other users and distribution networks. Such as, are there increased risks to equipment integrity or safety to other consumers in the network? For example, would a large gas user become a major hazard facility due to hydrogen blending in the line? Could this result in increases in regulatory costs along with more equipment maintenance being required?

Temporal and spatial restrictions on certificate surrender ideally should be consistent between both the NGER and GO schemes.

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,

Marghanita Johnson
Chief Executive Officer
Australian Aluminium Council
M +61 (0)466 224 636
marghanita.johnson@aluminium.org.au