

25 October 2019

Energy Charter Panel 2019 Public Submission from the Queensland Conservation Council
Emailed to: submissions@theenergycharterpanel.com.au

To whom it may concern

Submission: Energy Charter Panel 2019 Issues Paper

Thank you for the opportunity to comment on the Energy Charter Independent Accountability Panel on energy companies' Disclosures against the Energy Charter Principles. This submission is made on behalf of the Queensland Conservation Council (QCC).

QCC is the Queensland's peak non-government environment organisation, with some 50 member groups as well as thousands of supporters. Our mission is to protect, conserve and sustain the state's unique natural environment, making sure that our wildlife and the places we love continue to thrive for future generations. A key aspect of this involves ensuring that renewable energy is developed and adopted to cut greenhouse gas emissions, which in turn, seriously damage the natural environment and exacerbate climate change, both the nation's and the world's greatest existential threat.

QCC acknowledges that Australia is the world's highest per capita emitter and recognises that clean energy is vital to the health and wellbeing of future generations and our wildlife. In QCC's 2018 report to the Queensland Government's climate transition policy, Recommendations for Queensland's Climate Transition, it was noted that "Queensland is the highest greenhouse gas emitter by state and has the lowest installed capacity of large-scale renewable energy in the National Energy Market (NEM) (Australian Government, 2018b; DNRME, 2018).¹"

Given the central role the energy industry can play in offering fast and affordable emissions reduction opportunities, QCC supports Principle Three of the Energy Charter which states:

"We will provide energy safely, sustainably and reliably. We recognise the essential nature of energy and the need to deliver and use energy safely, sustainably and reliably. We recognise the role of energy businesses to respond to the shift to a cleaner energy system that is already underway. We understand the value energy brings to the community and the potential consequences and impacts for customers when reliability and quality of energy supply is compromised. We will provide energy safely, sustainably and reliably."

This submission responds broadly to the 2019 Disclosures of the Australian energy industry and the general progress towards meeting Principle Three of the Energy Charter. Responses to Question 3 and Question 5 of the Panel Issues Paper are also outlined below.

¹ https://www.queenslandconservation.org.au/climate_transition_recommendations Accessed 17 October 2019.

QCC is pleased to see that energy companies such as Origin Energy have made commitments such as “pursuing decarbonisation targets including halving [its] direct emissions by 2032.”² QCC also supports Origin Energy’s reporting on its sustainability practices, such as:

- committing to exiting coal-based energy by 2032
- supporting the Task Force on Climate-related Financial Disclosures (TCFD)
- voluntarily reporting its greenhouse gas emissions according to the Carbon Disclosure Project
- setting renewable energy generation targets, including solar energy, and increasing its renewable energy capacity
- Using the Global Reporting Index, United Nations Sustainable Development Goals and AA1000 AccountAbility Principles to inform its reporting on material sustainability aspects such as water, waste, biodiversity impacts and environmental compliance.³

Define “sustainability”

QCC recommends that the Energy Charter and its signatories more clearly define the term, ‘sustainably’ by referring to the Brundtland Report’s definition: “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

It appears that energy companies’ disclosures, such as Origin Energy’s, are including energy sourced from fuels such as gas under what they consider to be “sustainable energy”. Since gas, particularly coal seam gas, has been found to negatively impact the environment, QCC recommends that ‘sustainable’ energy refer instead to renewable energy such as energy produced by solar, wind, geothermal and wave energy.

Energy companies should also refer to the Australian Energy Market Commission’s guidance on including climate risk in achieving the National Electricity Objective (NEO)⁴. While QCC supports including sustainability in the NEO, we acknowledge that is currently not the case. Nonetheless, signatories could also report against how they are building community and system resilience through explicitly including climate risk in achieving the current NEO.

Climate change targets need to refer to the Paris Agreement's more science-based target of 1.5 degree outcome or better. Retailers need to play their part in limiting climate impacts that affect people on low-income first and hardest as they are least able to cope, adapt and recover. We believe the energy sector has the technology and community support to transition first and faster.

² <https://theenergycharterpanel.com.au/wp-content/uploads/2019/10/Origin-Energy-2019-Disclosure.pdf> page 7. Accessed 21 October 2019. See also: <https://www.originenergy.com.au/content/dam/origin/about/investors-media/documents/2019-sustainability-report-final-oct.pdf> Accessed 21 October 2019.

³ <https://www.originenergy.com.au/about/sustainability/sustainability-reports.html> Accessed 21 October 2019.

⁴ https://www.aemc.gov.au/sites/default/files/2019-07/Applying%20the%20energy%20market%20objectives_4.pdf pages 8-9. Accessed 24 October 2019.

Energy Charter Principle Three's Action 3.4

QCC also supports the Energy Charter Principle Three's Action 3.4 to “work with government, other energy businesses, the community and industry bodies to develop a planned transition to a cleaner energy system.”

Question 3: What emerging or innovative technology, systems, practices or processes exist to help energy businesses move closer toward the Principles of the Energy Charter?

QCC acknowledges that Energy Charter signatories, such as Origin Energy, have undertaken a range of actions in this field, such as contributing to energy policy development including supporting a market-based emissions reduction and reliability mechanism. QCC is also pleased to see that Origin Energy continues to support a national goal of net zero emissions in the electricity sector by 2050 and undertakes a range of sustainability actions as reported in its annual Sustainability Report⁵.

However, QCC also recommends that further be done to fully fulfill Action 3.4. As outlined in QCC's paper, *Getting to Zero: Climate Change Actions*, to fulfil the Energy Charter Principle Three's Action 3.4 QCC recommends that energy businesses work with government and the community to develop an in-depth net-zero transition plan that includes:

1. adoption of good governance processes across all energy companies to prioritise delivery of climate commitments and to monitor progress towards zero-net emissions;
2. prioritisation of emissions avoidance and reduction before offsets, alongside the protection of nature;
3. increased ambition to decarbonise the energy sector, including the adoption of a renewable energy target for total energy requirements (i.e. liquid fuels and gas);
4. support of energy justice principles to ensure no one is left behind;
5. acknowledgment and prevention of indirect emissions and emissions leakage from energy companies, including exported fossil fuels and migratory emissions;
6. a commitment to no new or expanded fossil fuel developments;
7. participatory development of transition pathways for fossil fuel communities with targets and timelines for the transition away from fossil fuels to low carbon alternatives;
8. improved greenhouse gas emissions accounting with more robust, transparent and mandatory reporting across all energy companies; this reporting should also clearly identify the extent of specific actions undertaken by energy companies to reduce their greenhouse gas emissions;
9. support the inclusion of an independent third party to evaluate and report on industry-wide progress against carbon emissions reduction targets and inform policy updates at least every two years⁶.

⁵<https://www.originenergy.com.au/content/dam/origin/about/investors-media/documents/2019-sustainability-report-final-oct.pdf> page 8. Accessed 21 October 2019.

⁶ *Getting to Zero: Climate Change Actions*
https://d3n8a8pro7vnm.cloudfront.net/queenslandconservation/pages/4374/attachments/original/1538604554/QCC_CAP_DK260918_Proof3_%281%29.pdf?1538604554 Page 1. Accessed 17 October 2019

Just Transition

As mentioned above in point 4, an effective planned transition to a cleaner energy system must involve a just transition to ensure no one is left behind. QCC commissioned a study to support our call for a Just Transition for coal communities (Tallon, 2015). In this document, “Just Transition” is defined as: “a transition that supports environmental policies with a fair distribution of the costs and benefits across the economy, and that supports the creation of opportunities for active engagement by those affected to determine the future wellbeing of themselves and their families,” (Tallon, 2015, p.iv)⁷.

Specifically, key actions for a just transition would include recommendations outlined in QCC’s above-mentioned Recommendations for Queensland Climate Transition report. These include employing participatory processes that include affected workers and communities in transition planning, such as those in Queensland’s Clean Growth Choices Program. To ensure nobody is left behind, unions, workers, community residents, traditional owners, social service organisations, environment and conservation groups, all levels of government, businesses, agriculturalists, and industries should be involved.

Energy Justice

QCC’s above-mentioned report also states, “Energy Justice is not a new idea and good practice examples are being set around the world. Electricity is an essential service and everyone has the right to access a fair share of a functioning electricity system, including access to renewable and distributed energy resources (Repower Australia, 2018, p23). In fact, due to inability to pay bills, there were 25,201 residential disconnections over 2016-17 (AER year), demonstrating that while electricity is considered to be an essential service, it isn’t treated as such. Poorly planned climate action both exacerbates existing and entrenched vulnerabilities while also creating new social vulnerabilities. For instance, policy conditions for the energy sector can lead to widening the gap between the ‘haves,’ with renewable energy sources, and the ‘have-nots,’ including low income and vulnerable customers unable to pay for what should be an essential service. In working towards zero-net emissions by 2050, energy companies and the federal and state government need to ensure fair distribution of costs and benefits along with equitable access to renewable and low carbon electricity”⁸.

Benefits

In working towards a renewable energy future, a Just Transition and Energy Justice are not only possible but can also yield not only strong environmental benefits but also significant economic benefits for energy companies and the nation. As outlined in The Climate Council’s report, Welcome to Queensland: Renewable One Day, and the Next, and Next..., “there were about 25,000 jobs in coal mining in 2016 in Queensland (including both thermal and metallurgical coal mining)...Meanwhile, the Queensland Government has established a Just Transition Group to support workers and

⁷ Recommendations for Queensland’s Climate Transition

https://d3n8a8pro7vnm.cloudfront.net/queenslandconservation/pages/4496/attachments/original/1534639020/QCC_Report_Small.pdf?1534639020 Page 42. By Lisa Cliff, Queensland Conservation Council. 2018. Accessed 17 October 2019.

⁸ Ibid. Page 41.

communities in the energy sector as the transition occurs”⁹. Furthermore, The Climate Council’s report states: “According to the Clean Energy Council (2019), renewable energy projects under construction or about to begin will create over 4,500 jobs in Queensland and deliver almost \$10 billion in investment. This is in addition to the 5,080 current jobs in the sector, which is more renewable jobs than in any other state or territory (ABS 2019c)”¹⁰.

Key Recommendations

Therefore to deliver on Energy Charter Principle Action 3.4, particularly to secure a renewable energy future that includes both a Just Transition and Energy Justice, QCC recommends energy companies take the following steps:

1. develop and implement transparent planning processes to set realistic timelines for the phase-out of fossil fuel interests (including both extraction and generation);
2. support training and redeployment programs for businesses, unions and affected workers to ensure Australians have the skills and education needed in a renewable future and are able to secure new, decent and secure jobs;
3. support civil society actors to form alliances (e.g.: environmental groups, indigenous organisations and unions) to ensure private industry has social license to operate;
4. attract investment and develop and retain low carbon industries and jobs;
5. support the expansion of state-based training programs on offer to build capacity for all scales of renewable energy to ensure future jobs for Australians (rather than imported labour). Such support could include investing in and delivering training programs for renewable energy jobs;
6. offer discounts and thereby reduce energy cost pressures incurred by the nation’s most disadvantaged and vulnerable people, such as low-income households and start-up/small businesses owned by people from disadvantaged backgrounds, including refugees, Indigenous people, people with disabilities, survivors of domestic violence and previously unemployed youths.
7. redirect revenue streams (e.g. mining royalties) to low-carbon transition projects.
8. ¹¹support Distributed Energy Resources (DER) equity principles, such as those outlined by the DER sub-group of the National Consumer Roundtable on Energy¹².

Some small pilot projects, such as Queensland Solar Savers, provide good examples of community access to these measures. Planning recently commenced on the more substantive and longer-term Clean Growth Choices program, which is working to build transition capacity across six Queensland regions.

Furthermore, in the AGL Disclosure Report (S3.3 page 15), AGL mentions "closing all coal-fired power stations by 2050" and "making available innovative and cost-effective solutions available for

⁹ Welcome to Queensland: Renewable One Day, and the Next, and Next...<https://www.climatecouncil.org.au/wp-content/uploads/2019/08/qld-report-climate-council.pdf> by Climate Council of Australia Limited. 2019. Accessed 17 October 2019.

¹⁰ Ibid.

¹¹ Recommendations for Queensland’s Climate Transition
https://d3n8a8pro7vhm.cloudfront.net/queenslandconservation/pages/4496/attachments/original/1534639020/QCC_Report_Small.pdf?1534639020 page 42. Accessed 17 October 2019.

¹² https://www.tec.org.au/best_case_scenario_local_energy_and_climate_change_resilience Accessed 17 October 2019.

customers". QCC understands that climate change and the Paris agreement's more science-based target of 1.5 degrees demands all coal-fired stations are closed by 2030. The reference to cost-effective solutions available for all customers, however, is not achieved by their solar for rentals model¹³, where renters and apartment dwellers would be better off finding a cheaper a GreenPower offer, and wouldn't be locked in to the offer or lose their initial subscription if they find it doesn't work for them. Signatories to the Charter could do more for all customers by offering models such as solar gardens and could report on how they achieve affordability outcomes for all customers.

Question 5: For particular Principles in Action, what metrics might be most appropriate to assess and measure progress over time – and why?

Regarding climate change, QCC acknowledges that Origin Energy states in its 2019 Sustainability Report that: "We believe the electricity sector should be responsible for more than its proportional share of any national reduction measure by helping to unlock abatement in other sectors, such as transport and construction"¹⁴. While QCC agrees that the energy sector should be responsible for more than its proportional share of any national reduction measure, QCC advocates that instead of relying upon abatement in other sectors, energy companies adopt metrics within their own businesses to reduce climate change and other environmental impacts.

To appropriately assess and measure progress over time in delivering upon the above-mentioned recommendations pertaining to Key Principle Action 3.4, the following metrics are recommended and that they be directly linked to executive remuneration:

1. Percentage achievement of net zero carbon emissions targets by each energy company and the energy industry as a whole, as measured by standardised GHG accounting.
2. The percentage of former fossil fuel industry workers re-employed in new, decent and secure jobs that provide pay and working conditions that are equivalent to or better than their former jobs.
3. The reduction in the cost of energy bills, as a proportion of income, for low-income households and start-up/small businesses owned by people from disadvantaged backgrounds, including refugees, Indigenous people, people with disabilities, survivors of domestic violence and previously unemployed youths.
4. Proportion of all customers who sign-up to energy plans that use renewable energy.
5. Consumer satisfaction rates regarding renewable energy delivery, reliability and cost.
6. Satisfaction rates among workers transitioned out of fossil-fuels regarding job training and job placement programs.
7. Percentage increase in the proportion of energy companies' total revenue redirected to low-carbon transition projects.
8. Percentage rates of reduction of biodiversity loss associated with the company's owned tangible assets (e.g. land) and tangible assets across its supply chain.

¹³ <https://www.agl.com.au/newcampaigns/offsite-solar> Accessed 24 October 2019.

¹⁴ <https://www.originenergy.com.au/content/dam/origin/about/investors-media/documents/2019-sustainability-report-final-oct.pdf> Accessed 21 October 2019.

QCC also notes that Origin Energy's FY2018 Sustainability Performance Data lists the company's political donations¹⁵. QCC recommends that all energy companies publish similar data to help ensure effective and transparent governance for fulfilling the Energy Charter's Key Principles and Actions.

We ask that QCC be informed of any developments and further consultation on the Energy Charter Independent Accountability Panel on energy companies' Disclosures against the Energy Charter Principles. Should you wish to discuss any aspect of this submission or contact us, please phone 07 3846 7833 or email admin@qldconservation.org.au.

Yours Sincerely



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¹⁵https://www.originenergy.com.au/content/dam/origin/about/investors-media/documents/Origin_2018_Sustainability_Performance_data.pdf page 11. Accessed 21 October 2019.