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Greenhouse and Energy Reporting Taskforce
Australian Greenhouse Office
Department of Environment and Water Resources
GPO Box 787
CANBERRA ACT 2601

By email to: reporting@greenhouse.gov.au

**Submission: Australian Pipeline Industry Association –
National Greenhouse and Energy Reporting System**

The Australian Pipeline Industry Association (APIA) welcomes the opportunity to provide comment on the *National Greenhouse and Energy Reporting System – Regulations Discussion Paper*.

APIA is the peak national body representing the interests of Australia's high-pressure transmission pipeline sector. APIA's current membership is predominantly involved in the high-pressure transmission of oil and gas, however, the Association also includes members of companies and individuals involved in the transmission via pipelines of other products, including water.

Natural gas transmission pipelines provide the safest, most efficient and most economic means of transporting natural gas and the pipeline industry is keen to contribute to the discussion on clean energy and emissions reduction. The development of an effective system to reduce emissions is of key interest given the ability of natural gas to provide a relatively clean, efficient and water-friendly transition fuel in the move towards clean electricity generation.

APIA is broadly supportive of the introduction of a national greenhouse and energy reporting system. APIA does, however, have concerns about some issues raised in the discussion paper, particularly with regard to the treatment of fugitive emissions.

APIA's full response to the discussion paper is attached and APIA would appreciate the opportunity to provide further input through consultation on greenhouse gas emissions calculation methods and participation in focus groups.

Yours sincerely

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SUBMISSION IN RESPONSE TO THE AUSTRALIAN GOVERNMENT'S NATIONAL GREENHOUSE AND ENERGY REPORTING SYSTEM – REGULATIONS DISCUSSION PAPER

1. INTRODUCTION

APIA welcomes the opportunity to provide this submission to the Department of Environment and Water Resources in response to the *National Greenhouse and Energy Reporting System – Regulations Discussion Paper* dated October 2007 (the Discussion Paper). The comments in this submission are based on the discussion paper, which outlines the proposed design of regulations to underpin the *National Greenhouse and Energy Reporting Act 2007* (the Act). In combination with the Act, these regulations will form the legislative framework for a national greenhouse and energy reporting system which, amongst other things, will inform processes and outcomes relating to the proposed national emissions trading system.

In relation to any form of greenhouse gas and energy reporting, APIA welcomes the development and implementation of a streamlined reporting system which is the primary objective of this policy framework. APIA supports further streamlining to provide consistency and consolidation of reporting requirements and related programs, as long as the requirements are not unduly onerous with regard to businesses. To balance the reporting requirements any regulatory framework needs to ensure the burdens of reporting and compliance correspond with the benefits of accuracy, transparency and comprehensiveness of the reporting, particularly at an operational level.

In responding to the submission, APIA will address the specific issues as highlighted in each of the chapters in the submission using the "question for feedback" at the end of the chapters as guidance.

As the peak industry body for the high-pressure gas transmission industry, APIA acknowledges that page 20 of the submission refers to the pipeline industry. We note that it is proposed that a pipeline and affiliated compressor stations would be considered to be a single facility under the proposed regulations, and that a pro rata approach would be applied to interstate transmission pipelines.

2. FEEDBACK ON CHAPTER 2 – "INTERPRETING THE LEGISLATION"

APIA recognises and supports the use of the familiar defined term of "emissions" and the sub categories of scope 1, scope 2 and scope 3 emissions.

In relation to the implementation of reporting requirements, APIA notes the nomination and revocation of the nomination procedure for joint ventures and partnerships and suggests the regulations should contain a transparent and clear direction with regard to compliance with these procedures.

The use of the ANZSIC classification system is non contentious with pipelines falling into transport division under code 502. This would be preferable to a categorisation where pipelines form part of an amalgamated resources category.

The term "facility" is defined in the Act to be an activity or series of activities that "form a single undertaking or enterprise". The Discussion Paper proposes that activities will "form a single undertaking or enterprise" if the activity or activities:

- consist of one principal productive activity with any additional activities able to be assessed as secondary or ancillary; and



- are situated in, or attributable to, a single physical location (with exceptions for activities such as transport [see pp19-20 of the Discussion Paper] and electricity, gas, water and waste services [see pp20-21 of the Discussion Paper]).

The Act states that the activity or activities constituting a facility must not be attributable to more than one industry sector. The regulations are to specify which activities are attributable to particular industry sectors. The Discussion Paper sets out an initial proposal that the industry sector structure for reporting under the Act utilises the ANZSIC classification codes at the Group (3 digit level) with some exceptions as set out in Appendix A.

The definition of "facility" in its current context does not appear to cause concern within the pipeline industry, given that most pipeline operations are a single undertaking or enterprise in the first instance.

It is noted that pipelines are listed under specific transport modes on page 20 of the submission. It is appropriate that pipelines are considered separately given their stationary nature and the fact that pipeline transport operations use energy and produce emissions either at discrete sites, such as compressor stations, or through fugitive emissions across the whole system. It is also appropriate that a pipeline and all affiliated compressor stations are considered as a single facility, except where a gas transmission pipeline crosses state borders, in which case a pro rata approach will be applied into one facility per state.

Assigning data for the purposes of jurisdictional reporting where pipelines cross state boundaries must to be clear and simple so that the use of complex pro rata methodologies, which might be different state by state, does not cause unnecessary and costly administrative burdens.

It is important to take account of the fact that high pressure gas transmission pipelines and gas distribution networks are very different entities and have different operating parameters. Consideration needs to be given to the boundaries between operating systems when defining a "facility".

Reporting requirements should also consider the relationship between the operator of pipelines and the owner of the gas being transported. This may be relevant in reporting emissions from the burning of fuel at compressor stations and fugitive emissions of the actual product within the pipeline.

APIA would appreciate further consultation on these issues as the regulations are developed.

The treatment of fugitive emissions (noted also as leaks in the discussion paper, page 20) in the gas transmission sector needs to be considered carefully.

There are genuine difficulties with regard to recording of emissions from natural gas pipeline systems.

Gas transmission pipelines are designed not to leak. However some operational activities also require venting of gas. This is usually accounted for but is an estimate only.

Unaccounted for Gas (UAG) is notionally the amount of gas that is not accounted for via metering, however, it is estimated that very little of UAG is actual leakages of gas from the system. The majority of UAG is attributable to factors such as metering inaccuracy, timing, temperature and other measurement inconsistencies. Again, it should be noted that it is estimated that only negligible amounts of UAG is attributable to actual leakage and therefore would be a very minor contributor to greenhouse gas emissions.

It is therefore proposed that any emissions liability associated with UAG should be reduced and reflect that only "real" greenhouse gas emissions (i.e. actual leakage) are recorded.



Any method for calculation of greenhouse gas emissions must allow for transmission pipeline metering equipment to contain an uncertainty level. The metering requirements for transmission pipelines are very different from the requirements in distribution networks and the methodology for transmission pipeline metering should at least take into account the following principles:

- An uncertainty level based on a level of accuracy within a certain tolerance (eg plus or minus a certain percentage of actual mass flow rate)
- the uncertainty level should be based on readings with a certain percentage confidence level (and it is suggested that the meanings of confidence level used in ISO 5168 be adopted)

The tolerance limits will need to vary depending on the size of the measuring equipment used to record the emissions

Although it is unlikely to occur in the context of pipelines, the aggregation of smaller facilities is supported within the proposed reporting clarification system provided there is sufficient guidance given by the regulator to ensure multiple aggregations do not result in unnecessarily cumbersome processes.

3. FEEDBACK ON CHAPTER 3 – "REGISTRATION"

APIA notes the comments in chapter 3. All procedural requirements in relation to applying for registration and similarly deregistration should be designed to ensure ease compliance.

4. FEEDBACK ON CHAPTER 4 – "REPORTING OBLIGATIONS"

APIA considers that the merits of equipment reporting requires further consideration. The degree of reporting by fuel and equipment type relating to energy production and consumption and greenhouse gas emissions requires careful consideration. No doubt the measurement techniques that will be developed will be the subject of further consultation and this will better inform APIA as to the logic behind the proposed methodology. The corporate and facility thresholds for reporting do appear to encapsulate the necessary information without providing a significant reporting burden.

APIA can identify that there may be issues in relation to contractual arrangements if an alternative officer is nominated to report information to the Greenhouse and Energy Data Officer. Companies would need to ensure that they have contractually dealt with the responsibility of reporting should these arrangements be required. Clear and unambiguous guidance consistency is required on this point.

5. FEEDBACK FOR CHAPTER 5 – GREENHOUSE GAS PROJECT

APIA notes the Discussion Paper on abatement incentives released by the Department of Prime Minister and Cabinet in September 2007 and the comments therein that the Act may provide for streamlining aspects of offset approval and reporting. Consistent with the issues raised in this submission, APIA supports a regulatory environment that provides a transparent and streamlined process for reporting.

6. FEEDBACK FOR CHAPTER 6 – "DISCLOSURE OF INFORMATION"

Reporting an amalgamation of scope 1 and scope 2 greenhouse gas emissions does not appear to provide sensible data. APIA would support the reporting of scope 1 and scope 2 greenhouse gas emissions as separate entries on the register.

APIA would strongly submit that firm regulations be developed in relation to the public disclosure of information submitted to the reporting system – to the point where facility level data should not be disclosed publicly unless specifically authorised by the reporting entity.



Confidentiality is critical to commercial operations and companies must be able to protect commercially sensitive information and there should be provisions to this effect in the proposed regulations.

Provision of information to other agencies and government entities is also a topic that should be covered by the regulations to ensure that there is no duplication of reporting requirements and that a truly national reporting system is developed. Information should be provided at a sufficiently aggregated level to ensure that the use of information relates to well defined and transparent processes. A consistent approach to reporting and compliance is preferred, rather than imposing different jurisdictional requirements, which require different reporting information. Such a process would increase the administrative burden.

In a similar vein, APIA notes that a key objective for a national reporting scheme is the streamlining of reporting requirements. Therefore, all unnecessary duplicative reporting requirements should be consolidated.

In other words, APIA and its members would support a "one stop shop" national reporting system, but such a system must be truly indicative of the whole scheme and replace all other similar reporting requirements.

7. FEEDBACK ON CHAPTER 7 – "COMPLIANCE ASSURANCE FRAMEWORK"

APIA agrees that a penalty framework should not be imposed during the initial stages of a national reporting system. It is important that information gathered is reliable and sufficiently robust to inform the initial development of the proposed emissions trading system, but it also needs to be recognised that participating companies will be burdened by additional administrative and reporting requirements.

The assessment and external audit proposals of the Discussion Paper could be critical. Participants in the pipeline industry must be provided with a definitive and transparent process in order to be able to verify reporting and undertake compliance. Assessment criteria and the corresponding requirements for evidence must be well defined to support the efficient administration of a national reporting system.

Any verification or auditing model must be undertaken on a cooperative basis between the participating company and independent auditors. Companies also should be given the opportunity to review, and provide comments on, any draft audit report prior to an external auditor finalising the report. Such a process will ensure that there is fairness and that adequate responses can be provided in regard to identified areas of concern. It is important that the regulator has consistent and robust auditing procedures in place prior to the commencement of the reporting scheme.

It is also imperative that external auditors are certified to the appropriate Standards and that measures are taken to ensure sufficient trained auditors are available when the reporting requirements commence.

Confidentiality issues must be addressed, particularly where commercially sensitive information is accessed through any independent audit. The impact on operations in both time and cost of participating in verification activities also needs to be considered to ensure that this is minimised as much as possible. APIA looks forward to being informed of the relevant assessment framework and to providing further, detailed comments.



8. FURTHER CONSULTATION

APIA requests to be kept informed of progress in the development of the regulations and is interested in being involved in further, informal consultations during that process.

APIA also notes that a number of issues will require detailed discussion. These include:

- energy production and consumption definitions and reporting methodologies;
- greenhouse gas emissions calculation methods; and
- requirements in relation to record keeping.

APIA would like to participate in the consultation process in relation to these issues.