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Dear Offsets and Verification Team

RE: Submission on the Australian [National Carbon Offset Discussion Paper](#).
This submission is not confidential

Thankyou for the opportunity to provide my submission on the discussion paper describing a National Carbon Offset Standard.

I have significant concerns, that as far as facilitating a market based mechanism in the broader economy (beyond those immediately covered by the CPRS) this will be extremely difficult as the Australian Government has chosen a cap and trade option to manage Australia's Greenhouse performance which cripples voluntary action by individuals, households and most businesses.

The CPRS destroys the ability for any or business entity from reducing National Emissions more than the rate set by Government targets, because any reduction actions to transfer for pollution to occur elsewhere. The Cap and trade approach means that it makes no difference if I ride my bicycle to work or buy the biggest petrol guzzling V8 I can get my hands on,- National Emissions will be the same.

The CPRS kills off most voluntary offset options from within what it claims to be covered sectors and the Department of Climate Change is carelessly killing off the biggest opportunity for customers to reduce their emissions at least for themselves which is *voluntary renewable electricity* and *voluntary lower emissions electricity*.

The end result is that there is now a direction of policy that makes renders the voluntary efforts of many Australians and Australian businesses to become meaningless. We have a GreenPower scheme which in my view is at best false and misleading under the National Greenhouse and Energy Reporting Determination (2008) which legally assigns all benefits of voluntary renewables (renewable energy use, reduced emissions, green-ness, renewable-ness) to the grid (being all grid customers in proportion of their use), not the customer, causing a massive double count and free rides. Once the CPRS starts, GreenPower cannot cause reductions in National emissions either. - NO GREENHOUSE REDUCTION FOR THE CUSTOMER, NO GREENHOUSE REDUCTION FOR AUSTRALIA, JUST GREENWASH AND FREE RIDING.

As far as motivating Australians to collectively take action on climate change the CPRS will not work. Worst of all, the Department of Climate Change is now seeking to rewrite the rules by redefining carbon neutrality with a *No Action Carbon Neutral Logic* to cover up its policy mess.

If the Department of Climate Change built an aeroplane that didn't fly, would it also seek to change the definition of flight?

Thirty30 detailed and numbered recommendations are provided throughout this submission

Six Summary Recommendations are as follows

1. The Standard should be expanded in title and definition to be, 'The National Standard for Voluntary Carbon Emissions Reduction, Products, Services and Offsets'.
2. Carbon neutrality is about individuals and entities managing their emissions and is not about the impact on aggregated economy wide emissions. It is suggested that the Department of Climate Change acknowledge the Oxford American Dictionary definition of carbon neutrality or a similar internationally recognised definition for this standard as shown in Detailed Recommendation #30.
3. The nature of the CPRS cap and trade approach **does** mean that individual actions using market products and services cannot reduce emissions caused by other entities that have permits to pollute. This however does not change the definition of carbon neutrality for an individual or entity, though it is a significant constraint of the cap and trade approach.
4. The role of voluntary action must be considered in the light of placing an appropriate price on greenhouse emissions that will drive market choice towards greener products and services that don't include this cost. Various market products can co-exist with the CPRS including
 - Accredited Renewable Energy (with reform of its accounting, inclusion in the NGERs Framework, and segregation from the fuel burning stationary energy sector)
 - Accredited offsets from reforestation not covered by the scheme
 - Accredited offsets from recovered and destroyed refrigerant gasses
 - International products assessed by the Department of Climate Change as having merit and additionality.
5. If the Department of Climate Change accepts Minister Wong's logic that voluntary actions such as the National Insulation Program (or buying renewable energy or switching to fuel efficient vehicles) will lower demand for CPRS permits, keep CPRS permit prices low and therefore enable the Government to reduce the cap faster, then the Voluntary surrender of CPRS permits cannot work by the Government's own logic. The Voluntary surrender concept will do nothing to improve Australia's capacity to reduce emissions, will make permits more scarce, increase the price of permits for covered industry sectors and therefore will reduce the Government's ability to reduce the cap faster. If the government is going to promote that real voluntary actions will work indirectly, it cannot continue its abstract concept of selling CPRS permits to throw in the bin.
Furthermore, the concept causes Siamese twinning, locking the cost of emissions offsetting to the cost of pollution, ever diminishing the affordability of voluntary efforts.
6. Confirm the use of accredited renewable energy as an option for customers to avoid their scope 2 emissions. Incorporate Australian made accredited renewable energy into this standard and ensure that the NGERs system allocates the greenhouse benefits and use aspects to the customer and not the grid. Stop the double counting of renewable energy and its associated attributes of use and reduced or zero emissions.

Accredited renewable energy for use by customers is absent in this proposed framework, absent in NGERs, and absent in the discussion papers relating to the National Renewable

Energy Target. The option provides the greatest tangible voluntary market mechanism for customers to reduce their emissions and should not be eliminated or continue merely as green wash.

Detailed Comments on the Carbon Offset Discussion Paper

Opening Remarks (Page 2)

The Opening Remarks claim that,

"Under the Scheme, aggregate emissions are capped at a level consistent with achieving the *environmental* outcome".

Such a statement is repeated in Section 2.1 and reveals that senior players in the Department of Climate Change and Government still do not acknowledge or understand the economic and social risks as well as the environmental risks associated with climate change.

"The Scheme will have broad coverage, with around 75 per cent of Australian emissions being covered from Scheme commencement".

This statement does not acknowledge the granting of free permits and 100% transport & diesel fuel compensation which nullify coverage for most of the 75% quoted. Free permits don't create the market conditions for renewable energy and other replacement technologies to compete with fossil fuels. Every free permit that is issued compromises the effectiveness of the CPRS.

"The Scheme will, for the first time in Australia, impose a carbon price across most of the economy which will drive emissions reductions over time".

This statement borderlines on being false and misleading due to the granting of free permits, generous assistance to trade exposed energy intensive industries and 100% compensation on fuel emissions. The Government maintains the ability to issue unlimited permits in any year at \$40 per tonne and so it is not assured that the Government has established a mechanism that will actually reduce emissions. The Introduction (page 2 and 3) does not acknowledge the primary aim of most consumers to reduce their emissions (direct and indirect) as the key step in achieving their sustainability and reputation goals. The Department of Climate Change is not correct in assuming that consumer desire is to purchase offsets. This key flawed assumption sets the scene for the rest of the discussion paper that misses the very nature of the voluntary greenhouse reduction market hierarchy which is often to first adopt efficiency solutions, use renewable energy, use other carbon neutral and low emission products and services before finally purchasing accredited carbon emission offsets.

The voluntary carbon market is concerned about more than just "the generation and sale of carbon credits". Indeed the State of the Voluntary Carbon Markets (2008) report which is used to justify reasoning in this discussion paper includes renewable energy as an offset, whereas the Discussion Paper does not recognise accredited renewable energy (non fuel burning) as either a potential offset or a carbon emissions neutral product.

The Discussion Paper therefore fails to acknowledge the growth potential of the voluntary greenhouse reduction market that would flourish with a real cost on carbon emissions.

2 Purpose of the standard

The suggested purpose of the Standard is not sufficient to meet the needs of voluntary markets and should therefore be **(Recommendation 1)** expanded in title and definition to be, ' *The National Standard for Voluntary Carbon Emissions Reduction Products, Services and Offsets*' with an expanded list of objectives as follows.

- build on existing schemes to minimise duplication;
- provide national consistency;
- **(Recommendation 2) include minimum standards for voluntary carbon emissions reduction 1) products, 2) services 3) offsets, and 4) associated entity claims;**
- **(Recommendation 3) Provide a Nationally accepted standard for achieving carbon neutrality that is relevant to an individual or entity.**
- **(Recommendation 4) Establish independent ongoing control and review mechanisms** where necessary to ensure integrity;
- **(Recommendation 5) require and guide products, services and offsets to be used only once in emissions reduction claims and beliefs.**
- **(Recommendation 6) require all voluntary carbon emissions reduction products, services and offsets** on the market to be accredited;
- include appropriate verification and validation protocols;
- take international developments into consideration; and
- **(Recommendation 7) include standard carbon neutral calculations relevant to 1) products, 2) services 3) offsets, and 4) associated entity claims;**

The concern that "varied levels of understanding about carbon offsets and carbon neutrality and varied assessment methodologies can create confusion as to the legitimacy of claims and products", will be addressed when **(Recommendation 8)** the Department of Climate Change accepts the Oxford American Dictionary definition of Carbon Neutrality (or similar widely respected and comprehensive definition that respects the vast majority of global dictionary meanings), and establishes standards for achieving carbon neutrality and greenhouse mitigation claims. It is largely the Department of Climate Change that is causing confusion on the term carbon neutrality through its wide ranging suggestions.

1.3 Proposed Standard (Page 4)

The first dot point of Section 1.3 seeks out to change the accepted definition of carbon neutrality to suit consequences to the Government's Carbon Pollution Reduction Scheme (CPRS).

"The Discussion Paper; acknowledges that, while introduction of the Scheme alters the concept of carbon neutrality, entities will wish to engage in additional voluntary action";

(Recommendation 9) Such a comment seeking to alter the concept of carbon neutrality is wrong and should be avoided.

The concept of carbon neutrality is not changed by the CPRS cap and trade scheme, it just means that where an individual or business achieves carbon neutrality, economy wide aggregate emissions may not be reduced because it will not change the number of CPRS pollution permits issued by Government. This problem is unique to cap and trade schemes whereas a tax on carbon emissions encourages voluntary action in all parts of the economy to contribute.

2. Carbon Pollution Reduction Scheme -Implications for the voluntary market (Page 5)

The Statement that "There is no universally accepted definition of carbon neutrality" is common to most words in the English language (if dictionary definitions are not accepted). There is no benefit in the Department of Climate change in perpetuating uncertainty of the meaning of 'carbon neutral' or neutrality and it should instead (**Recommendation 10**) support and confirm the widely accepted Oxford American Dictionary definition (which is also broadly supported by the Macquarie Dictionary definition) for use in this standard.

The Department of Climate Change has referred to the Oxford English Dictionary definition through its text as:

"However, a common understanding as defined by the Oxford English Dictionary is making no net release of carbon dioxide equivalent emissions to the atmosphere".

This statement **misrepresents** the OED definition which in full reads as:

" **carbon-neutral** *adj.* (of a process, agency, etc.) making or resulting in zero net emission of carbon dioxide to the atmosphere; claiming to balance any carbon dioxide emission by some form of carbon offset".

The difference is significant in that the Department of Climate Change has omitted the words in brackets "(of a process, agency etc)" which relates the outcome being associated with a process or entity and not to aggregated economy wide emissions.

The Department of Climate Change has also deleted the text which is relevant to claiming the balance by some form of carbon offset that is also relevant to a process, agency, etc., and not economy wide aggregated emissions.

The Oxford *American* Dictionary provides a less abbreviated definition as:

"Being carbon neutral involves calculating your total climate-damaging carbon emissions, reducing them where possible, and then balancing your remaining emissions, often by purchasing a carbon offset: paying to plant new trees or investing in "green" technologies such as solar and wind power"

The Department of Climate change should note the detail of various following aspects of the Oxford American Dictionary meaning:

- 1.The Oxford dictionary meaning uses the word "**your**" that describes actions to reduce and offset emissions relative to the individual or entity.
- 2.The definition is not describing the impact of the actions of an individual or entity on aggregated economy wide emissions.
- 3.The definition suggests use of renewable energy as examples of measures to reduce emissions which the Department of Climate Change continues to exclude from the National Greenhouse and Energy Reporting System and its voluntary market policies and programs.

Macquarie Dictionary Definition

"Carbon neutrality: a state in which an organisation or country balances its carbon emissions against its carbon reductions to achieve zero net emissions of carbon dioxide".

The Macquarie Dictionary definition incorporates the following key elements:

1. Relevance to an organisation; or
2. Relevance to a country (where the country is seeking to achieve zero net emissions).

As Australia is not seeking to be carbon neutral as a Nation the second element does not apply. From a customer viewpoint, carbon neutrality is about individuals and entities managing their emissions and is not about the impact on aggregated economy wide emissions.

In the last paragraph of section 2, the Discussion Paper suggests that:

"... as the Scheme places a cap on aggregate emissions from covered emissions sources it breaks the link between individual action and aggregate emissions."

Whilst at one level, this statement is true, it is easy to see that at another level individual actions are routinely undermined at an economy wide aggregated level by Government frameworks and so this is nothing new. Examples include:

- With household solar hot water and PV systems, the disclosure of the mechanism by Government, system providers and on documents is so terrible that the vast majority of householders are not aware that their voluntary efforts largely displace other renewable energy already required by MRET law resulting in zero economy wide difference (unless the Renewable energy Certificates are used in voluntary systems such as to create GreenPower).
- Voluntary renewable energy (GreenPower and Renewable Energy Certificates) are already counted towards reducing state grid factors because of the NGERS Determination (2008) and are therefore double counted every time that lower or zero emissions are printed on voluntary customer renewable energy bills.
- The proposal by the Federal Government in its National Renewable Energy Target Bill to assign 5 Renewable Energy Certificates for every deemed MWh of solar energy created will cause 6 counts (6 MWh) of renewable energy for every 1 MWh to be created also undermining legitimate voluntary efforts and accounting standards.

It is beyond the capacity of an individual or entity to prevent Governments from creating bad policy that undermines individual efforts in reducing National emissions but that does not change the meaning of voluntary action or carbon neutrality that is sought by individuals or entities.

2.1 The Carbon Pollution Reduction Scheme (Page 5)

The general description of the Carbon Pollution Reduction Scheme, its mechanism, benefits and how it works is somewhat misleading at best and possibly delusional at worst, considering the compromises that have strayed so far from the basic economic instrument. White Paper reduction targets and gateways being less than error of measurement, less than the potential change from the economic downturn, the free permits and compensation all compromise the effectiveness of the mechanism. To date, there is no actual cap that has been confirmed for the aggregated covered sectors and the Government retains the legal ability to issue unlimited pollution permits in any year at \$40 per tonne CO₂-e.

Whilst it is agreed that there is definitely a place for voluntary action, the reasoning by the Department of Climate Change to justify continuance of voluntary actions by individuals and entities is not necessarily wrong, but horribly misguided and incomplete. The Department of Climate change justification is:

"For example, owners of office buildings may achieve relatively low cost abatement by implementing energy efficiency measures. This will reduce their electricity bills, the demand for electricity, emissions from the electricity sector and therefore the demand for permits. This will in turn reduce the carbon price, reducing the cost to the economy of achieving the same level of abatement. As the cost to the economy decreases it becomes increasingly feasible to set more ambitious emissions reduction targets.

To be concise, the Department of Climate change is suggesting that voluntary action is not to reduce individual or entity emissions, but to free up permits so that polluters don't need to pay as much and then the Government may be more inclined to reduce emissions at a faster rate in five year's time. Using such logic, the same benefit would be achieved by simply making financial donations to Australia's emitters and this would alleviate the need for accreditation.

As a voluntary GreenPower customer and a carbon offset purchaser, I can assure the Government that my motivation is to reduce my emissions, not to improve the balance sheet of the nation's Scope 1 emitters. It would be nice if my efforts helped reduce National emissions as well but the Federal Government has chosen a cap and trade approach so this is not possible.

Assuming however that I do accept that in addition to my actions reducing my emissions that they will also indirectly serve to make more ambitious reduction targets more feasible, then this rules out the concept of voluntary surrender of CPRS permits that is described later in the Discussion Paper

Box 2.1 Mechanics of a cap and trade scheme

In relation to Box 2.1, the Discussion paper suggests that:

"The tradability of permits encourages the cheapest abatement to occur first and ensures that the emissions cap is achieved at least cost".

This statement is not valid under the White Paper proposal for unlimited permits in any year, massive free allocation of permits where no cost applies and significant assistance to various affected industries. The White Paper has made such compromises that "least cost" cannot be achieved. **(Recommendation 11)** Stop claiming that the CPRS provides carbon abatement at least cost. It now picks the winners in compensation and free permits and drives least choice for voluntary markets.

2.2 Implications for carbon neutrality

The following statement attempts to re-write 'carbon neutrality' to suit the Government predicament resulting from the cap and trade approach. It is therefore false and misleading and not supported.

"From a consumer's point of view, the environmental credibility of carbon neutrality comes from the fact that offsetting means an entity's activities do not increase aggregate emissions and therefore help to mitigate climate change".

As stated in regard to the Oxford American Dictionary meaning, the use of the word "your" describes actions relative the individual or entity to reduce and offset their emissions. It is beyond the control of individuals to reduce aggregated economy wide emissions.

Carbon neutrality in the absence of the Scheme (page 7)

It is agreed that in the absence of a cap and trade scheme, the purchase and use of renewable energy (if the accounting was fixed), carbon emissions offsets and other low emission products and services

would reduce emissions at both the individual or entity level as well as at the economy wide aggregated emissions level.

It is also agreed that an individual or entity could achieve this at the level of a carbon neutral outcome for themselves with a corresponding reduction at the aggregate level. However, it is not agreed that this latter activity "can be considered carbon neutral in that it produces zero net emissions at the aggregate level". (**Recommendation 12**) It is carbon neutral for the entity because of the impact on the entity's emissions, not because of the economy wide emissions reduction impact. Please do not blur the distinction.

Carbon neutrality in the presence of the Scheme (page 8)

Reforestation

The logic applied to reforestation is bazaar. A cap that is not a cap! It seems that if an offset is re-badged to be a permit it is OK to use. All this approach does is to waste the bio-sequestration gains of reforestation to be re-emitted as pollution, when instead such offsets (beyond requirements to offset burning and clearing events), could be better used in voluntary markets to offset Scope 2 and 3 emissions rather than be sold to scope 1 emitters.

The opt-in or opt-out clause for the CPRS also removes any integrity of the scheme relating to forestry and is likely to result in voluntary market distrust of Forestry based CPRS permits.

No Action Carbon Neutral Concept

It is agreed that the nature of the CPRS Cap and Trade approach is that:

"... any increase in emissions is offset by a reduction in emissions elsewhere under the cap. As a result the net change in aggregate emissions is zero.

The suggestion that follows is the most false and misleading statement that I have ever seen in a Government Policy Discussion Paper:

".. if all an entity's emissions were covered by the Scheme it could be considered 'carbon neutral' in the sense that individual emissions have had no net impact on aggregate emissions".

1. Under the National Greenhouse and Energy Reporting Act, its Regulations and determination the statement is false and the **No Action Carbon Neutral Logic** that the statement represents is also false.
2. In logic, this statement confuses *no increase in aggregate emissions* with *carbon neutrality*.
3. In logic, this statement fails to recognise that the emissions reductions are achieved by covered businesses reducing their emissions to avoid permit liabilities, they do not belong to entities that cause the pollution under permit or customers that buy standard electricity products and services that are associated with such carbon emission pollution.
4. In any ethical sense, the **No-Action Carbon Neutral Concept** is dangerous and wrong. Such logic undermines legitimate actions to reduce emissions and could be used inappropriately to justify any kind of development regardless of greenhouse impact. This also means that when developers put forward a proposal, that the rest of the community will resent the upward pressure on permit prices that this will cause.

We have a cap and trade system for the River Murray. *Does this make the covered irrigators water neutral?* Does this mean that we have water in the lower lakes flowing to the sea?No!

(Recommendation 13) Abandon the *No-Action Carbon Neutral Logic*; it causes nothing but harm to voluntary mitigation efforts and is indefensible.

Acknowledging the problems of the CPRS scheme in that , the fact that **the CPRS cap and trade approach ruins the efforts of individuals and entities from reducing economy wide emissions**, this constraint cannot be used to penalise the voluntary efforts of individuals and entities'(The "Fallacy of Composition" description doesn't quite fit the situation).

Such a problem does not exist with the carbon tax approach and because the Department of Climate Change has never revealed a true comparison¹ of the proposed CPRS cap and trade system compared with a carbon tax, it should visit this matter before drafting CPRS legislation (the box in the Green Paper was totally inadequate and did not openly discuss the negatives as well as the positives of the cap and trade approach).

Treatment of non fuel burning renewable energy as part of the covered Stationary Electricity Sector

The following statement dealing with offset from within covered sectors un-necessarily places the entire concept of purchasing renewable energy at risk. It reads:

"Entities that wish to offset emissions embodied in their domestic inputs will find that the emissions from the majority of these inputs will be covered by the Scheme. The Scheme will cover emissions from stationary energy....." ,

Not one non-fuel burning renewable generator will require CPRS pollution permits and yet the Department of Climate Change is killing the concept of voluntary renewable energy through careless defining of a pollution sector and through their NGERs framework.

Electricity generation represents around half of Australia's counted emissions and for many businesses, the greater part of their greenhouse inventories, **(Recommendation 14)** There is strong case for the covered electricity sector to include only fuel burning generators, and to exclude non - fuel burning renewables generation. This together with reform of NGERs (Its legislation, regulations, Determination and methodologies for calculating state emission factors) could see the continuation of renewable energy with integrity for customers, which in many cases would provide much of the voluntary market choice that they are seeking.

The Department of Climate Change position of describing covered and uncovered sectors as having relevance to reducing National emissions is also not rational. The Australian Emissions Cap covers an estimate of Australia's total acknowledged emissions from both covered and uncovered sectors. Any reductions from an uncovered sector will ultimately allow more permits to be released in the covered sector unless the Government chooses to ignore sound accounting principles.

Careful what you wish for - It might come true

(Recommendation 15) The Department of Climate Change should consider the impact of the CPRS cap and trade approach with International developments. If it is genuinely seeking a Global effort and solution to tackle climate change, then once this is achieved and all nations become involved, then

¹ See discussion on <http://bravenewclimate.com/2009/02/14/carbon-tax-or-cap-and-trade-the-debate-we-never-had/#comments>

voluntary market mechanisms would be extinguished within Australia and Internationally. The future of the planet will be in the hands small numbers of businesses (such as 1000 within Australia) that will have control of mitigation and negotiating their conditions with Governments.

The CPRS will hardly be the most cost effective market based approach when compared with carbon tax approach, that drives emissions reductions throughout all businesses in the economy.

Voluntary action beyond the Scheme (page 10)

"given the operation of the Scheme cap in driving emissions reductions elsewhere, is there still benefit in using the term 'carbon neutral'?"

Answer - (Recommendation 16) absolutely, because carbon neutrality is not about aggregate economy wide emissions it is about emissions that relate to an individual or entity.

Questions

Is the term 'carbon neutrality' still meaningful in the context of a cap and trade scheme?

Answer (Recommendation 17)

Yes. There is a need for the Department of Climate Change to confirm the Oxford American Dictionary definition or similar widely accepted definition of Carbon Neutrality and provide frameworks and mechanisms for this to be achieved particularly for the voluntary scope 2 and 3 markets and for entity claims.

The problems in the context of the Government's choice of a CPRS Cap and Trade approach don't change carbon neutrality with respect to an individual or entity.

If an aeroplane doesn't fly this does not eliminate the meaning of flight!

Rather than 'carbon neutrality' would another concept such as 'additional voluntary action' be more appropriate to recognise voluntary activity?

Answer (Recommendation 18)

Australia will look pretty silly trying to re-define or substitute the globally acknowledged concept of achieving carbon neutrality. Additional voluntary action to achieve what?, to make donations to emitters in the hope that one day the Government might think that business can afford to reduce emissions a little further?

Reducing emissions is the main game for those making a genuine voluntary effort, and for some, this extends to achieving carbon neutrality.

If all an entity's emissions were covered by the Scheme, would it be sufficient for the entity to participate in the Scheme to be considered carbon neutral?

Answer (Recommendation 19)

No! Definitely not! The Department of Climate Change is wrong to pose such a question" The suggestion is wrong for the reasons previously described, that the *No Action Carbon Neutral Approach* is not supported by NGERs legislation, confuses 'no increase in aggregate emissions' with 'carbon neutrality',

is unethical and fails to acknowledge where emissions reductions are achieved by businesses. Please withdraw from such lunacy. The Murray has a cap on it but that does that mean that the irrigators and licensed users are water neutral? Just visit the Murray mouth to consider such logic.

The Department of Climate change must demonstrate leadership in mapping out the broad Policy framework options and principles. When it asks stakeholders such illogical and unethical questions it either looks like the DoCC does not understand greenhouse accounting or it is attempting to build a defense to mask the inadequacies of its CPRS cap and trade mechanism.

If there was a business advantage for the world to be flat and the Department of Climate change released a discussion paper on the world being flat that led to stakeholder agreement that the world was flat would that make the world flat?

2.3 Carbon offsets (page 10)

Efficiency based offsets don't work well as the benefits should be used to reduce the emissions by the entity or individual that achieves the efficiency. Selling a credit when an entity has carbon emissions debt is like trading when insolvent.

Residential Energy Efficiency Schemes (REES) should not be used to create tradable offsets. The South Australian Regulations appear to have this in hand by describing efficiencies and greenhouse gas reductions that would be delivered to household customers. This is how the schemes should work and this prevents double counting. If any State schemes or collective National energy efficiency schemes begin to take or trick the greenhouse benefits away from those households, then double counting and confusion will be the result as it is with the household solar hot water systems and small scale renewable electricity generation units.

Accredited forestry offsets can work very well in voluntary markets at an individual and entity but just like all other offsets, these would not reduce National emissions under a Nation wide cap. The Opt in-Opt out CPRS choice undermines the concept of using reforestation to provide permits for Scope 1 emitters.

International offsets (of the various types) would diminish if the majority of developed and developing nations establish cap and trade carbon emissions schemes such as the proposed Australian CPRS. There is an argument that allowing too many products from overseas nations without greenhouse controls is both ineffective and fails to cause the necessary changes to Australia's economy and fails to drive green jobs.

3. Carbon neutral calculation standard (page 12)

As rebutted in the response to Section 2, the introduction of the Scheme does not change the concept of carbon neutrality for an individual or entity just because the CPRS cap and trade approach breaks the link between individual entities' actions and economy wide aggregate emissions.

Carbon neutral calculations and the Carbon Neutral Standard should not be harmed by the constraints caused by the Governments CPRS cap and trade approach. The following options could be made to work under the CPRS:

- 1.(**Recommendation 20**) Renewable energy could work and be available for customers to reduce the bulk of emissions inventories in many cases and could be confirmed as available for tens of thousands of businesses and entities that use electricity and for millions of household electricity customers;

2. Accredited forestry offsets could continue for Scope 2 and 3 markets until such time as all forestry and farm forestry is covered by the scheme;
3. Recovered and destroyed refrigerant gasses that would otherwise have been released;
4. Limited International carbon offsets to a determined standard, until such time as changes to the Kyoto mechanisms and international collaboration cause changes that might extinguish the availability of such options; and,

It is acknowledged that:

"international practice appears not to have been formulated taking into account the operations of a cap and trade scheme. It ignores the environmental impact of an emissions trading scheme in driving emissions reductions elsewhere".

So why then has this Government been so willing to lock itself to the cap and trade approach? The carbon leakage problems of the Kyoto clean development mechanism has been well known for years in that the scheme is dependent on un-covered developing nations to provide offsets for developing nations despite their emissions being out of control (trading whilst being insolvent in a greenhouse sense). China and India being well known examples. Of course these markets must change or cease when all nations start reducing their emissions.

Grasping at straws

After a providing the text that destroys tangible voluntary actions and mechanisms, the department of Climate Change seems to be suggesting some last minute grapple for some kind of solution out of its mess by suggesting that:

"Although emissions reductions have been driven from within the Scheme, a product's carbon footprint may continue to be a useful benchmark to measure the degree to which an entity has undertaken additional voluntary action".

The suggestion again fails to acknowledge that it is emissions reduction associated with the individual or entity which is the essential outcome of voluntary actions, not the game of throwing away money to lower costs of permits for covered polluters.

If the action is not tied to emissions reduction for the customer then how could a business know that its level of voluntary action is appropriate?

3.1 Carbon footprint calculation (Page 13)

The discussion paper acknowledges Scope 1, 2 and 3 emissions as important for greenhouse footprint calculations, and the need for a life cycle approach.

It is agreed that carbon footprint calculations should always start with scope 1 and 2 emissions. Scope 2 emission factors do however, require a total overhaul for the concept of voluntary renewable energy to continue with integrity, as covered in my [submission](#) on the National Renewable Energy Target.

Because the analysis of Scope 3 emissions can be more detailed, it is essential for the Department of Climate Change to provide the necessary leadership on practical standards to quantifying scope 3 emissions. **(Recommendation 21)** For making a claim that implies carbon neutrality such a standard

should require that the vast majority of indirect emissions associated with project or product construction, operations, consumables and disposal are covered.

The suggested concerns on methodological and practical difficulties that could lead to double counting of emissions are managed through the concept of accounting in each of the different scopes.

- Total economy wide aggregated emissions only include the sum of scope 1 emissions.
- Scope 2 and 3 emissions are merely recognition that a scope 1 emission has been created elsewhere in connection with businesses activities.
- At any point in the market chain, if an emission is managed upstream, the greenhouse intensity of a product or service can be reduced and the advice passed on to downstream customers. In fact such information is exactly what customers are calling for when they purchase renewable energy, computers, cars and flights etc.

Questions

Does calculation of a carbon footprint represent a sound benchmark from which to determine the degree of voluntary action an entity may wish to undertake?

Answer (Recommendation 22)

The Carbon footprint calculation is naturally the benchmark for determining the amount of voluntary greenhouse reduction measures that should be considered. For any claim of carbon neutrality, scope 1, 2 and 3 footprint emissions would need to be managed directly or indirectly through service and product providers

Should different approaches to lifecycle analysis be applied to organisations, products and services?

Answer (Recommendation 23)

A standard set of principles should apply to greenhouse assessments of Scope 1, 2 and 3 emissions

Should the calculation of Scope 3 emissions be optional for organisations and/or services and if so which, if any, Scope 3 emissions should be considered?

Answer (Recommendation 24)

Being an offset standard for the voluntary market, scope 3 emissions the standard is by its nature optional. There would however be a necessary requirement for organizations seeking to claim compliance with the standard for Scope 3 emissions to be assessed where:

1. claims of carbon neutrality are made
2. claims relating to project life cycle emissions are made.

Failure to acknowledge significant scope 3 life cycle emissions in products services and claims undermines the integrity of claims made by individuals and entities that purchase such products. If we consider standard electricity for example, the NGA Factors workbook (2008) shows a scope 2 component for electricity and a scope 3 component for the energy used in creating that electricity and transmission losses. The Scope 3 published factor fails to acknowledge the construction emissions in creating mines, power stations and power transmission grids leading to incomplete recognition of the total life cycle impact of using standard electricity by all customers that use standard electricity.

Scope 3 emissions do need to be covered by the Standard and the Department of Climate Change has a role in filling in the many gaps.

(Recommendation 25) It is suggested that accreditation of products and services by national regulators require compliance with this standard so to encompass scope 3 assessments.

It is suggested that claims made in regard to an entity achieving carbon neutrality be covered by this standard for the purposes of independent verification and compliance auditing.

Question

Do the GHG Protocol principles and/or the Greenhouse Friendly™ initiative steps for Life Cycle Analysis constitute an appropriate basis for the calculation of a carbon footprint for organisations, products or services under the national standard?

Answer (Recommendation 26)

The GHG Protocol principles provide a good basis for the calculation of scope 1, 2 and 3 emissions for carbon footprint calculations, but scope 2 emission factors require significant overhaul to enable voluntary renewable energy and other low emissions energy to be purchased and used by customers without being double counted towards state standard electricity emissions dilution².

4.1 Voluntary surrender of carbon pollution reduction permits (page 17)

Voluntary surrender of CPRS Permits will not work because the mechanism is in contradiction with the Government's own reasoning. This discussion paper has suggested that voluntary actions such as improving efficiency and using less energy will build Australia's capacity to reduce emissions making it more feasible for the Government to reduce the cap. Minister Wong's defence of the National Insulation³ initiative is also opposite to how throwing permits in the bin would work. Voluntary surrender of CPRS permits however, does nothing to improve Australia's capacity to reduce emissions, the action increases scarcity of permits, increases the cost of permits and it becomes less feasible for the Government to reduce the emissions cap. The single logic cannot work in two directions at once.

The inverse concept logic of voluntary surrender of CPRS permits is unlikely to receive favor by the markets because the emissions that are supposedly reduced are intangible. The concept has no place where customers perceive that the emissions cap is too high and that future emissions caps could undermine the voluntary achievements when businesses lobby for additional permit creation and release. Throwing CPRS permits in the bin and knowing that less than 3% of the funds raised will directly go to implementing greenhouse reduction technologies is hardly going to be a customer option of choice.

The inbuilt market failure for voluntary surrender of CPRS Permits

The voluntary use of CPRS Permits would be destined for failure in voluntary markets even in an ideal cap and trade system that followed a scientifically based cap and reduction pathway, 100% full auction of permits, all funds used to implement low technology infrastructure nation wide on a war like collaborative effort and the market determined the price for all. The voluntary use of permits would

² See <http://www.climatechange.gov.au/renewabletarget/consultation/pubs/067timkelly.pdf>

³ See Insulation handouts 'won't reduce emissions' <http://www.abc.net.au/news/stories/2009/02/05/2483104.htm>

fail because the price of emissions abatement using this mechanism is always tied to the cost of carbon emissions pollution. Voluntary markets cannot evolve with such perverse Siamese twinning.

In a constructive market of choice, as the cost of carbon emissions pollution increases, the cost of abatement actions should decrease in at least a relative sense, and as new low emission voluntary products and services come on to the market they should decrease in absolute cost as well. This does not happen with the Siamese twinning of CPRS permits used as abatement.

The voluntary surrender of permits CPRS is therefore the increasing cost option in addition to the least choice option for voluntary markets.

In summary of CPRS permits used as offsets, this is what would happen:

- The voluntary removal of permits un-necessarily increases the price of permits and reduces the ability for the Government to lower the Cap
- No green jobs or low emissions technologies would result from the action.
- At the same time as voluntary customers will be buying permits to destroy the Government is handing out vast amounts for free to polluters. This cannot be good for market perception
- The concept is abstract and cannot work under conditions of over-allocation. Very few market participants can build a business case for buying nothing.
- 97% of the revenue would go on a merry-go-round through the economy with most ending up as financial assistance for polluters so virtually No green jobs or low emissions technologies are indirectly would result.
- Funds go to support industries to continue to pollute.

4.4 Domestic offsets - uncovered sources (page 22)

The Paper completely fails to address the issues of voluntary renewable energy in Australia. Does the Department of Climate Change ever intend to reform greenhouse accounting associated with renewable energy or is it content for double counting of greenhouse benefits to continue outside of the NGERs framework?⁴

Reforestation (Page 24)

How should reforestation be treated under the standard?

Answer (Recommendation 27)

Reforestation should be treated under the voluntary standard in much the same way that it is done currently, using Kyoto rules that describe permanence, minimum forestry heights and cover requirements should be maintained.

Those selling credits should have deducted the life cycle greenhouse costs of site preparation and use of diesel fuel and fertilisers etc.

Avoided deforestation (page 25)

Always problematic, suggest alternative incentives for landholders to protect their forests.

Savannah burning (page 25)

The life cycle greenhouse benefits to changes to savannah burning are not well defined and it would take some convincing of customers and the International community that tangible benefits could be achieved.

⁴ See <http://www.climatechange.gov.au/renewabletarget/consultation/pubs/067timkelly.pdf>

Agriculture

No tangible benefits are placed on the table as yet.

5. Accreditation (page 27)

Should the national carbon offset standard be voluntary or mandatory in nature?

Answer (Recommendation 28)

The *National Standard for Voluntary Carbon Emissions Reduction Products, Services and Offsets* could be used in much the same way as ISO Standards are used in that adherence to the standard could be audited and independently verified, and for businesses, any false and misleading claims could be reported under the Trade Practices Act to the ACCC.

Governments should adopt the standard for reporting their claims.

Is further oversight of the standard required beyond the ACCC's administration and enforcement of the Trade Practices Act?

Answer (Recommendation 29)

The ACCC has a critical role in enforcing the Trades Practices Act however, the organisation in my view has demonstrated that it is not up to the task of providing oversight of the standard regarding claims of carbon neutrality in its failure to deal with the double counting of renewable energy in various state and federal government schemes. It is my belief that the ACCC has itself provided false and misleading advice on its website suggesting that "Switching to electricity officially accredited as coming from these sources—known as GreenPower™—is a recommended way of reducing your carbon footprint" when it does no such thing under the NGERs Determination which allocates such benefits across all grid customers.

There needs to be a fully independent non-business and non-Government Steering Committee to tackle the issues that the Department of Climate Change, ORER and the ACCC have avoided.

Draft National Carbon Offset Standard (Attachment C)

The purpose of the Standard is not sufficient to meet the needs of voluntary markets and should therefore be expanded in title and definition to be, '*The National Standard for Voluntary Carbon Emissions Reduction Products, Services and Offsets*'.

WHERE IS RENEWABLE ENERGY FOR CUSTOMERS??????

(Recommendation 30) Reforms to allow the continuation of voluntary purchase and use of renewable energy with legitimacy should be made through the NGERs Legislation, determination and methodologies such that renewable energy use could then be incorporated into this standard.

As NGERs kills the benefits of renewable energy renewable energy for the customer and the CPRS kills economy wide benefits of using renewable energy by the nature of the mechanism and by defining renewables as part of the Stationary energy covered sector, there will be no future for this valuable option. Please don't let this happen.

3. Terms and definitions

Carbon neutrality:

It is essential for the Department of Climate Change to provide a robust definition for use in this standard with some sense of leadership. Even in this discussion paper we have carbon neutrality ranging from the "*No Action Carbon Neutral Logic*" to the Oxford English Dictionary definition to the proposed 'common understanding' loose ambiguous definition in the draft policy section. All of these different and conflicting definitions come from the Department of Climate Change in the one document!!!

(Recommendation 31) Suggested robust definition

For the purposes of this standard carbon neutrality is considered to mean a situation where the net emissions associated with an individual or organisation's activities, product or service are zero.

The definition used in this standard is based on the Oxford American Dictionary definition which states:

"Being carbon neutral involves calculating your total climate-damaging carbon emissions, reducing them where possible, and then balancing your remaining emissions, often by purchasing a carbon offset: paying to plant new trees or investing in "green" technologies such as solar and wind power"

For the purposes of this standard total climate-damaging carbon emissions includes scope 1, 2 and 3 emissions, calculated and or determined in such a way as to quantify the vast majority of direct and indirect emissions.

Kind regards
Tim Kelly

Private Citizen