

Feedback on Australia's Exposure Draft Legislation for Climate-Related Financial Disclosures.

**Evident & International Tracking Standard Foundation
joint response.**

9.2.2024



I-TRACK
Founder of I-REC



Summary

We are grateful for the opportunity to provide commentary on this draft legislation.

In summary, we recommend:

1. That corporations should be able to use internationally recognised tracking instruments such as I-REC(E), alongside other instruments available in the Australian market, to demonstrate market-based accounting of Scope 2 emissions. If needed, we recommend that relevant amendments are made to recognise the eligibility of I-REC(E) for corporate emissions reporting requirements.
2. That the Australian Government publish or commission a yearly 'residual mix' calculation to accurately reflect grid emissions factors.
3. That national emissions accounting systems align and are interoperable with international standards and best practices.

We elaborate on these points in the Comments and Recommendations section below.

Background

The International Tracking Standard Foundation (I-TRACK Foundation), formerly known as the International REC Standard Foundation, is a non-profit organisation that aims to standardise the way tracking of products and commodities is managed around the world. The I-TRACK Foundation accredits organisations, known as Issuers, to operate the system locally and in line with established rules and their respective national legislation. Evident EV Ltd provides registry services for a range of tracking instruments to ensure that every transaction and consumer claim is uniquely traceable to the activity associated with a certificate's creation.

The International Renewable Energy Certificate for electricity (I-REC(E)), one of the I-TRACK Foundation's accredited Product Codes, is available in over 60 countries, with governments or state-owned companies acting as implementors of the system in several markets including New Zealand, Thailand, and the United Arab Emirates. In other countries, including Australia, the system has been implemented after engaging with national authorities.

The I-REC(E) is an evidence-based tracking system implemented by Evident, which maintains a single digital registry that tracks all issuances, transfers, and retirements of certificates globally. In Australia, a local and knowledgeable issuer, an independent firm called Oakley Greenwood, is responsible for the onboarding of new devices and the verification of issuance requests. The implementation of I-REC(E) in Australia takes into account the Renewable Energy Target and LGCs to ensure alignment and avoid any potential double issuance. Only below-baseline generation is eligible for I-REC(E) issuance and the verification is done with the same data, sourced from the Clean Energy Regulator, as is required for issuance in the LGCs.

The global I-REC(E) market has grown to nearly 300 TWh of annual issuance since its launch in 2014. **The Australian market, active since 2022, had just under 500,000 issuances in 2022, rising to over 3.2 million (representing 3 TWh) in 2023.** A vast majority of these volumes are issued to government-owned corporations that have successfully delivered these to buyers in Australia. **The total registered capacity of Australian hydroelectric power stations in the I-REC(E) Registry is, as of December 2023, 4,700 MW. This is a significant portion (60%) of the total 7,800 MW that exist in Australia** (last updated 7 June 2023).



The I-Track Standard ensures that all RECs (Renewable Energy Certificates) for electricity are in adherence with major international reporting standards including the Greenhouse Gas Protocol (GHGP), CDP, RE100, ISO, and others. Recognition of I-REC(E) by the legislation implementing Australia's new climate-related financial disclosures would allow Australian companies access to a critical accounting and decarbonisation instrument aligned with international practice. We welcome the opportunity to contribute to these policies and appreciate the government of Australia's efforts to consult widely and regularly with stakeholders wherever possible.

Comments and Recommendations

We recommend continued close coordination with relevant entities such as the Department of Climate Change, Energy, the Environment and Water and the Climate Active program to make sure that any possible guidance on Scope 2 reporting is in line with other national developments. We have contributed to consultations to both entities in 2023 and we highlight a couple of points from these previous submissions below for reference and re-emphasis.

1. **Corporations should be able to use internationally recognised tracking instruments like the I-REC(E) to demonstrate market-based Scope 2 emissions.** We strongly support the eventual requirement that companies report both market-based and location-based Scope 2 emissions. Market-based reporting says something about the individual contributions of an entity whereas location-based reporting says something about the aggregated contributions of governments, from federal to local level, and all of its organisations, businesses and other electricity end-users. Since these disclosures seek to account for the emissions of individual businesses, it makes sense to rely on market-based instruments. In addition, businesses will lose motivation to contribute to the transition towards clean energy sources if they cannot claim the results of their work, which would be the case in reporting with the location-based methodology. We cannot expect individual businesses to change the grid emission factor of a whole country, state, or territory by themselves. (For more detail on the importance of market-based accounting in driving decarbonisation, please see the I-TRACK Foundation's response to a GHGP consultation [here](#).)

The Exposure Draft Legislation and the policy statement it aims to implement refers to the National Greenhouse and Energy Reporting (NGER) legislation in outlining requirements surrounding market-based emissions reporting. Unfortunately, the NGER predates the advent of I-REC(E) and makes no mention of this instrument that certified 3 TWh of renewable energy generation in 2023 and represents 60% of Australia's hydroelectric power generation. To enable full transparency in reporting emissions as a result of electricity consumption through a market-based methodology, companies must have access to all energy sources, or at least all renewable energy sources. As such, the issuance in Australia must be expanded into below-baseline generation as hydropower covers a large portion of the Australian generation.

We recommend that amendments to the NGER be included alongside proposed amendments to the Australian Securities and Investment Commission Act 2001 and the Corporations Act 2001. These amendments would ideally explicitly recognise the eligibility of I-REC(E) for use in calculating market-based Scope 2 emissions, alongside CER-administered Large-scale Generation Certificates (LGCs) and GreenPower electricity, in section 7.4(3) of the National Greenhouse and Energy Reporting (Measurement) Determination 2008.

2. **Publish a yearly residual mix to accurately reflect grid emissions factors.** As we have recommended in other consultation responses, we would encourage the Australian Government to calculate and publish a yearly residual mix that excludes electricity generation tracked and claimed through LGCs, GreenPower, I-REC(E) and any other renewable energy certificates used in the Scope 2 disclosures of individual companies. Such calculations are essential to prevent double counting of clean energy consumption in grid emissions factors, particularly in countries with active REC markets. The I-TRACK Standard has developed a methodology (available [here](#)) with NORSUS, a Norwegian



consultancy that helped the development of the first residual mix calculations in Europe in 2009 and whose work is still recognisable in the current European methodology. The I-TRACK Foundation, or our Australian Issuer, will happily support in the yearly calculation of the Australian residual mix that can be used by entities complying with these climate-related disclosures.

3. **National systems should align with international best practice.** Harmonisation among various REC and other climate reporting systems has been especially practical for multinational companies reporting on power consumption across markets. Emissions-linked trade policies (e.g. the EU's CBAM (Carbon Border Adjustment Mechanism) and similar policies under consideration) are also making compatibility and comparability between national accounting schemes increasingly important. The Australian Government has taken great initiative in developing guarantees of origin policies, this corporate climate disclosures policy, and mechanisms to reinforce voluntary efforts like the Climate Active Program. As we have recommended in responses to consultations from these other Australian initiatives, we encourage recognition of clean economy accounting instruments such as I-REC(E) that are widely used in markets across the globe.

Thank you for taking the time to consider our views, which we hope are useful in Australia's admirable efforts to accelerate decarbonisation and other climate change mitigation efforts.

Yours sincerely,

Evident and the I-TRACK Foundation.