

9 February 2024

Director - Climate Disclosure Unit

The Treasury

Australian Government

By email: ClimateReportingConsultation@treasury.gov.au

GreenPower submission to Treasury's consultation on the Australian Government's Climate-related financial disclosure: exposure draft legislation

The National GreenPower Accreditation Program (GreenPower) welcomes Commonwealth Treasury's consultation on the *Climate-related financial disclosure: exposure draft legislation*.

GreenPower strongly supports Treasury's proposal to require the disclosure of market-based Scope 2 emissions. This is important as the market-based Scope 2 emissions method utilises the emissions intensity of the electricity that a company is actually purchasing, rather than the average emissions intensity of grid electricity in the area/s they operate in.

The market-based method for calculating Scope 2 emissions provides key data to investors on a company's progress towards reaching net zero emissions and the risks and opportunities created by contractual relationships and a company's procurement actions. It also provides a much more accurate representation of its actual contribution to emissions from the generation of electricity than the location-based Scope 2 method.

This is important as emissions from electricity consumed by Australian companies is responsible for around 19% of Australia's greenhouse gas emissions: around one third of Australia's greenhouse gas emissions are from electricity generation ([DCCEEW 2023](#)), and around 60% of Australia's total electricity consumption is by industrial and commercial entities ([ACCC 2018](#)).

In our experience, the market-based Scope 2 method is easily understood and is already in widespread use by Australian companies. It has been part of the GHG Protocol, the global standard for measuring greenhouse gas emissions, since 2015, and part of CDP's questionnaire requesting the disclosure of climate change information from ASX200 companies and thousands of other companies around the world since 2015.

GreenPower suggests the proposed timings for the disclosure of market-based Scope 2 emissions be brought forward and aligned with the timings for Scope 1 and location-based Scope 2 emissions.

Australia's Commonwealth, state and territory governments are all committed to reaching net zero emissions by 2040-2050 and are all making significant investments in transforming Australia's electricity supply to run mainly on renewables. The Australian Government has committed to a national renewable electricity target of 82% by 2030 ([DCCEEW 2022](#)) and most state and territory governments have also set jurisdictional renewable electricity targets.

Bringing forward and aligning the timings for the disclosure of market-based Scope 2 emissions with the timings for Scope 1 and location-based Scope 2 emissions will help Australia's national, state and territory governments to reach their 2030 renewable electricity targets, increase and bring forward demand for the renewable electricity that both governments and private companies are investing in and accelerate Australia's transition to net zero emissions.

Issues with Treasury's proposed timings for the disclosure of market-based Scope 2 emissions

Treasury is currently proposing that "market-based (in addition to location-based) Scope 2 emissions should be disclosed if required under the NGER legislation and no later than financial years commencing on or after 1 July 2027." (Treasury (2024), [Policy Position Statement – Mandatory climate-related financial disclosures](#), p3).

The proposed delay in the timings of market-based scope 2 reporting is not consistent with ISSB's IFRS S2 Climate-related Disclosures standard that "requires a market-based method of emissions estimation which consider the purchase and use of renewable electricity in calculating emissions" ([Energetics 2023](#)).

Treasury's proposal to provide a one year delay in requiring entities to disclose Scope 3 emissions and a three year delay in the disclosure of market-based Scope 2 emissions doesn't appear to consider:

- the greater level of control that companies have over reducing their Scope 2 emissions – in virtually all cases, companies have direct control over who their electricity provider/s are and can either direct them to procure renewable or lower-emissions electricity or easily change to other electricity provider/s.
- the complexities of Scope 3 reporting and relative ease of market-based Scope 2 emissions reporting. There are 15 categories of Scope 3 activities, upstream and downstream of a company's operations. In virtually all cases, it is much easier for a company to source offsite renewable electricity and install rooftop solar (to reduce their grid electricity usage and market-based Scope 2 emissions) than negotiate with their suppliers to reduce their upstream Scope 3 emissions or change the impacts of many of the corporate practices which are reflected in their downstream Scope 3 emissions.

GreenPower believes the proposed timeline for the implementation of the disclosure requirements for each scope of emissions should be adjusted to better reflect the greater level of control that companies have over their Scope 2 emissions and the ease of reporting market-based Scope 2 emissions in comparison to Scope 3 emissions.

| First annual reporting periods starting on or after | Large entities and their controlled entities meeting at least <u>two of three</u> criteria: | | | National Greenhouse and Energy Reporting (NGER) Reporters | Asset Owners |
|---|---|--------------------------------|----------------|---|---|
| | Consolidated revenue | EOFY consolidated gross assets | EOFY employees | | |
| 1 July 2024 Group 1 | \$500 million or more | \$1 billion or more | 500 or more | Above NGER publication threshold | N/A |
| 1 July 2026 Group 2 | \$200 million or more | \$500 million or more | 250 or more | All other NGER reporters | \$5 billion assets under management or more |
| 1 July 2027 Group 3 | \$50 million or more | \$25 million or more | 100 or more | N/A | N/A |

(Source: Treasury (2024), [Policy Position Statement – Mandatory climate-related financial disclosures](#), p2)

Treasury's proposed disclosure timelines

| First annual reporting periods starting on or after | Cohort | Reportable emissions |
|---|---------|------------------------------|
| 1 July 2024 | Group 1 | Scope 1 & 2 (location-based) |
| 1 July 2025 | Group 1 | Scope 3 |
| 1 July 2026 | Group 2 | Scope 1 & 2 (location-based) |
| 1 July 2027 | Group 3 | Scope 1 & 2 (location-based) |
| | Group 2 | Scope 3 |
| | Group 1 | Scope 2 (market based) |
| 1 July 2028 | Group 3 | Scope 3 |
| 1 July 2029 | Group 2 | Scope 2 (market based) |
| 1 July 2030 | Group 3 | Scope 2 (market based) |

Under Treasury's proposal, the disclosure of market-based Scope 2 emissions by each cohort is proposed to start two years after they're required to report Scope 3 emissions which are much more complex to disclose than market-based Scope 2 emissions. This is unusual and would mean:

- Group 1 (~723 entities) are only proposed to be required to report market-based Scope 2 emissions from 1 July 2027.
- Group 2 (approximately 755 entities and 362 NGER reporters) are only proposed to be required to report market-based Scope 2 emissions from 1 July 2029.
- Group 3 (up to 4,555 entities) are only proposed to be required their market-based Scope 2 emissions from 1 July 2030.

GreenPower's suggested changes to disclosure timings

GreenPower suggests that the proposed timings for the implementation of market-based Scope 2 reporting should be reviewed and aligned with the requirements for location-based Scope 2 reporting from the first year of a company's reporting. GreenPower suggests the timings should be changed to the following:

| First annual reporting periods starting on or after | Cohort | Reportable emissions |
|---|---------|--|
| 1 July 2024 | Group 1 | Scopes 1 & 2 (location-based and market-based) |
| 1 July 2025 | Group 2 | Scopes 1 & 2 (location-based and market-based) |
| | Group 1 | Scope 3 |
| 1 July 2026 | Group 3 | Scopes 1 & 2 (location-based and market-based) |
| 1 July 2027 | Group 2 | Scope 3 |
| 1 July 2028 | Group 3 | Scope 3 |

GreenPower believes these suggested changes to disclosure timings would better reflect the:

- greater level of control that companies have over their Scope 2 emissions, and
- ease of reporting market-based Scope 2 emissions in comparison to Scope 3 emissions
- significant impact - around 19% - of Australia's greenhouse gas emissions are estimated to be from electricity consumed by Australian companies

Bringing forward and aligning the timings for the disclosure of market-based Scope 2 emissions with the timings for Scope 1 and location-based Scope 2 emissions will help Australia's national, state and territory governments to reach their 2030 renewable electricity targets, increase and bring forward demand for the renewable electricity that both governments and private companies are investing in and accelerate Australia's transition to net zero emissions.

About the GreenPower Program

Established in 1997, GreenPower enables business and household customers to match their electricity use with accredited GreenPower renewable electricity, which is added to the grid on their behalf. The program is managed by the NSW Government on behalf of state and territory governments. This submission presents the positions of the program rather than the positions of participating jurisdictions.

GreenPower has made a significant contribution to the Australian renewable energy industry with over 250,000 customers choosing to purchase GreenPower products in 2022, and around \$1 billion having been invested back into the renewable energy sector since 2005.

In August 2023, we also launched the Renewable Gas Certification Pilot. This new certification allows commercial and industrial gas users to directly support renewable gas projects, displacing fossil natural gas use with low-emissions renewable gas. Businesses do this by purchasing certificates so their network gas use is matched with renewable gas that is added to gas networks on their behalf, equivalent to how renewable electricity certificates are used.

Thank you for the opportunity to comment on this exposure draft legislation.

If you have any queries regarding this submission, please contact Jo Waugh or James Day at greenpower.admin@planning.nsw.gov.au.

Kind regards



James Day

A/Manager, National GreenPower Accreditation Program