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ACCU Review Implementation

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AGL Response to the ACCU Review Discussion Paper

AGL Energy (AGL) welcomes the opportunity to contribute to the ACCU Review Discussion Paper (Consultation Paper).

AGL is a leading integrated essential service provider, delivering 4.3 million gas, electricity, and telecommunications services to our residential, small, and large business, and wholesale customers across Australia. We operate Australia's largest electricity generation portfolio and have the largest renewables and storage portfolio of any ASX-listed company, having invested \$4.8 billion in renewable and firming generation over the past 20 years and added more than 2,350 MW of new generation capacity to the grid since 2003. AGL offers carbon neutral options across Climate Active certified electricity, gas, mobile, internet, and both residential and commercial solar and battery products, as well as GreenPower certified electricity.

The role of ACCUs in the energy transition

AGL recognises the important role that the ACCU Scheme has in achieving Australia's legislated emissions reduction targets of 43 per cent below 2005 levels by 2030, and net zero by 2050. Australian carbon credit units (ACCUs) and other high-integrity offsets, together with other units that represent abatement or emissions reductions efforts¹, will remain an integral part of reaching net-zero commitments.

The relationship between offsets and other units that represent abatement should be considered in the future, particularly with the development of additional certificate-based schemes such as the Guarantee of Origin Scheme and the NSW Renewable Fuel Scheme. While these different schemes have specific objectives, the associated certificates are increasingly interacting with offsets in terms of decarbonisation claims, leading to a more complex environment where the role of offsets and their integrity become a more prominent concern. It is worth considering what role each scheme and certificate plays in achieving the best emissions reduction outcomes and to seek to simplify their operating environment where possible.

It is of utmost importance that the ACCU Scheme is of high integrity and instils confidence in all market participants and the wider public. We see it as important that there are regular reviews of the ACCU Scheme and carbon offsets going forward to ensure they are fit-for-purpose, particularly as expert advice and both domestic and international goals change.

AGL broadly supports the Implementation Plan for the ACCU Review published by the Australian Government and looks forward to seeing a more transparent scheme in the future to help support Australia's decarbonisation objectives.

¹ For example, small-scale technology certificates (STCs), large-scale generation certificates (LGCs), energy savings certificates (ESCs), Victorian energy efficiency certificates (VEECs)

Proposed ACCU Scheme Principles

AGL supports a more robust and transparent framework and therefore broadly supports the proposed ACCU Scheme Principles (Principles) to guide and support the application of the existing Offsets Integrity Standards (OIS). The Principles appear to be well considered, informed by a number of reviews and schemes both internationally and domestically. In our view, the Principles act as values and as such, should be adhered to wherever applicable and guide all aspects of the scheme, for example, method development or change to governing structure.

AGL would like to see further detail on how the Principles will be measured in practice and applied consistently to inform and guide decision making within the scheme. Transparency will be key in operationalising the Principles, e.g. if a method is determined as not meeting the Principles, this should be made public. Flexibility to incorporate changes is crucial to enable the scheme to keep pace with international best practice.

When considering the Principles and OIS, AGL suggests that consideration be given to the role of offsets in the mitigation hierarchy, that being that offsets should be the final step after all other action has been taken to avoid and mitigate impact on the environment.

AGL would also like to take the opportunity to highlight the importance of 'permanence' as a key factor in offset integrity, ensuring that offsets represent permanent emissions reductions/removals and that at a minimum, adequate safeguards are in place to ensure risk of reversal is minimised.

ACCU Scheme transparency

AGL dedicates significant time and effort to verifying ACCU quality and integrity for inclusion in our carbon neutral products. Historically, we have experienced a lack of transparency regarding Emission Reduction Fund (ERF) projects, with the lack of available information leading to increased time and effort required to determine project quality before purchase of offsets.

AGL welcomes the changes implemented by the Australian Government to-date such as the publication of carbon estimation area (CEA) data and looks forward to the publication of more information in the future. In our view, the release of more information around auditing and monitoring of projects, in line with international voluntary schemes, would be beneficial in providing another level of transparency and delivery of confidence in project integrity.

AGL supports data being made public as default, with exceptions being for specific circumstances only such as those proposed in the Consultation Paper (e.g. privacy, cultural). We support the recommendations outlined in the Consultation Paper for publication of additional information around methods and in the Project Register, for example: location of ALL projects (not just area-based projects), detail of project activities, project crediting start dates, type of estimation approach used and fit and proper person findings. In addition, if any biodiversity schemes are implemented in the future with linkages to the ACCU Scheme, AGL would encourage that this information also be disclosed.

We believe that it would be beneficial to be able to view ANREU account holdings and ACCU market creations, as is done for other domestic environmental certificate schemes such as LGCs, VEECs, ESCs and STCs. AGL supports the publication of information relating to unit holdings, regardless of the size, similar to the level of disclosure demonstrated in the Renewable Energy Certificate (REC) Registry. This

level of information would deliver greater transparency in the market and provide an equitable level of scrutiny on all participants.

Currently, the Consultation Paper does not address the issue of ambiguity and lack of transparency regarding co-benefits, and the measurement and publication of these. We believe that co-benefits should be recognised and measured in a similar way to international voluntary carbon offsets, in line with Sustainable Development Goals (SDGs), so that they are officially recognised and verifiable. ACCUs with co-benefits tend to attract a premium as they are seen as a way to achieve other SDGs such as improvements to health, biodiversity etc.

Streamlining the provision of access and enabling the creation of read-only Australian National Registry of Emissions Units (ANREU) accounts would be beneficial. Our own experience reflects some complexities with the administration of ANREU, particularly regarding new and updated access arrangements, resulting in additional resources required to administer ACCU units.

To address these complexities, we believe that it would be beneficial, if possible, to obtain an Application Programming Interface (API) feed for the whole of ANREU for ease of access to data and information. A high-performing and comprehensive platform would enable market participants to track data automatically without needing to rely upon the limited capabilities of online portals which require human interaction for retrieving data. It would also promote transparency by assisting third parties to scrutinise market data and projects more readily which would in turn improve the market's credibility and overall longevity.

Australian Government role in the ACCU market

AGL supports the recommendation to move the responsibility for government purchasing of ACCUs out of CER to another body to avoid conflicts of interest. The government needs to carefully consider its role in the market and scrutinise any potential scheme changes to ensure minimal intervention and disruption.

AGL believes that the government should remain focused on least-cost purchasing of ACCUs and avoid picking winners. Targeting particular types of projects or methodologies might signal to the market which methodologies are seen as higher integrity/value and may lead to further price stratification.

Changes to pilot arrangements may not be necessary (e.g. some participants may choose not to exit their fixed contracts due to cash flow reasons) and will likely lead to a spike in prices and increased volatility. Ultimately, government intervention should be minimised where possible to stabilise the market.

If you would like to discuss any aspect of AGL's submission, please contact Casey Barkla-Jones cbarkla@agl.com.au or Aleks Smits at asmits@agl.com.au.

Yours sincerely,

Chris Streets

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AGL Energy