ndevr environmental
Part of Anthesis

Carbon, Climate and Nature – Latest Updates

AUGUST 2023

ndevrenvironmental.com.au

Prepared for:

Australian Environment Business Network

About Ndevr Environmental - Part of Anthesis

Ndevr Environmental
…is a specialist climate change and human rights advisory firm dedicated to accelerating the transition to a net zero future.

For over a decade we have forged partnerships with companies and government entities to design innovative business-led solutions to meet the planet's emerging challenges and ensure the sustainability and prosperity of Australian businesses.

Anthesis
…is the sustainability activator.
Anthesis combines the reach of big professional services groups with the deep expertise of boutiques.

In July 2023 Ndevr Environmental merged with fellow B Corp Anthesis.

Anthesis is the largest group of dedicated sustainability experts in the world.

This partnership enables us to expand our best-in-class team on a global scale and grants us access to leading experts and cutting-edge technology solutions.

Our Impact

1.7k+

Impact projects completed

2010-2023

15k+

Suppliers assessed for human rights risk

2020-2023

700k+

tonnes of client's greenhouse gases offset

With carbon neutral certifications between 2012-2023

1k+

Trained on ESG and human rights issues

2020-2023

> *"We've got a long way to go, but I really feel momentum is now unstoppable and with a team of driven and passionate change-makers alongside me, together we are achieving our mission every day – to help business transition to a sustainable future by contributing to climate action for the earth and its people."*
>
> **Matt Drum, Co-Founder and Managing Director, Ndevr Environmental**

Agenda

Item	Details
1.0	Safeguard Mechanism / NGERs
2.0	NGERs and Net Zero Authority
	Questions
3.0	Carbon and Nature Market Update – Reform and Regulation
4.0	Climate Risk Reporting
	Questions

1.0 Safeguard Mechanism

1.1 Safeguard Mechanism (SGM) Reforms

Overview

- The Australian Government's Safeguard Mechanism (SGM) places emissions limits – or baselines – on Australia's largest emitters.
- The Federal Government announced in 2022 that it would reform the Safeguard Mechanism to help industry reduce emissions in line with Australia's climate targets.
- Facilities with more than 100,000 tonnes of scope 1 (direct) carbon emissions per annum must keep their emissions below a baseline.
- If emissions are above baseline, the emitter must purchase and surrender Australian Carbon Credit Units (ACCUs) or Safeguard Mechanism Credits (SMCs) to make up the difference.

Key Points

– Companies with facilities covered by the safeguard mechanism, should expect an emissions reduction of 4.9% year on year, depending on the industry and starting intensity.

– Most companies will require an Emissions Intensity Determination by April 2024.

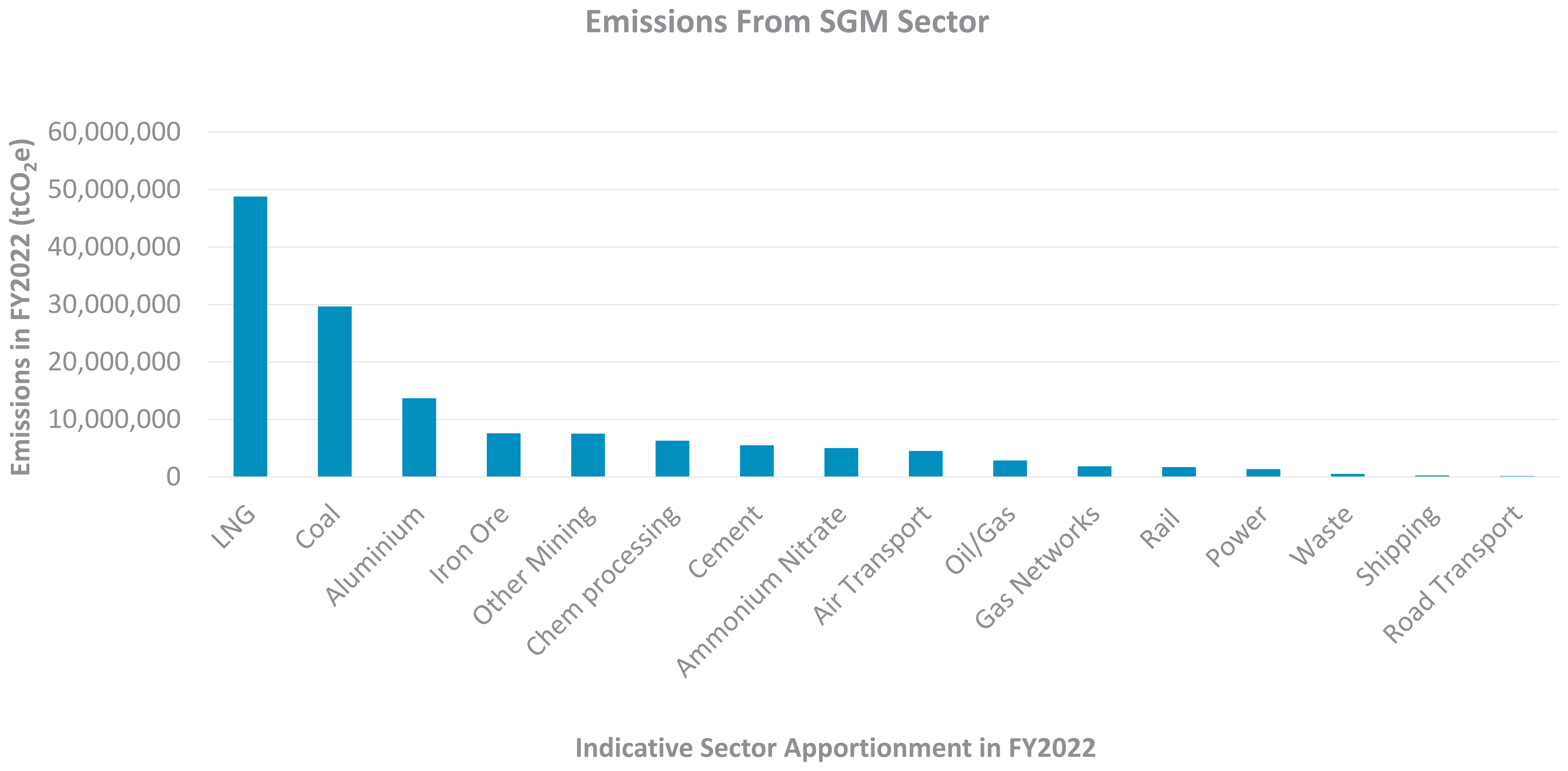
1.2 What Sectors are Impacted?

Where are the emissions?

Some of the largest facilities are in the liquefied natural gas (LNG) sector.

This industry sector is still growing and could make a significant contribution to overall emissions.

As a very profitable business, and less emissions intensive than some, the LNG sector has a high willingness to pay for offsets – *less profitable sectors need to plan.*



1.3 Emissions Intensity Determination

First Steps

- As with the historic Safeguard Mechanism, baselines are at its heart.
- The revised SGM rule will initially use baselines proportional to default and sit specific emissions intensities.
- Site specific emissions intensities need to be established through an **Emissions Intensity Determination (EID)**.

What happens if there isn't one?

- S11 of the Safeguard Rule now includes a formula to show the baselines emissions number for an existing facility. See →
- It says a lot, but what you need to know is that in FY24, no EID means baseline intensity is based on defaults, ***if there is an appropriate PV***.

And this could be costly.

11 Baseline emissions number for existing facility

$$\mathrm{ERC} \times \left(\sum_{p} \Big(\overbrace{\underset{h\,=\,0.1\text{ in first year}}{h}\mathrm{EI}_{p}}^{=0.1\text{ x (default intensity)}} + (1-h)\overbrace{\mathrm{EI}_{F,p}}^{\text{EI (f,p) = site specific intensity}} \Big) \times \underset{=\,0\text{ if no EID in place.}}{\mathrm{Q}_{p}} + \overbrace{\mathrm{EI}_{B,p} \times \mathrm{Q}_{B,p}}^{\text{Prescribed intensity * Production}} \right) + \mathrm{BA}$$

1.4 Emissions Intensity Determination

When do I need it by?

- EID submissions must be made by 30 April 2024.
- Heavy workload on auditors during the NGER season mean the time for planning is now.

How do I get one?

- The EID must be completed in a manner approved by the Clean Energy Regulator.
- *This has not been released but it's likely that the submission will be online through.*

Does is need to be audited?

- The EID will need to be accompanied by an audit opinion. For example:
  - *Limited Assurance over attribution of relevantly associated emissions.*
  - *Reasonable Assurance whether the application correctly specifies covered facility emissions for each historical financial year.*
- Where certain information has been previously supplied to the Clean Energy Regulator with an appropriate level of assurance, that information does not need to be re-audited.

1.5 Emissions Intensity Determination

What will it include?

Generally, applications will need to be accompanied by the following key documents:

Detailed Basis of Preparation:

- Outlines history of site and how it has previously met its obligations under the NGER Act and SGM Rule.
- Demonstration that facility boundaries are fair and reasonable.
- Description of activities at the facility, and why production variables are relevant.

Detailed calculation file that includes:

- Underlying dataset.
- Reference to legislative requirements and how they have been applied.
- Clear conclusions.
- Ability for auditor to reverse engineer applied logic to reach equivalent conclusion.

Signed declaration:

- Attests to accuracy and completeness.
- Signed by company director or CFO.

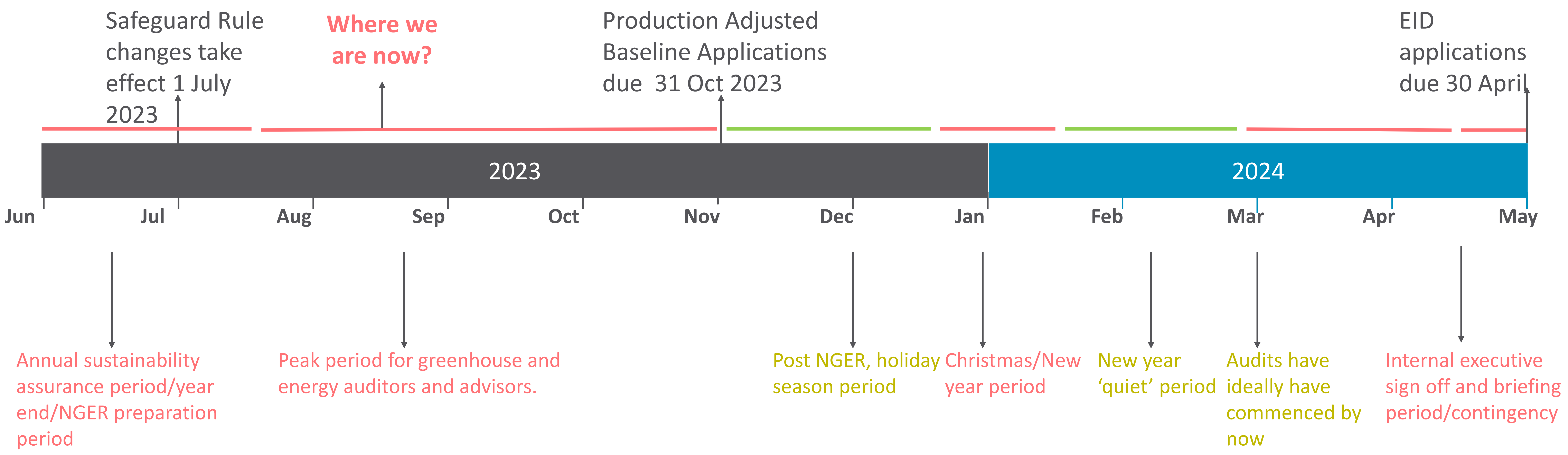
1.5 Emissions Intensity Determination

How are they calculated?

- Site specific emissions intensities are based on actual emissions intensities over an historic period which varies according to data availability.
- Completing an EID appears to be of a similar complexity to a Transitional Calculated Baseline application.
- Emissions must be relevantly associated with the production variable. *Broadly, this means that they must be described sources of emissions associated with production variables, as listed in Schedule 2 of the SGM Rule.*
- The final value is taken as the sum of emissions divided by production for the relevant historical period.
- This is done for each production variable independently and isn't focused on primary production variable as in the past.

Year	FY18	FY19	FY20	FY21	FY22
Amount PV X in tons	1,000	1,135	900	600	1,200
Emissions relevantly associated with PV X (tCO_2e)	1,048	554	1,108	923	831
Emissions Intensity (t/tCO_2e)	1.048	0.488	1.231	1.538	0.692
Relevant production (t)			3,100		
Relevant emissions (tCO_2e)			2,986		
Historic emissions intensity (t/tCO_2e)			**0.963**		

1.6 Emissions Intensity Determination Timeline



Many of the 219 SGM facilities will require an EID audit prior to 30 April 2024. In addition, PAB, ERF, NGER, Sustainability and other Greenhouse and Energy Audits will be required at the same time.

2.0 Other Matters

2.1 National Greenhouse and Energy Reporting (NGER) scheme in FY2024

FY2024 updates to the National Greenhouse and Energy Reporting Scheme

- FY2024 Version of the determination hasn't been published.
- Some key changes, multiple minor changes.

The Department of Climate Change, Energy, the Environment and Water (DCCEEW) has released the FY2024 amendments to the NGER Determination.

Amendments include:

- An optional, supplementary 'market-based' method for determining indirect emissions from the consumption of electricity ('scope 2' emissions);
- Updated Method 1 used to calculate emissions from Queensland open cut mines to reflect improvements in data availability and align the method with the National Greenhouse Gas Inventory;
- Update Methods 1 and 2 for the estimation of methane released from landfills;
- Add two new biofuels, renewable diesel and renewable aviation kerosene as reportable fuels; and
- Other minor amendments.

2.2 National Net Zero Authority

Net Zero Authority

- Announced in May 2023.
- To coordinate the orderly transition to net zero.
- Very important for impacted regions and workers.

The new Net Zero Authority will:

1. Support **workers** in emissions-intensive sectors to access new employment, skills and support as the net zero transformation continues.
2. Coordinate programs and policies across government to support **regions and communities** to attract and take advantage of new clean energy industries and set those industries up for success.
3. Help **investors** and **companies** to engage with net zero transformation opportunities

Questions?

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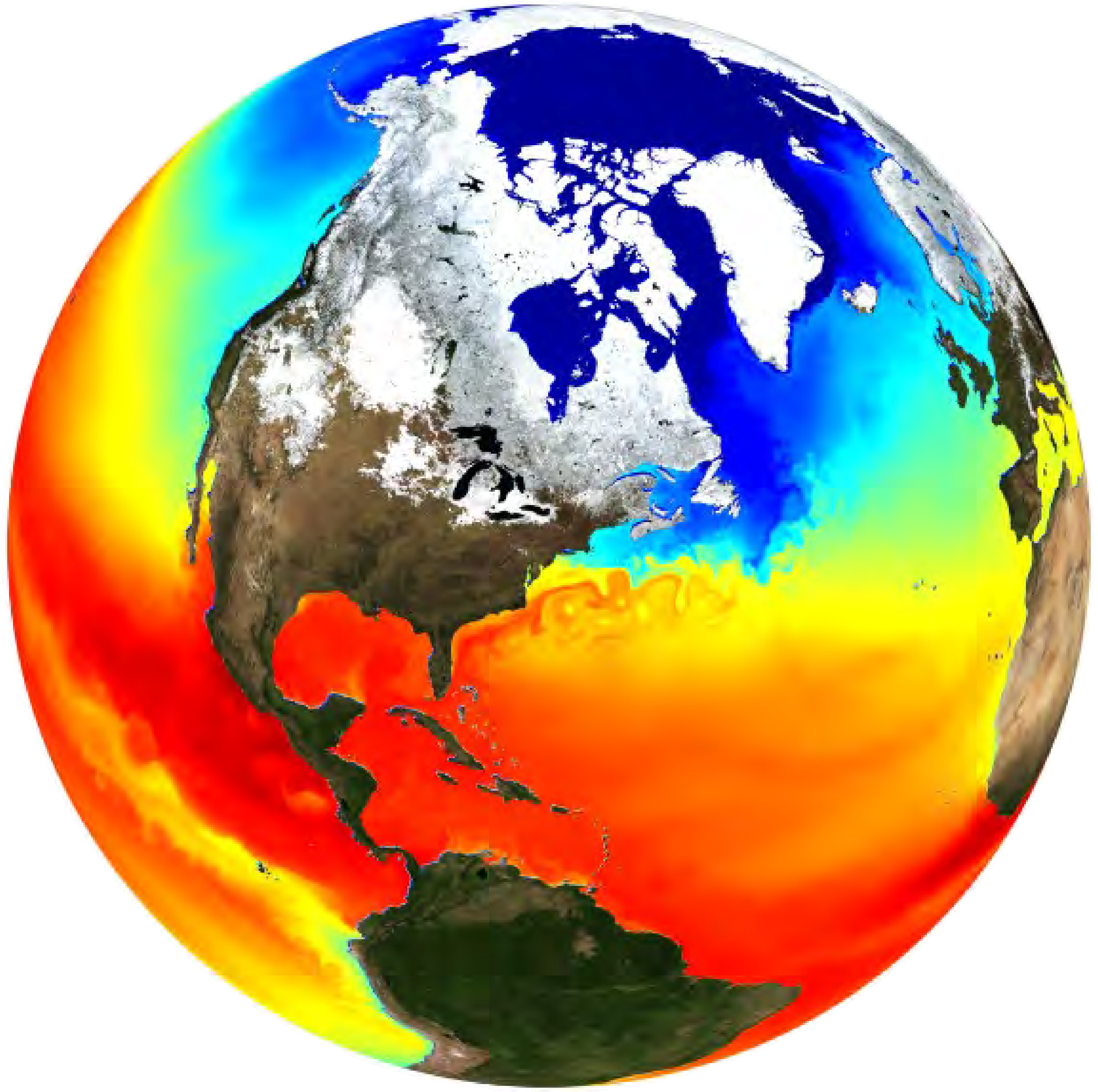
3.0 Carbon and Nature Markets Update: Reform and Regulation

3.1 Global and Domestic Context: The World is Shifting Towards more Ambition and Integrity



- Globally, the international community and governments are stepping up regulation to address the twin challenges of climate change and nature loss.
- Impacts themselves are also driving investor and societal demands for real and ambitious action by organisations.
- Integrity is a big theme. This is driving new regulation and legislative reform.
- Our domestic context mirrors those developments and organisations need to get ready now for what is coming.

3.2 Domestic Carbon Market Developments: Chubb Review Implementation

16
The number of recommendations from the Chubb Review

16
The number of recommendations accepted by government

6
The number of changes introduced already

1
Implementation Plan to address all recommendations

3.3 Chubb Review Recommendation: Transparency and Release of CEA Data

Project Area

Carbon Estimation Area (CEA)

The area within a project where the project or carbon management activity takes place.

Project Area

CEAs

3.4 Chubb Review Implementation: Other Developments

1.

Offsets Integrity Standards and CAIC

ERAC will change to a revamped CAIC and it is expected that the OIS will be supplemented by ACCU scheme principles and the Committee will provide guidance around key scheme level requirements: Newness

2.

Method Development

Will be proponent-led rather than government prioritised. DCCEEW already working hard on implementation. Investigating the possibility of Modules to Methods.

3.

Conditional Registration and Co-Benefits

Consultation on how best to implement these recommendations.
Improvements on transparency relating through co-benefits expected via the Australian Carbon Exchange. No mandatory verification for now.

3.5 Nature Repair Market Update

What is the Nature Repair Market?

This government-backed regulatory framework is for a voluntary national market that delivers improved biodiversity outcomes. It is intended to result in the issuance of a tradeable biodiversity certificate for landholders that undertake projects that enhance biodiversity.

- Bill in hot water but government clear in its continued support for the creation of a nature market.
- Bill is currently being reviewed by the Environment and Communications Legislation Senate Committee. Report due by 1 November 2023.

"A Nature Repair Market has the potential to be a game changer for biodiversity conservation in Australia, provided it is governed with high integrity, attracts substantial investment, and is grounded in the best available science. If adopted, it offers the opportunity to mobilise much wider support for a nature positive future. This would include existing conservation organisations and scientists alongside private biodiversity project developers, Indigenous communities, service providers, philanthropic donors and for-profit investors, as well as governments. It is a vision worth supporting". Dr. Joshua Bishop, Conservation Economist – WWF Australia

4.0 Mandatory Climate Risk Reporting

4.1 Mandatory Reporting: Sustainability, Climate and Nature

Mandatory reporting requirements are on the rise around the globe and Australia is no exception with climate-related risk reporting coming up for many organisations from June 2024.

Even if reporting is not mandatory for your organisation now, beware of what is upcoming – and the sustainability claims your organisation makes publicly to avoid greenwashing.

Key Developments – International:

- ISSB Standards released
- Enable sustainability reporting alongside financial statements
  - IFSR 1: General Sustainability-related Disclosures
  - IFSR 2: Climate-related Disclosures
- TNFD final framework to be released soon.

Key Developments – Domestic:

- Mandatory climate reporting pressing ahead in Australia – phased approach


ASIC launches first Court proceedings alleging greenwashing

- Regulators are focused on greenwashing – ASIC releases Guidelines. Look at the ACCC ‘Environmental and sustainability claims’ draft guidance for business to guide you to avoid greenwashing.

4.2 Mandatory Reporting: Phased Implementation

Group 1 – FY2025

Controlling Corporations under the NGER Act

Organisations that meet 2 of 3 criteria:

- Revenue of **$500 million** or more
- Assets of **$1 billion** or more
- **500** or more employees

Group 2 – FY2027

Controlling Corporations under the NGER Act

Organisations that meet 2 of 3 criteria:

- Revenue of **$200 million** or more
- Assets of **$500 million** or more
- **250** or more employees

Group 3 – FY2028

Controlling Corporations under the NGER Act

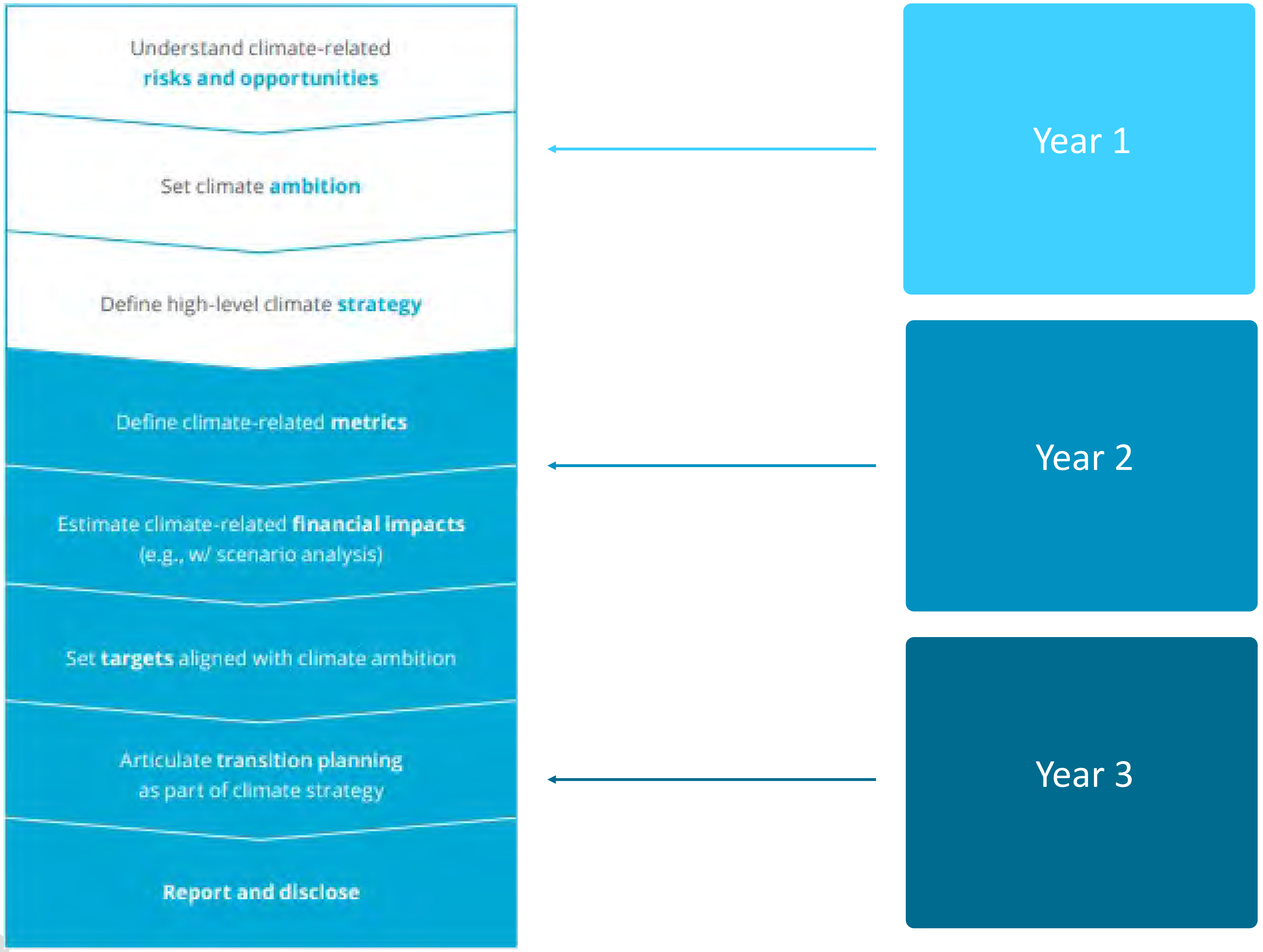
Organisations that meet 2 of 3 criteria:

- Revenue of **$50 million** or more
- Assets of **$25 million** or more
- **100** or more employees

Approximately 20,000 businesses will have to report.

- **90% of ASX100 and 75% of ASX101-300 companies are well prepared** (Group 1) (AASB Report, 2022)
- **~85% of all other businesses under Groups 2 and 3 are not ready**
  - Those businesses will need to hire at least 1.5 FTE's each to prepare
  - In addition, technical expertise of external advisors, software programmes and tools will be required
- Our TCFD engagements have shown that **it takes 2 to 3 years to implement all requirements** by a similar disclosure standard.

4.3 Guideline to Implement Climate-related Reporting Standards



Questions?

Contact

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We acknowledge the Traditional Owners of the land on which we work and live and are committed to advancing reconciliation through our Innovate Reconciliation Action Plan. We look optimistically towards a sustainable and inclusive future.

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