

GREENHOUSE GAS EMISSIONS REPORTING AND DISCLOSURE PILOT

SUMMARY OF FINAL POSITION PAPER

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1. OUTLINE OF THE PILOT

The Greenhouse Gas Emissions Reporting and Disclosure Pilot ('the pilot') is examining greenhouse gas (GHG) emission reporting and public disclosure by industry with a critical focus on the issues associated with using the National Pollutant Inventory (NPI) as a mechanism. It has been led by the Victorian Government in partnership with governments in all Australian states and territories.

The pilot comprises two key activity streams that run in parallel, feeding into each other to produce a researched and tested outcome.

The Strategic Issues stream examined a range of key policy questions with respect to company greenhouse gas disclosure and called for stakeholder views.

The Practical Implementation stream assembled a group of participant companies and collected and collated greenhouse gas emissions information. It is working through some of the prospective collection and data presentation issues and ultimately testing the Strategic Issues analysis through practice.

2. PURPOSE OF THIS DOCUMENT

This document summarises the *Greenhouse Gas Emissions Reporting and Disclosure Pilot Final Position Paper*.

The *Final Position Paper* is a more detailed document that examines key policy questions and strategic issues raised to date surrounding the use of the NPI as a greenhouse gas emissions reporting and disclosure mechanism. This summary document should be used as a reference point for navigating the detailed discussion of specific issues of interest in the *Final Position Paper*.

In response to stakeholder feedback to the *Draft Position Paper*, the *Final Position Paper* articulates the findings of the pilot program in the form of concluding views or positions on each of the detailed issues discussed. This has culminated in a pilot model, which is a consolidated pilot position on how an NPI containing greenhouse gases could operate.

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3. RESULTS OF PUBLIC CONSULTATION

The pilot has been successful in moving the discussion forward from a range of largely unsubstantiated concerns to more informed, specific issues. These are summarised as key findings below:

1. The NPI is a suitable mechanism for reporting and disclosure of greenhouse gas emissions in Australia. With existing frameworks in place this can be done relatively quickly and at low cost to government and business. There are clear international precedents, with NPI-equivalent programs throughout the UK and Europe currently including greenhouse gases.
2. This can be achieved without impeding the streamlining work of the Environment Protection and Heritage Council and Ministerial Council on Energy joint working groups (EPHC/MCE JWG), since the flexible design allows users of the OSCAR system (the online database used by the AGO's Greenhouse Challenge Plus [GCP] program) to discharge their NPI obligation through existing reporting arrangements.
3. Independent legal advice has been obtained which provides a view that the *National Environment Protection Council Act 1994* (Cwth) (NEPC Act) provides sufficient head of power for inclusion of greenhouse gases in the NPI NEPM. The pilot notes that the NEPC Act is currently being reviewed, which provides a simple and timely opportunity for clarifying the situation, should that be deemed necessary.
4. A number of changes in direction have been incorporated into the draft NEPM and Impact Statement as a result of the pilot's work. These include the name change to the National Emissions Inventory, the inclusion of diffuse emissions, the reporting model, changes to thresholds for reporting and the strengthening of a number of aspects of the proposal outlined in the Impact Statement.
5. Twenty-five companies, representing more than 70 facilities, have successfully provided emissions and abatement data for the 2004–05 year, which was released publicly on EPA Victoria's website in June 2006. While a number of lessons have been learnt by governments and participants alike in this process, this experience has demonstrated that estimating emissions and disclosing them at site level in an NPI-type model has been achieved efficiently and effectively without an undue burden or negative impact on those involved.
6. Given the very recent release of this data, detailed findings specifically from the Practical Implementation stream will be the subject of a further report planned for release in July/August 2006.

4. BACKGROUND

The greenhouse effect, and its impact on our climate, is acknowledged as one of the key environmental issues facing our world today. The Victorian Government has identified, through the *Victorian Greenhouse Challenge for Energy* position paper, and the *Victorian Greenhouse Strategy Action Plan Update 2005*, that a gap currently exists in

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mandatory reporting and public disclosure from large emitters of greenhouse gas emissions in various industries across Australia.

Reporting and disclosing greenhouse gas emissions is a simple, cost-effective and practical way to both increase understanding of greenhouse gas emissions and encourage the reduction of those gases. It also helps governments create more targeted and effective greenhouse policies.

Various government and other programs exist across Australia that deal in some way with capturing information about greenhouse gas emissions, often with a focus on mitigation. However, none of these existing initiatives provides a publicly available breakdown of sources and actual amounts of the six greenhouse gases being measured; namely, carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF₆).

The NPI, established in 1998, was the first National Environment Protection Measure (NEPM) created by the National Environment Protection Council (NEPC), the members of which are the relevant Ministers of Commonwealth, state and territory governments. The NPI, one of many pollutant release and transfer registers (PRTRs) worldwide, is a publicly accessible database which requires industrial facilities to report their emissions of up to 90 different substances each year. Greenhouse gases were not initially included on the NPI, but are currently being considered for inclusion as part of possible amendments to the NEPM.

EPA Victoria, in partnership with industry participants and all state and territory governments, has been leading an investigation into the issues

associated with using the NPI as a greenhouse gas emissions reporting mechanism.

5. SUMMARY OF ISSUES

The following is a condensed reference guide to the 24 issues discussed in the *Final Position Paper*. It is designed to lead the reader quickly to the sections of interest in the more detailed companion document.

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Condensed issue description	Condensed position	Position Paper reference
1. Would legally classifying GHGs as 'pollutants' or 'wastes' create uncertainties?	Legally, no. Name change is one way of managing issues of perception.	Page 12
2. Was the NPI designed to deal with local-impact pollutants only, not those with global impacts?	NEPM envisages GHG inclusion (clause 7(b)). Currently Nitrogen, Phosphorus, Oxides of Nitrogen exert their impact beyond the local level.	Page 15
3. Does the NEPC Act give head of power for GHG emissions?	Yes, independent legal advice indicates GHGs 'relate' to one or more of a list of powers in the Act.	Page 16
4. Is the NPI structure flexible enough to support energy, abatement actions, contextual information or respond to future policy directions?	Yes. NPI currently collects energy use data, emission reduction actions (abatement actions) and contextual industry comments.	Page 20
5. Are NPI calculation methodologies consistent with other programs' requirements?	No current methodologies for GHG exist in the NPI. Would source AGO Factors & Methods Workbook directly for consistency, although this may need some supplementation to calculate various emissions from combustion.	Page 23
6. Would reporting GHG to the NPI increase costs to industry by duplicating reporting?	While flexibility of data collection (see Pilot Model) would mitigate extra costs, any new mandatory requirement can be expected to have some cost implications.	Page 24
7. Are GHG emissions incommensurate with current NPI emissions and thus misleading?	This disparity already exists. Suggest separate display of GHG.	Page 24
8. Are there confidentiality issues with the disclosure of GHG emissions and energy information?	CIC (commercial in confidence) framework already exists. Expect to apply only in exceptional cases. Most feedback indicated this issue to be 'overrated'.	Page 25
9. Are the NPI data systems capable of expansion?	Yes, both those for data collection and web disclosure.	Page 26
10. Can NPI satisfy the community's right to know about emitters of GHGs?	Yes. It is a seven-year established, pre-eminent information source.	Page 27
11. Could the NPI provide a common data set or 'one-stop shop' for users of emissions information, including policy makers and business and community interests?	Yes, since many of these users are current NPI data users.	Page 29
12. Can NPI create a 'level playing field' to drive competitive emissions reduction?	Yes, consistent with other PRTs around the world (e.g. European Union EPER).	Page 31
13. Would displaying GHG emissions information on the NPI satisfy finance sector requirements?	Yes. Banking/investment sectors are pushing for disclosure.	Page 32
14. Could NPI GHG emissions inform the development of an emissions trading scheme (ETS)?	Yes, there is a strong data need to inform appropriate design.	Page 34
15. Could NPI GHG emissions provide information to encourage offset-type arrangements?	Yes. Better information has the potential to encourage business-to-business agreements or more strategic government measures.	Page 35
16. How would NPI data align with international reporting requirements, such as through the National Greenhouse Gas Inventory (NGGI)?	Would complement the NGGI but serve different purpose.	Page 37
17. How would the NPI deal with reporting boundaries?	Operational control at facility level with more explicit linkage to company information.	Page 38
18. What are appropriate thresholds for reporting?	Current threshold system, with an additional electricity use threshold to capture indirect GHG.	Page 40
19. How would NPI with GHG relate to other programs?	Provides for flexible reporting (see also Pilot Model).	Page 45
20. How would NPI with GHG data systems integrate with other programs?	Flexibility between OSCAR (refer page 4) and NPI systems.	Page 48
21. What are the costs and benefits of including greenhouse gases in the NPI?	Relatively low costs for business and Government. Benefits are moderate for business, high for Governments and high for the community.	Page 51
22. Would diffuse sources such as transport and agricultural emissions be included in the NPI?	Yes, provision of context seen as vital by most stakeholders.	Page 68
23. What is the potential relationship between an NPI with GHG and a functional ETS?	Too early to tell. Would expect that separate ETS regulatory arrangements would deal with enforcement and verification issues – NPI could provide the reporting system.	Page 69
24. Can the NPI deal with voluntary and mandatory aspects of reporting?	Yes, as is currently the case.	Page 72

Table 1: Condensed navigation guide to Final Position Paper issues

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PILOT MODEL

The suggested model for reporting greenhouse gases to the NPI is characterised below:

Structural elements	
Legal instrument	NPI
Reporting system	NPI/OSCAR* choice
Disclosure mechanism	NPI website
Data elements	
Reporting boundary	Site-based with company linkage
Thresholds	Existing NPI thresholds: Category 1 substance usage (10 tonnes) – CH ₄ , HFCs, PFCs, SF ₆ and N ₂ O; Category 2b fuel combustion (2000 t fuel or ~ 5kt CO ₂ -e emissions) – CO ₂ and N ₂ O A new category, 2c threshold (5000 MWh or 20 TJ electricity use), equivalent to 5 kt CO ₂ -e emissions from that electricity use – indirect emissions.
Direct emissions	Six major greenhouse gases (Scope 1)
Indirect emissions	Energy-indirect (Scope 2)
Abatement actions/savings	CO ₂ -e savings from implementation of abatement actions; listing of actions
Contextual data	Explanatory comment text

Table 2 Elements of pilot model

* OSCAR is the online database used by the AGO's Greenhouse Challenge Plus program – refer to *Final Position Paper Glossary*.

This model recognises the reality of the business demographic that exists for reporting of emissions information in Australia today (see Table 3 below), by providing flexibility for the reporter to discharge their reporting obligation in the most streamlined manner for them.

It has the following strengths:

- ability to streamline reporting – reduce cost burden to business

- short implementation time
- low cost to government and business
- ability to deliver on community right to know
- synergies to EPHC/MCE JWG work plan.

Ability to streamline reporting

This model is designed to simplify reporting for business by allowing the reporting obligation to be discharged through either OSCAR or NPI channels, depending on where companies' current reporting obligations lie. The need for streamlining to encompass the needs of current reporters to the NPI is two-fold:

1. Ninety per cent of all NPI reporting companies are not members of the Greenhouse Challenge Plus program (see Table 3 below) and therefore are not familiar with the use of OSCAR.
2. NPI reporters report energy use via fuel (type and quantity) and electricity use as part of that program now – the raw data inputs for the vast majority of greenhouse gas emissions. Recognition of this creates an opportunity to reduce the current reporting burden to business.

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Number of company participants	Greenhouse Challenge Plus program	National Pollutant Inventory
Total company participants	780	1577
Unique company participants	637	1434
Companies common to both	143	143

Table 3: Analysis of companies currently reporting to Greenhouse Challenge Plus program and the NPI

Any solution must recognise that Greenhouse Challenge Plus, the NPI and other programs will continue to exist for their own purposes. Therefore overlaps in reporting that are evident now should be minimised where possible. This paper has not considered a reporting option such as the use of OSCAR alone, as the great majority of companies that would report are not currently using this tool. This is evidenced in Table 3, which shows that 1434 out of 1577 NPI reporting companies (90 per cent) are not members of Greenhouse Challenge Plus.

Short implementation time

Strategic uses of greenhouse gas emissions data, such as underpinning an emissions trading scheme, are not on the immediate horizon in Australia. Indeed lead times of at least five years are likely, despite the urgency of work being undertaken by states and territories. Similarly, a new national mandatory greenhouse and energy reporting requirement capable of delivering on all identified and future strategic needs that is acceptable and workable for all jurisdictions is in all probability still several years away from development and implementation. This suggests that the needs of various stakeholders for better information on

greenhouse emitters and emissions could go unsatisfied for some years to come.

The NPI program is already halfway through a NEPM variation process. It has the capacity to report to the public direct and indirect greenhouse gas emissions to fill this near-term need; a varied NEPM could be operational as soon as July 2007.

For short to medium-term information needs alone, not expediting greenhouse gas emissions reporting through the NPI would seem an unfortunate waste of opportunity.

Low cost to government and business

This model could be implemented at comparatively low cost to business and government due to the already existing program infrastructure and the synergy of identical raw data inputs for greenhouse gas and other combustion gas emissions calculations.

Ability to deliver on community right to know

Satisfying community right to know stands on its own as a reason to act on greenhouse gas emission disclosure. EU/EC agreements such as the Aarhus Convention and the Kiev Protocol on Pollutant Release and Transfer Registers establish public disclosure of environmental information as a fundamental societal right (see *Final Position Paper*, Issue 10). Emissions of greenhouse gases are not sufficiently different from other emissions to air to justify avoiding disclosure, as evidenced by their existence in the massive European Pollutant Emission Register (EPER), which applies across 40 countries, despite the parallel existence of the EU Emissions Trading Scheme.

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The NPI has brand value as a community right-to-know information tool. It seems to many to be a logical home for public disclosure of greenhouse gas emissions data. The Australian Government Department of the Environment and Heritage has established expertise in data management and website design to fulfil this purpose. Equally, the Australian Greenhouse Office manages the provision of greenhouse information in various forms to community users. A web disclosure database could be added to the OSCAR framework or existing NPI systems could be utilised. The latter represents the most efficient option and probably the most effective, given its positioning in the data user community.

Synergies to EPHC/MCE joint working group work plan

This model is proposed with the work of these joint groups in mind, most prominently the need to streamline business reporting. Due to the lead times discussed above it is conceivable that any ultimate overarching reporting framework could follow the variation of the NPI in either an enhancing or replacing capacity in the future. The model outlined places no barriers to these future outcomes, since the integrity of all programs and data management systems are retained.

How the model would work

The preferred pilot model of reporting and disclosing greenhouse gas emissions is through the variation of the NPI NEPM. This will mandate a reporting requirement above certain thresholds whilst allowing for the discharge of this requirement using either OSCAR or NPI collection systems – depending

on the reporter's demographic – to minimise reporting burden.

With relatively small modification of these systems, data for public disclosure would then be channelled through to the NPI website, in a manner being explored through the Practical Implementation stream of this pilot. Potential data flows for the various reporter demographics are described in Figure 1 below.

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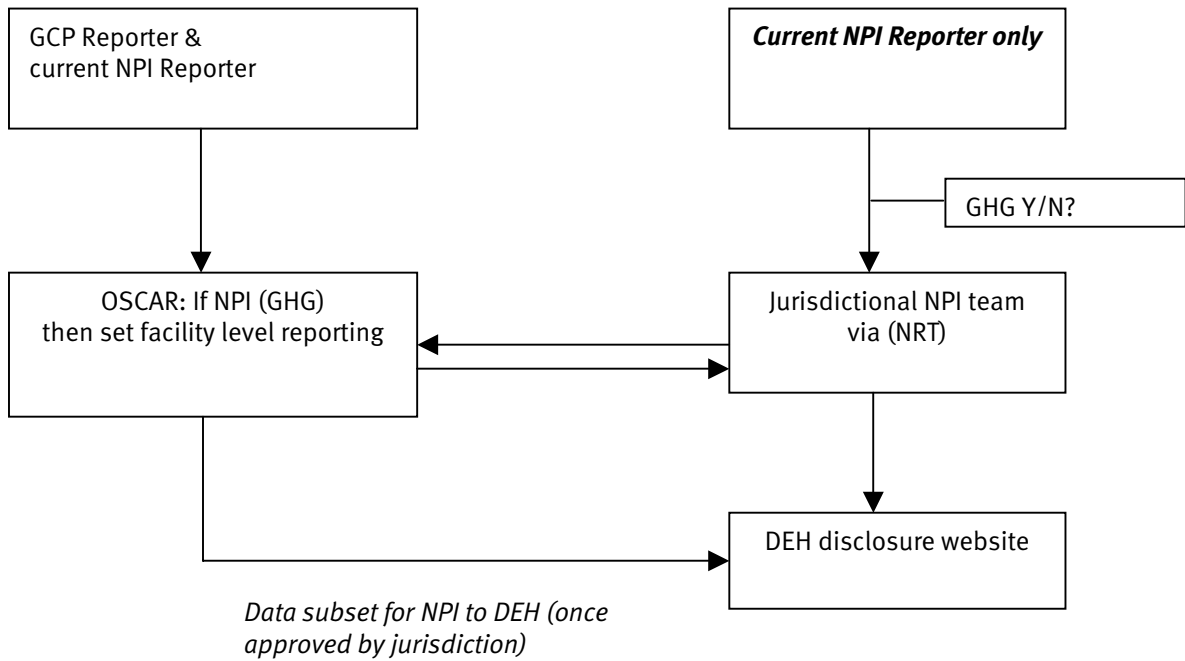


Figure 1: 'Flexible' reporting of an NPI greenhouse gas requirement