

15 September 2023



Mr Brad Archer
Chief Executive Officer
Climate Change Authority
Level 1 7 London Circuit
Canberra, ACT, 2601

Sent via email: consultation@climatechangeauthority.gov.au

Dear Mr. Archer

NATIONAL GREENHOUSE AND ENERGY REPORTING (NGER) SCHEME SURVEY

The Chamber of Minerals and Energy of Western Australia (CME) is the peak representative body for the resources sector in Western Australia. CME is funded by member companies responsible for more than 55 per cent of Australia's mining new capital expenditure¹ and 44 per cent of Australia's corporate income tax receipts by value in 2020-21. Member companies include mining (mineral and petroleum commodities), manufacturing (alumina, basic inorganic chemicals and explosives) and supporting services.

CME welcomes the opportunity to provide feedback to the Climate Change Authority (CCA) consultation on potential changes to the National Greenhouse and Energy Reporting (NGER) Scheme on behalf of its members. This submission focuses on two key aspects of the consultation: the inclusion of scope 3 emissions and potential alterations to reporting thresholds, since these aspects have been raised by CME members as posing the greatest technical challenge and administrative burden.

Proposed changes, including lowering reporting thresholds and inclusion of scope 3 emissions, introduce complex technical challenges to reporting entities amidst numerous ongoing reforms to greenhouse gas (GHG) and energy regulation. CME considers that these proposals increase administrative burden and risk overwhelming industry with reporting obligations that are challenging to meet.

1. Expanding NGER scheme to include scope 3 emissions

Inclusion of scope 3 emissions in the NGER scheme is more challenging and complex than the inclusion of scope 1 and 2 emissions, which are directly related to activities that are within the operational control of the controlling corporation. Amending the coverage of the NGER scheme to include scope 3 emissions will not be a simple extension of the existing scheme; it will require wholesale redesign of the NGER legislative framework, principles and structures that comprise the basis of emissions reporting in Australia.

As many of CME's members have begun voluntary scope 3 emissions disclosures, CME recommends reflecting on lessons learned from the mining and resources sector. CME understands from our members that boundary setting, data availability and stakeholder engagement are among the major difficulties of scope 3 reporting. These are not insignificant challenges and addressing them over time will require an iterative process of improving estimation practices and better understanding data. This process of continual improvement, and the resultant transformation of scope 3 emissions reporting, is not naturally suited to a mandated reporting regime.

Other key issues that need to be considered are outlined below.

Alignment to NGER principles

Section 1.13 of the NGER (Measurement) Determination 2008 (Measurement Determination), requires emissions and energy data to be prepared according to the principles of transparency, comparability,

¹ Australian Bureau of Statistics, [5625.0 Private New Capital Expenditure and Expected Expenditure Australia](#), December 2022 reference period, tables 1 and 15.

accuracy and completeness.² Measuring and reporting scope 3 emissions in accordance with these principles presents substantial challenges:

- Scope 3 emissions estimates can only be compared when all estimation methods and variables are kept constant, which is extremely challenging for supply chain emissions originating in international jurisdictions with different greenhouse gas emission reporting frameworks. Gases classified as GHGs vary across international jurisdictions, as do the global warming potentials (GWPs) used to estimate carbon dioxide equivalent (CO_{2-e}) for reporting purposes and are therefore not directly comparable to emissions calculated under the NGER scheme. In addition, there are many available methods to estimate scope 3 emissions, varying from high to low accuracy, that produce different emissions results. It is important that emitters have access to options when estimating scope 3 emissions, as method choice depends on data availability and supplier participation.
- Estimation of scope 3 emissions is notoriously inaccurate. In situations where direct emissions data is lacking, estimations and assumptions become necessary. While essential, these introduce uncertainty into the reporting process, potentially skewing reported figures. A review of voluntary disclosures of scope 3 emissions indicates that they are commonly accompanied by supporting information, such as assumptions, limitations and exclusions, to inform audiences of possible inaccuracies. It is anticipated that most scope 3 emissions estimates will fall short of the confidence threshold of 95% stated in the Measurement Determination.
- Scope 3 emissions include all activities upstream and downstream from an organisation's operations. A complete emissions report containing all possible scope 3 emissions is an extremely high standard, exceeding even those of the GHG Protocol and the Science Based Targets Initiative (SBTi), held as global best practice bodies in emissions estimation and target-setting, respectively.³ Without amendment, scope 3 emissions reporting under the NGER scheme will not satisfy the stated principle of completeness.

It is anticipated that scope 3 emissions reporting may not satisfy these principles, presenting a compliance and audit risk which may trigger necessary changes to the NGER principles and/or the NGER (Audit) Determination 2009 (Audit Determination). **Due to the complexity and challenges associated with reporting scope 3 emissions and potential compliance risks, CME recommends that CCA maintain NGER coverage of scope 1 and 2 emissions and withhold the inclusion of scope 3 emissions reporting until it can determine an approach that delivers best possible outcomes.**

Consistency with other federal reforms

Treasury's recent consultation paper on climate-related financial disclosures (CFD) was designed around the International Sustainability Standards Board (ISSB) recently published International Financial Reporting Standards for Climate-Related Disclosures (IFRS S2) and includes mandatory scope 3 emissions disclosure.⁴ The IFRS S2 standard requires that reporting entities report emissions in accordance with the Greenhouse Gas Protocol (GHG Protocol). It is anticipated that the Australian Accounting Standards Board (AASB) will develop Australian reporting standards for CFD, which will include scope 3 measures. As Treasury's approach to climate-related financial disclosures is yet to be finalised, it may be premature to include scope 3 reporting under another mechanism. **With expected capture of scope 3 emissions under Treasury's proposed CFD, CME recommends that the reporting is not duplicated by the NGER scheme. CME suggests that scope 3 emissions disclosure via mandated CFD may satisfy requirements for national scope 3 reporting, while reducing unnecessary burden on NGER reporters.**

2. Thresholds

CME does not support changes to the NGER reporting thresholds. Lowering the NGER threshold will capture minor emitters and enforce a major compliance cost on small and medium enterprises (SMEs). In the last 12 to 18 months, industry has faced legislative and policy reform at an accelerated rate. This includes significant reforms to the Safeguard Mechanism, the Federal Government's signature emissions reduction legislation,

² [National Greenhouse and Energy Reporting \(Measurement\) Determination 2008 \(Cth\)](#), section 1.13

³ Both SBTi and the GHG Protocol include provisions for reporting entities to justify exclusion of minor scope 3 emissions in emissions inventories. <https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf>, https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard_041613_2.pdf.

and proposed climate-related financial reporting obligations. Consultation for these major regulatory reforms is ongoing, with various elements of scheme design under review or awaiting finalisation. For example, although reforms to the Safeguard Mechanism have passed parliament, various existing production variables are under review, new production variables are being introduced, and best practice production variables for new facilities are in early stages of design. With consultations ongoing, high levels of uncertainty, and increased levels of enquiry to CCA and other Government Departments, it is inappropriate to adjust the NGER reporting threshold at this time. **CME recommends that CCA maintain NGER reporting thresholds, delaying any proposed changes to thresholds until Australian businesses have adjusted to new reporting requirements.**

Conclusion

In conclusion, CME recommends maintaining NGER coverage to scope 1 and 2 emissions. Additionally, we suggest delaying any proposed changes to reporting thresholds to allow businesses to adapt to evolving reporting requirements in the industry. These recommendations aim to ensure that environmental reporting remains effective, practical, and aligned with the needs and capabilities of Australian businesses in the mining and resources sectors.

Should you have questions regarding this letter, please contact please contact Ms Adrienne LaBombard, Director of Policy and Advocacy, on 0400 912 525 or at A.LaBombard@cmewa.com.

Yours sincerely



Rebecca Tomkinson
Chief Executive Officer