

21 September 2022

Professor Matthew Tonts
Environmental Protection Authority
8 Davidson Terrace
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Via email: info.epa@dwer.wa.gov.au

Dear Professor Tonts

Environmental Factor Guideline: Greenhouse Gas Emissions

The Chamber of Commerce and Industry of Western Australia (CCIWA) is the peak organisation advancing trade and commerce in Western Australia. We are fundamentally committed to using our insights to develop and advocate for public policies that will help realise our vision to make WA the best place to live and do business.

CCIWA welcomes the opportunity to provide comment to the Environmental Protection Authority (EPA) on the draft revised Environmental Factor Guideline: Greenhouse Gas Emissions.

The next section explores some of these areas in greater detail in the context of what the EPA is proposing in its latest guidance document.

Background

Over the past year, CCIWA has undertaken a significant piece of work developing a comprehensive position on climate change policy. This is the culmination of extensive consultation with our members, involving surveys, roundtable discussions and one-on-one meetings, as well as desktop research examining existing legislative and policy frameworks. All up, more than 1,000 business representatives participated in this process.

Decarbonisation: the only path forward

Our consultation with the WA business community has revealed widespread consensus that taking steps to mitigate and adapt to climate change is the only path forward — customers and the investment community, particularly globally, expect nothing less.

There is also greater recognition within the business community of the risks that climate change poses. For example, a failure to demonstrate meaningful commitments to reduce emissions, specifically 2030 targets, and net zero by 2050 – by both governments and individual businesses – have been observed to erode investor and consumer confidence, impairing economic and financial standing, through access to capital and credit ratings.



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Furthermore, businesses must also achieve greater climate resilience to reduce potential financial and physical risk associated with a warming climate.

At the same time, we found that businesses are optimistic about the opportunities presented for WA by global decarbonisation. There are, however, significant barriers that need to be addressed by government to enable businesses to leverage these opportunities.

Delivering aligned and coordinated climate action

Of relevance to this review, our engagement emphasised the importance of strong climate change leadership at the national level, with aligned and coordinated policy direction by States and Territories and local governments as critical to achieving Australia's decarbonisation goals. This ensures policy remains effective, minimises duplication and enables least cost abatement.

The EPA's April 2020 GHG factor guideline was released at a time when national action on climate change was limited and out of sync with scientific consensus. In acknowledging that policy settings are evolving, the current EPA factor guideline indicates it will have "regard to evolving state and national policy settings or new international commitments ... and will update its guidelines if these settings or commitments change significantly or materially".

However, this revised and strengthened GHG factor guidance is taking place at a time when significant developments have and are continuing to occur federally, with limited regard for, including:

- Legislating Australia's 43 per cent target by 2030 and net zero target by 2050 within the *Climate Change Bill 2022*;
- Ratifying Australia's updated Nationally Determined Contribution (NDC);
- A commitment to deliver Safeguard Mechanism Reform, with the new mechanism beginning from 1 July 2023, and average declines rates estimated to be between 24.5 per cent and 42 per cent by 2030¹;
- Review of the integrity of the Australian Carbon Credit Units (ACCU);
- Commitment to increase the share of renewable energy in the National Electricity Market (NEM) to 82 per cent;
- Enhanced role of the Climate Change Authority to strengthen climate action in Australia; as well as
- Committing to a range of new policies and programs including those outlined within the *Rewiring the Nation* policy, and Australia's first electric vehicle strategy.

Given these climate commitments, we strongly recommend the EPA defer the release of this update until a full assessment of the suite of above proposed actions. This, for example would enable the EPA to consider how the Federal Government intends to balance domestic offsets, renewable energy targets and the final baseline reductions to meet the 2030 target and net zero target.

¹ Estimated by multiplying the annual percent reductions to 2030

Further to this, delaying the release of this guidance would make sense given the Sectoral Emission Reduction Strategies (SERS) process and engagement is currently underway, due to be finalised next year. SERS seeks to provide industry with robust and credible emissions reduction pathways to achieve net zero – until then, there remains considerable uncertainty about how sectors will achieve net zero. Once finalised, the EPA guidelines should have regard for these sector specific pathways.

If the EPA does proceed there is a considerable risk that the new EPA GHG factor guidance is misaligned with both the Federal and State Governments' proposed frameworks, which creates unnecessary regulatory complexity for WA businesses. This would be a damaging outcome for the following reasons:

- It creates a high degree of uncertainty amongst the WA business community over the specific roles the Federal and State Governments will play in enabling the transition to net zero.
- It may be counter-productive to national policy considerations, such as 'emissions-intensive trade exposed' industry considerations.
- It is neither efficient nor effective in terms of the application of resources of government and industry, due to the duplication of effort created.

Ultimately, this takes valuable government and industry resources from the important and urgent role of decarbonising infrastructure, operations, systems and processes.

Regulatory complexity and an onerous reporting environment

Our research with the WA business community has revealed that the existing regulatory framework surrounding climate change is already overly complex and onerous, and the EPA and relevant environmental agencies (Federal and State) should work together to address these concerns as noted below:

“Regulatory consideration of climate change has proven to be complex, with shifting expectations and lengthy assessment periods, and often subject to appeal...maintaining this approach...will add considerable administrative requirements to both government and industry”²

As an example, in this guidance factor, we can already see shifting expectations with respect to scope 3 emissions. It is reasonable for the EPA as part of its Environmental Impact Assessment process to request credible estimates for scope 1, scope 2 and scope 3 emissions. However, further clarity is needed as to how the EPA intends to assess and apply this information, particularly the extent to which international scope 3 emissions will be factored into the assessments of projects. It is important to note that international scope 3 emissions are a matter of another country's scope 1 and 2 regulatory frameworks, and neither the EPA, individual companies nor the Commonwealth has any jurisdiction when it comes to international scope 3.

² Quote from roundtable participant

Further opportunities for the EPA to create better policy alignment are as follows:

- The EPA's expectations should be aligned with the recently enacted *Climate Change Act 2022*, which sets out Australia's greenhouse targets in line with the Paris Agreement, specifically to:
 - hold the increase in the global average temperature to well below 2°C above pre-industrial levels; and
 - pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.
- The guidance should align with:
 - The WA State Government's Greenhouse Gas Emissions Policy for Major Projects guidance document — noting this needs to be updated to reflect revised Federal Government climate policy and targets.
 - The WA State Government's Climate Change Policy — particularly to acknowledge "that reducing emissions in some sectors of the Western Australian economy is straightforward while abatement in other sectors is difficult or 'hard to reach'".
- There should be alignment with how offsets are treated at both the Federal and State level, noting the issue of offsets is currently under active consideration by the Federal Government.

We recommend the EPA engages broadly with other key stakeholders (Federal and State) to understand how any proposed new requirements in the EPA's guidance would work in the context of other frameworks in place and under development – thereby actively working toward streamlining regulatory considerations surrounding climate change to enable businesses to focus on achieving lowest-cost abatement.

This is critical; ultimately, we do not want the State's current onerous regulatory framework to prevent WA from being a major player in supporting the global decarbonisation agenda. This is through, for example, the exploration and export of our critical minerals as well as leveraging the State's abundance of renewable energy to produce and export green hydrogen as well as attract investment in advanced manufacturing.

Greater consideration given to the barriers of decarbonisation

Our research has revealed that various policies, regulations and investment decision-making processes governing access to land and infrastructure are slowing down the pace at which WA businesses can both decarbonise their operations and contribute to reducing the State's dependency on fossil fuels in the energy sector. This makes the shared goal of "deep and substantial reduction in WA's emissions this decade" challenging.

As an example, businesses investing in hydrogen require investment in and/or access to regional infrastructure for producing, distributing, storing and using the energy from hydrogen.³ This includes refuelling facilities on regional freight networks for hydrogen

³ Bowen, H. *Fuelling cooperation: The Indo-pacific hydrogen transformation*, Perth USAsia Centre, 2021.

powered vehicles, and access to existing natural gas networks to allow low concentrations of blending. As another example, some businesses wanting to supply customers with renewable energy need the electricity grid to be modified to enable them to do so.

In some cases, investment in new infrastructure is needed, in others, existing regulatory frameworks need to be reformed. For example, despite carbon capture and storage being critical to decarbonisation, existing legislative provisions in WA prevent industry from using this process. In another example, our members also highlighted the importance of reconfiguring the electricity network to align with decarbonisation goals:

“The critical issue here is electrification. The grid as it stands falls woefully short. We don’t have the grid to enable decarbonisation, and this should be addressed as a priority issue.”⁴

As a consequence, without significant further investment, WA’s electricity grid may make it impossible for some companies to adequately reduce Scope 2 emissions in line with the EPA’s expectations.

Barriers to decarbonisation can also vary between companies within industries. The speed at which decarbonisation can take place for individual proponents will depend on a range of factors including, for example geography / topography, access to power, and access to — and place in the queue to adopt — technology.

The State Government itself acknowledges these barriers, and the rapid SWIS Demand Assessment and SERS processes, for example, are being used to facilitate a comprehensive assessment of critical barriers faced by industry. However, it may take some years before industry will see progress, reflecting the time needed for the development of business cases, final investment decisions as well as construction in a constrained skills and supply market.

For these reasons, CCIWA strongly encourages the EPA to give greater consideration to the policy, regulatory and investment barriers that prevent industry as a whole, and individual proponents, from decarbonising at pace and scale this decade.

Our research also revealed that challenges accessing climate related skills pose a barrier to decarbonisation. In the context of the EPA’s guidance and major project approvals, proponents can face challenges finding independent peer reviewers with the right capabilities. We encourage the EPA to work with industry to identify appropriately skilled peer reviewers for resource sector and new energy projects.

Final Remarks

There is no doubt that taking steps to mitigate and adapt to climate change is the only path forward for WA businesses. In isolation, the latest EPA guidance sets the high expectations of the EPA currently in force in writing. However, there are many other

⁴ Quote from a CCIWA General Council member.

significant policy advances taking place, which create considerable risk for policy misalignment and additional regulatory complexity.

We support strong climate leadership by the Federal Government, delivering aligned and coordinated action across tiers of government. This delivers the benefits of regulatory consistency across jurisdictions, thereby reducing regulatory complexity and ensures efficient and effective use of resources of industry and government.

Ultimately, we want to support our industries to reduce their climate risks and leverage the opportunities presented by climate change. By doing so, WA can become a major player in the global decarbonisation agenda. To enable this, it is critically important that the environmental regulation surrounding climate change acts to support industry innovation and investment, not constrain it.

To this end, CCIWA recommend the EPA consider the following:

- Delay this updated EPA guidance until a full assessment of the Federal and State policy responses currently underway to ensure aligned and coordinated environmental policy.
- Undertake significant engagement with State and Federal stakeholders to reduce regulatory complexity associated with climate change.
- Further clarity is provided to industry around how the EPA intends to assess and apply international Scope 3 emissions for its assessments of projects; and
- Give greater consideration to the policy, regulatory and investment barriers that prevent industry from decarbonising at pace and scale this decade.

Once again, thank you for the opportunity to comment on the Environmental Protection Authority's Environment Factor Guidance: Greenhouse Gas Emissions.

Yours sincerely

A handwritten signature in black ink, appearing to be 'CR' followed by a horizontal line.

Chris Rodwell
Chief Executive Officer