CONSULTATIONS ON GREENHOUSE AND ENERGY REPORTING

Submission by:

Australian Institute of Petroleum

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Introduction

The Australian Institute of Petroleum (AIP) was established in 1976 as a non-profit making industry association. AIP's mission is to promote and assist in the development of a sustainable, internationally competitive petroleum products industry, operating efficiently, economically and safely, and in harmony with the environment and community standards.

This submission has been developed to assist with the consultations on the costs and benefits of a nationally consistent framework for greenhouse and energy reporting, being carried out by the Joint Working Group of the Environment Protection and Heritage Council and the Ministerial Council on Energy.

AIP is pleased to present this submission on behalf of the following member companies:

BP Australia Pty Ltd
Caltex Australia Ltd
Mobil Oil Australia Pty Ltd
The Shell Company of Australia Ltd.

Overview of Energy and Greenhouse Reporting by AIP Member Companies

The downstream petroleum sector welcomes the initiative of the Federal and State Governments to seek to streamline the multiplicity of greenhouse and energy data reporting requirements of industry in Australia.

As a major contributor to the national and regional economies, the petroleum refining, distribution and marketing sector is involved in most of the energy and greenhouse reporting activities identified in the Consultation Paper (see Box below). Three of the four AIP member companies (BP, Mobil and Shell) are also directly involved in international greenhouse reporting activities.

National, State and Territory programs to which AIP member companies report

- ABARE Economics Fuel and Electricity Survey
- Australian Petroleum Statistics
- Energy efficiency Opportunities (new)
- Greenhouse Challenge Plus
- Greenhouse Friendly certification under Greenhouse Challenge Plus
- National greenhouse Gas Inventory
- National Pollutant inventory

- NSW Greenhouse Gas Abatement Scheme??
- NSW Load Based Licensing
- Vic State Environment Protection Policies – Air Quality Management
- Vic EPA Licensing reporting
- WA Greenhouse Gas Inventory
- WA Greenhouse Registry

Note: This listing only relates to downstream petroleum activities of refining, distribution and marketing of fuels. AIP member companies are also engaged in other business activities in the upstream petroleum sector, as well as other energy and non-energy related business activities that involve energy and greenhouse reporting to these and other programs.

Through the member company involvement in the International Petroleum Industry Environmental Conservation Association (IPIECA) and the American Petroleum Institute (API), the downstream petroleum sector in Australia supports and follows the *Petroleum Industry Guidelines for Reporting Greenhouse Gas Emissions, 2003* (www.ipieca.org/climate/ghg.html) that has been developed by these organisations. These Guidelines are based on the *WRI/WBCSD Greenhouse Gas Protocol*.

Consequently, AIP member companies strongly endorse the proposal to make the Australian national data framework compatible with the WRI/WBCSD Protocol. It will however be essential that the national data framework have a detailed structure that takes account of subsequent international work by various sectors to establish more detailed greenhouse and energy reporting frameworks, such as the Petroleum Industry Guidelines, that take into account the guidance and improvements that enable meaningful reporting for the sectors concerned.

We support the concept of a facility based data structure that covers on an annual basis

- all energy/fuel inputs (including different grades/quality of same fuels),
- all greenhouse gas emissions with direct, indirect, process and fugitive emissions reported separately.

We believe the data structure should also incorporate a capability for

- standardised conversion factors and emissions factors for all fuels and energy sources (such as the *AGO Factors and Methods Workbook*)
- energy and non-energy related abatement/sequestration actions
- allocation of energy use and emissions by corporate equity and/or operating responsibility in a facility
- allocation of energy use and emissions by detailed industry activity (eg separate reporting of each sub-sector's stationary activities to enable more informed analysis of sub-sector performance).

However, data confidentiality remains a prime concern for AIP member companies.

There is a considerable amount of very commercially sensitive information about refinery inputs and outputs that is supplied to some government programs and used to calculate data provided to other government programs. While the industry has negotiated satisfactory agreements to protect the confidentiality of this commercially sensitive information, some of which is specifically covered by legislation, these protections do not exist for many of the other programs other than by way of limits on the level of detail provided to the agencies.

A very rigorous data confidentiality and access protocol would need to be established, possibly on par with that applying to data supplied to the Australian Taxation Office and the Australian Bureau of Statistics.

We would expect that the data confidentiality arrangements would apply to data collection, storage and access. In addition, we believe there will need to be clearly defined criteria for what data is able to be extracted for the purposes of confidential reports to government and what is able to be extracted for the purposes of reports that are to be released publicly, or are likely to be released publicly.

Greenhouse Challenge Plus

AIP member company preference for a mandatory platform for greenhouse reporting is the Greenhouse Challenge Plus (GCP) reporting mechanism. AIP member companies believe that the GCP mechanism is already well based on a sound data framework that is capable of being expanded to enable facility based reporting of all data elements relevant to energy and greenhouse emissions monitoring and trend analysis.

Responses to Questions Raised in Consultation Paper

1 Benefits from streamlined and standardised greenhouse and energy reporting

A key to streamlining energy and greenhouse reporting is to ensure that companies can choose common reporting dates for all regulatory and corporate reporting, particularly the variety of reports submitted to State/Territory and Federal environment agencies. Internal benefits would flow from opportunities to integrate data collection and establish a more consistent suite of reports across all business enterprises. External benefits would flow from a more holistic understanding by governments of company and sector actions to improve energy efficiency and reduce greenhouse emissions.

2 Other uses made of greenhouse and energy data reported to governments

Most data is drawn from internal business monitoring and reporting systems. Energy data is usually provided to governments in an aggregated form that has limited use within the companies. Greenhouse data is used for both planning and internal reporting requirements, but is often modified or segments for planning and decision-making purposes.

Data reporting requirements that replicate the *Petroleum Industry Guidelines for Reporting Greenhouse Gas Emissions, 2003* will best match the way energy and greenhouse data is collected and utilised within AIP member companies.

3 Provision of data to different government agencies

The programs to which AIP member companies provide energy and greenhouse data have been identified above. The consultant working on this project will be well aware of the extent to which data requirements overlap and differ between the various programs.

4 Preferences for reporting mechanisms

AIP member companies would see an on-line reporting mechanism as the ideal basis for establishing a national data set. Such an approach would, if well designed,

- strengthen the degree of data consistency and accuracy (in terms of data measurements, calculation methodologies, and use of emission factors etc);
- facilitate the identification and understanding of corporate and sectoral trends in energy use and greenhouse abatement
- reduce company time spent on data reporting and reporting queries

In principle, facility level reporting is supported, provided the data base enables a clear linkage to be established to all other company reporting on the basis of equity and operating responsibility. Consideration would of course need to be given to corporate and 'common' services that are not readily linked to a particular facility (eg fuel distribution and general vehicle emissions from marketing/retail activities of the reporting entity). From a practical point of view there will need to be a threshold identified below which the data from different sites should be aggregated (for example AIP member companies do not see a case for separate reporting of the greenhouse gas emissions and energy use for each of the 6000 plus service stations in Australia, but this could be on the basis of business units and/or States).

However, data confidentiality remains a prime concern for AIP member companies. For example, the company specific data provided to Australian Petroleum Statistics includes commercially sensitive information on sources and volumes of crude oil and intermediate product inputs to each Australian refinery as well as sales volumes for all petroleum

products by State, which is not made available to other Federal or State Government Agencies or programs. While this information would be used, together with other data to calculate greenhouse gas emissions and trends at the corporate level, this level of data is not generally provided as part of greenhouse gas emission reporting for other than the Greenhouse Friendly certification and the NSW GGAS program.

Consequently, AIP member companies could only support a facilities based national data reporting framework once agreement had been reached with the industry on the details of the data protection protocol to apply to all data and to all agencies having access to the data-base. The protocol would also need to include criteria for distinguishing between confidential reporting to government and data accessed for public reporting. The protocol would need to include explicit audit and verification protocols for the data-base management system.

5 Impact of differing reporting timeframes

As we indicated in our response to Question 1, the key issue is for there to be a consistent reporting period for all reports required for each facility/entity and for companies to have the flexibility to select the most appropriate reporting period that fits in with general corporate reporting. We see no reason why the national framework should not have flexibility for entities to nominate the reporting period, with the data-base having the capability to interpolate data if a particular program required some other annual end-point, or to draw on data that is reported more frequently for particular programs.

6 Confidentiality issues

See response to Question 4

7 Elements of core data set

See introductory comments. The prime requirement for AIP member companies is that the core data set is compatible with the data framework set out in the *Petroleum Industry Guidelines for Reporting Greenhouse Gas Emissions, 2003*.

In order to be useful for government policy purposes, we believe that each of the primary IPCC data categories must be capable of being disaggregated to a meaningful sub-sector level such as petroleum refining.

8 Mandatory reporting

AIP member companies raise no objection to mandatory reporting where there is a clearly stated and relevant rationale for mandatory reporting of information to governments. However, we are not convinced that all current data reporting in the programs under consideration meets these requirements. We also remain concerned about mandatory reporting requirements that include punitive measures related to an unnecessarily high level of data accuracy, or the application of complex methodologies involving poorly defined data requirements.

9 Appropriate platform for national greenhouse reporting requirements

AIP member company preference for a mandatory platform for greenhouse reporting would be the Greenhouse Challenge Plus (GCP) reporting mechanism. AIP member companies believe that the GCP mechanism is already well based on a sound data framework that is capable of being expanded to enable facility based reporting of all data elements relevant to greenhouse emissions monitoring and trend analysis.

AIP member companies strongly support the views expressed to the two Ministerial Councils and the Working Group by the Australian industry greenhouse Network (AIGN) that the NPI platform is inappropriate. There are several reasons why we have reached this conclusion:

- Greenhouses gases are not pollutants or waste materials in the sense of the substances covered by the NPI. We would not support an approach which effectively swept all greenhouse gases into the pollutant or waste categories in Federal or State legislation or international treaties.
- Methodologies, algorithms and conversion factors are not well defined or updated under the NPI, which has an increasingly dubious level of data consistency and possibly accuracy. Much of the work that would be needed to improve the NPI mechanism is already underway under GCP.
- State by State differences in approach to NPI reporting and management of NPI have yet to be resolved satisfactorily, and given the established legislative structure underpinning the NPI would undoubtedly continue to be a driving force for unique local data and management requirements in any national data reporting system under the NPI.
- The contextual problems already evident with the use of data in the NPI will only exacerbate the difficulties currently encountered in proving contextual information about energy use and greenhouse gas emissions. Since this is a fundamental structural problem with the NPI platform that has yet to be resolved after more than 6 years of effort, we see no reason top expect that there would be any prospect of a quick NPI related solution.
- There is very little evidence that the NPI data is being used effectively by government agencies to inform policy development in ways that are not able to be achieved through other data sources. Public and media use of the NPI data set appears to be generally based on a poor understanding of the data limitations and the essential contextual information. In many cases the relative significance of the data, and trends in the data, is not understood at all or is deliberately misinterpreted.

AIP member companies see limited value in creating a new purpose built platform outside GCP.

10 Relative merits of NPI and GCP

See response to Question 9.