1 March 2024

Australian Accounting Standards Board
Australian Government
By email: standard@aasb.gov.au

GreenPower submission to the Australian Accounting Standards Board's Sustainability Reporting Standards Exposure Draft consultation

The National GreenPower Accreditation Program (GreenPower) welcomes the Australian Accounting Standards Board's (AASB) consultation on the Draft Australian Sustainability Reporting Standards - Disclosure of Climate-related Financial Information (the Draft Standards). We would like to comment on matters 16, 17 and 19 only.

Matters 16 and 17 – disclosure of market-based Scope 2 emissions

GreenPower **supports** the AASB's proposal to require the disclosure of market-based Scope 2 emissions as outlined in matters 16 and 17. This is important as the market-based Scope 2 emissions method uses the emissions intensity of the electricity that a company is actually purchasing, rather than the average emissions intensity of grid electricity in the area they operate in.

The market-based method for calculating Scope 2 emissions provides key data to investors on a company's progress toward reaching net zero emissions, and the risks and opportunities created by contractual relationships and a company's procurement actions. It also provides a much more accurate representation of its actual contribution to emissions from the generation of electricity than the location-based Scope 2 method.

Around 33% of Australia's greenhouse gas emissions are from electricity generation (DCCEEW 2023), and around 60% of that electricity generation is consumed by industrial and commercial entities (ACCC 2018). Emissions from electricity consumed by Australian companies is responsible for around 19% of Australia's total greenhouse gas emissions from electricity generation.

In GreenPower's experience, the market-based Scope 2 method is easily understood and is already in widespread use by Australian companies. It has been part of the GHG Protocol, the global standard for measuring greenhouse gas emissions, since 2015, and part of CDP's questionnaire requesting the disclosure of climate change information from ASX200 companies and thousands of other companies around the world since 2015.

GreenPower suggests removing sAusC4.2 of the Draft Standards and bring forward disclosure of market-based Scope 2 emissions to align them with the timings for Scope 1 and location-based Scope 2 emissions.

Australia's federal, state and territory governments are all committed to reaching net zero emissions by 2040-2050 and are all making significant investments in transforming Australia's electricity supply to renewables. The Australian Government has committed to a national renewable electricity target of 82% by 2030 (DCCEEW 2022) and most state and territory governments have also set jurisdictional renewable electricity targets.

Removing the proposed three year transition (section AusC4.2 in the Draft Standards) to align the timings for the disclosure of market-based Scope 2 emissions with the timings for Scope 1 and location-based Scope 2 emissions will help Australia's federal, state and territory governments to

reach their 2030 renewable electricity targets. In addition, it will increase and bring forward demand for the renewable electricity that both governments and private companies are investing in and accelerate Australia's transition to net zero emissions.

Issues with AASB's proposed timings for the disclosure of market-based Scope 2 emissions

The proposed delay in the timings of market-based scope 2 reporting is not consistent with ISSB's IFRS S2 Climate-related Disclosures standard that "requires a market-based method of emissions estimation which consider the purchase and use of renewable electricity in calculating emissions" (Energetics 2023). The AASB's proposal to provide a one year delay in requiring entities to disclose Scope 3 emissions (AusC4.1 of the standard) and a three year delay in the disclosure of market-based Scope 2 emissions doesn't appear to consider the following points:

1. the greater level of control that companies have over reducing their Scope 2 emissions; in virtually all cases, companies have direct control over who their electricity provider/s are and can either direct them to procure renewable or lower-emissions electricity or easily change to other electricity provider/s.
2. the complexities of Scope 3 reporting and relative ease of market-based Scope 2 emissions reporting; there are 15 categories of Scope 3 activities, upstream and downstream of a company's operations. In virtually all cases, it is much easier for a company to source offsite renewable electricity and install rooftop solar (to reduce their grid electricity usage and market-based Scope 2 emissions) than negotiate with their suppliers to reduce their upstream Scope 3 emissions or change the impacts of many of the corporate practices which are reflected in their downstream Scope 3 emissions.

The proposed AASB timeline for the implementation of the disclosure requirements for each scope of emissions should be considered for adjustment to better reflect the greater level of control that companies have over their Scope 2 emissions and the ease of reporting market-based Scope 2 emissions in comparison to Scope 3 emissions.

AASB's proposed disclosure timelines

First annual reporting periods starting on or after	Cohort	Reportable emissions
1 July 2024	Group 1	Scope 1 & 2 (location-based)
1 July 2025	Group 1	Scope 3
1 July 2026	Group 2	Scope 1 & 2 (location-based)
1 July 2027	Group 3	Scope 1 & 2 (location-based)
	Group 2	Scope 3
	Group 1	Scope 2 (market based)
1 July 2028	Group 3	Scope 3
1 July 2029	Group 2	Scope 2 (market based)
1 July 2030	Group 3	Scope 2 (market based)

Under AASB's proposal, the disclosure of market-based Scope 2 emissions by each cohort is proposed to start two years after they're required to report Scope 3 emissions which are much more complex to disclose than market-based Scope 2 emissions. This is unusual and would mean:

- Group 1 (~723 entitites) are only proposed to be required to report market-based Scope 2 emissions from 1 July 2027.
- Group 2 (approximately 755 entities and 362 NGER reporters) are only proposed to be required to report market-based Scope 2 emisisons from 1 July 2029.
- Group 3 (up to 4,555 entities) are only proposed to be required their market-based Scope 2 emisisons from 1 July 2030.

GreenPower's suggested changes to disclosure timings

GreenPower suggests that the proposed timings for the implementation of market-based Scope 2 reporting should be reviewed and aligned with the requirements for location-based Scope 2 reporting from the first year of a company's reporting. GreenPower suggests the timings should be changed to the following:

First annual reporting periods starting on or after	Cohort	Reportable emisisons
1 July 2024	Group 1	Scopes 1 & 2 (location-based and market-based)
1 July 2025	Group 2	Scopes 1 & 2 (location-based and market-based)
	Group 1	Scope 3
1 July 2026	Group 3	Scopes 1 & 2 (location-based and market-based)
1 July 2027	Group 2	Scope 3
1 July 2028	Group 3	Scope 3

GreenPower believes these suggested changes to disclosure timings would better reflect the:

- greater level of control that companies have over their Scope 2 emissions, and
- ease of reporting market-based Scope 2 emissions in comparison to Scope 3 emissions
- significant impact of Australia's greenhouse gas emissions are estimated to be from electricity consumed by Australian companies (19%).

Matter 19 – Scope 3 GHG emission categories

GreenPower does **not support** this proposed approach.

It is unclear why the AASB is not requiring the reporting of Scope 3 emissions in accordance with the 15 categories of Scope 3 emissions in the GHG Protocol's *Corporate Value Chain (Scope 3) Accounting and Reporting Standard* (GHG Protocol Scope 3 Standard). The reporting of Scope 3 emissions in accordance with these 15 categories is standard industry practice and has been part of the CDP climate change questionnaire since 2015. Over 24,000 companies globally disclosed environmental data, including climate change data, through CDP in 2023 (CDP 2024).

The GHG Protocol Scope 3 Standard is the standard that the IFRS S2 Standard requires companies to use when measuring their Scope 3 emissions, and the NGER Scheme does not require or provide methods for measuring Scope 3 emissions. The Draft Standard does not clarify how providing a greater flexibility for entities in categorising their Scope 3 emissions would be more beneficial than having uniformity, comparability and certainty in reporting.

GreenPower suggests the AASB Standard should maintain consistency with the IFRS S2 and require entities to categorise their Scope 3 emissions according to the 15 categories in the GHG Protocol's Scope 3 Standard. This would maintain consistency with the IFRS S2 Standard and also greatly improve the comparability of emissions reported by entities. As Scope 3 emissions are expected to form the overwhelming majority of an entity's reported emissions, allowing entities to categories their Scope 3 emissions differently would significantly impede the ability of users to understand and compare the emissions data disclosed by entities. In Australia, the GHG Protocol Standards are widely used by entities in the for-profit and not-for-profit sectors, including the public sector.

About the GreenPower Program

Established in 1997, GreenPower enables business and household customers to match their electricity use with accredited GreenPower renewable electricity, which is added to the grid on their behalf. The program is managed by the NSW Government on behalf of state and territory governments. This submission presents the positions of the program rather than the positions of participating jurisdictions.

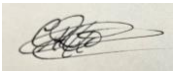
GreenPower has made a significant contribution to the Australian renewable energy industry with over 250,000 customers choosing to purchase GreenPower products in 2022, and around $1 billion having been invested back into the renewable energy sector since 2005.

In August 2023, we also launched the Renewable Gas Certification Pilot. This new certification allows commercial and industrial gas users to directly support renewable gas projects, displacing fossil natural gas use with low-emissions renewable gas. Businesses do this by purchasing certificates so their network gas use is matched with renewable gas that is added to gas networks on their behalf, equivalent to how renewable electricity certificates are used.

If you have any queries regarding this submission, please contact James Day at greenpower.admin@planning.nsw.gov.au.

Thank you for the opportunity to comment on these Draft Standards .

Kind regards



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