Australian Capital Territory

Climate Change and Greenhouse Gas Reduction (Greenhouse Gas Emissions Measurement Method) Determination 2011

Disallowable Instrument DI2011- 257

made under the

Climate Change and Greenhouse Gas Reductions Act 2010 s 11 (Measuring greenhouse gas emissions – determination)

EXPLANATORY STATEMENT

The *Climate Change and Greenhouse Gas Reduction Act 2010* is an Act to set targets to reduce greenhouse gas emissions and increase renewable energy use in the ACT.

The determination under section 11 of the Act is by way of a disallowable instrument which must be notified, and presented to the Legislative Assembly, under the *Legislation Act 2001*.

The purpose of the determination is to prescribe a method for measuring greenhouse gas (GHG) emissions. The measured emissions (the *annual emissions amount*) form part of a report prepared annually by an independent entity pursuant to section 12 (Annual report by independent entity) of the Act.

In making the determination, the Minister must (1) seek and have regard to the advice of an independent entity on the method, and (2) as far as practical, ensure consistency with the best national and international practices in relation to measuring greenhouse gas emissions.

Prior to making this determination, the Minister sought and had regard to the advice of the Independent Competition and Regulatory Commission on the method.

The Commission found that the Commonwealth inventory for the ACT's GHG emissions (and those of other jurisdictions) uses a production approach, which focuses upon the measurement of emissions at their point of production. These are termed *scope 1* emissions, and are GHG emissions that occur within the geographic boundary of each jurisdiction. Thus, while the National Greenhouse Gas Accounts (NGA) uses a number of methods for determining and estimating scope 1 emissions, the focus is on the specific facility or production process where the emissions occur. Under the Commonwealth's approach, both sources of GHG emissions and removals by sinks occurring within the ACT's geographic boundary are covered.

This approach of only measuring scope 1 emissions is consistent with international practice and allows the Commonwealth to produce accounts which reflect both

location and sectoral estimates of GHG emissions. From a national policy and program perspective, and also for national reporting purposes, this is the preferred and more useful form of GHG reporting and accounting.

However, the nature of the ACT economy means that this approach falls short. The clearest example is in electricity consumption. The NGA attributes emissions caused by the generation of electricity to the region where the generation facility is located. Almost all the power consumed in the ACT is generated outside its borders. Therefore the emissions caused by the generation of electricity to satisfy demand for power in the ACT will, in the NGA, be attributed to regions other than the ACT.

This example suggests that the appropriate way to identify the location of the cause of an emission is to identify the location of the activity that consumes the good or service, the production of which gives rise to the emission. The Commission has adopted this approach in developing this advice and recommends that it form the basis for the methodology adopted for the ACT's GHG inventory.

This approach is consistent with the draft *International Standard for Determining Greenhouse Gas Emissions for Cities* published by the Urban Environment Unit of the United Nations Environment Programme, which envisages a three-level or three-scope approach to measurement. In addition to scope 1 emissions, the draft standard provides classifications for measuring emissions that a city causes to occur outside its borders. Under the draft standard, indirect emissions that occur outside of the ACT as a result of activities that occur within the territory are classified as either scope 2 or scope 3 emissions. Scope 2 emissions are defined as emissions from electricity consumption and district heating, steam and cooling.

The Commission recommended that the ACT GHG inventory encompass scope 1 and scope 2 emissions. Analyses undertaken elsewhere demonstrate the level of complexity involved in covering scope 3 emissions and highlight the potential difficulty and cost involved in obtaining verifiable measurements.

This approach to measuring GHG emissions in the ACT is the same as that taken in the ACT GHG inventory for 2008 prepared for the ACT Government. Thus, the methodology recommended by the Commission will provide continuity with that earlier work.

The determination takes effect the day after notification.