

GREENHOUSE GAS EMISSIONS REPORTING AND DISCLOSURE PILOT

SUMMARY OF DRAFT POSITION PAPER

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1. OUTLINE OF THE PILOT

The Greenhouse Gas Emissions Reporting and Disclosure Pilot ('the pilot') will examine greenhouse gas 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 is being 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 examines a range of key policy questions and calls for stakeholder views, with respect to company greenhouse gas disclosure. The Practical Implementation stream assembles a group of participant companies and collects and collates greenhouse gas emissions information, working through some of the prospective collection and data presentation issues and ultimately testing the Strategic Issues analysis through practise.

2. PURPOSE OF THIS DOCUMENT

This document summarises the *Greenhouse Gas Emissions Reporting and Disclosure Pilot Draft*

Position Paper. The *Draft 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 *Draft Position Paper*.

The *Draft Position Paper* provides a discussion of 24 issues previously articulated to the Government in written submissions to related processes and forms a draft position for each. This culminates in an Interim Pilot Model, which is a consolidated Pilot position on how an NPI containing greenhouse gases could operate.

Comments received on the *Draft Position Paper* and the outcomes from the Practical Implementation stream will shape the finalised position paper, formalising findings on greenhouse emission reporting and disclosure.

3. BACKGROUND

The greenhouse effect, and its impact on our climate, is acknowledged as one of the key environmental issues facing our world today. The

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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 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 provide a publicly available breakdown of sources and actual amounts of the six greenhouse gases being emitted, 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 (PRTR) 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.

4. SUMMARY OF ISSUES

The following is a condensed reference guide to the 24 issues discussed in the *Draft 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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Table 1: Condensed navigation guide to Draft Position Paper issues.

CONDENSED ISSUE DESCRIPTION	CONDENSED DRAFT POSITION	DRAFT POSITION PAPER REFERENCE
1. Would legally classifying GHG's as "pollutants" or "wastes" create uncertainties?	Legally no – name change is one way of managing issues of perception.	Page 6
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 N, P, NOx exert their impact beyond the local level.	Page 9
3. Does NEPC Act give head of power for GHG emissions?	Yes, GHG 'relate' to one or more of a list of powers in the Act.	Page 10
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 13
5. Are NPI calculation methodologies consistent with other programs' requirements?	No - current methodologies for GHG would source AGO Factors & Methods Workbook.	Page 16
6. Would reporting GHG to the NPI increase costs to industry by duplicating reporting?	No, due to flexibility of data collection (see Interim Pilot Model)	Page 17
7. Are GHG emissions incommensurate with current NPI emissions and thus misleading?	This disparity already exists suggest separate display of GHG.	Page 17
8. Are there confidentiality issues with the disclosure of GHG emissions and energy information?	CIC framework already exists – expect only exceptional cases.	Page 18
9. Are the NPI data systems capable of expansion?	Yes, both those for data collection and those for web disclosure.	Page 19
10. Can NPI satisfy the community's right to know about emitters of GHG's?	Yes. It is a 7-year established, pre-eminent information source.	Page 21
11. Can NPI provide a 'one-stop-shop' for emissions information users?	Yes – since many of these users are current NPI data users.	Page 23
12. Can NPI create a 'level playing field' to drive competitive emissions reduction?	Yes, consistent with other PRTR's around the world.	Page 25
13. Would displaying GHG emissions information on the NPI satisfy finance sector requirements?	Yes. Banking/ investment sectors are pushing for disclosure.	Page 26
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 27
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 28
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 29
17. How would the NPI deal with reporting boundaries?	Facility level with more explicit linkage to company information.	Page 30
18. What are appropriate thresholds for reporting?	Current threshold system, with an additional electricity use threshold. All would be equivalent to 1000t CO ₂ -e.	Page 32
19. How would NPI with GHG relate to other programs?	Provides for flexible reporting (see also Interim Pilot Model).	Page 37
20. How would NPI with GHG data systems integrate with other programs?	Flexibility between OSCAR (refer p4)and NPI systems.	Page 39
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 42
22. Would diffuse sources such as transport and agricultural emissions be included in the NPI?	Could duplicate NGGI – not recommended.	Page 59
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 60
24. Can the NPI deal with voluntary and mandatory aspects of reporting?	Yes, as is currently the case.	Page 62

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INTERIM 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 plus equivalent energy threshold
Direct emissions	6 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 Interim Pilot Model

* OSCAR is the online database to be used by the AGO's Greenhouse Challenge Plus program – refer to *Draft 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 – minimise cost burden to business;
- short implementation time;
- low cost to Government and business;
- ability to deliver on community right to know; and

- synergies to MCE/EPHC 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 are two-fold:

1. 90 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; and
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.

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

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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 5 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 half way 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 *Draft Position Paper*, Issue 10). Emissions of greenhouse gases are not sufficiently different to 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.

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.

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Synergies to MCE/EPHC 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 and allowing for the discharging 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: Potential data flows of a flexible reporting model

