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AGL Response to the third Corporate Emissions Reduction Transparency report consultation paper

AGL Energy (**AGL**) welcomes the opportunity to comment on the proposed changes to the 2023 Corporate Emissions Reduction Transparency (**CERT**) report.

AGL is a leading integrated essential service provider, with a proud 185-year history of innovation and a passionate belief in progress – human and technological. We deliver 4.2 million gas, electricity, and telecommunications services to our residential, small, and large business, and wholesale customers across Australia. We operate Australia's largest electricity generation portfolio, with an operated generation capacity of 11,208 MW, which accounts for approximately 20% of the total generation capacity within Australia's National Electricity Market (**NEM**). We have the largest renewables and storage portfolio of any ASX-listed company, having invested \$4.8 billion over two decades in renewable and firming generation.

The importance of transparent climate action

In recent years, AGL has sought to play a leading role in the way business engages on the critical issue of climate change, and we have been a proud leader in corporate climate disclosures. We have given serious consideration to the physical and transitional risks and opportunities associated with climate change and the transition towards a low-carbon economy.

AGL has been a leader in providing detailed climate-related disclosures in our annual corporate reports and associated sustainability reports. Additionally, since 2018 AGL has produced an annual report under the taskforce on climate-related financial disclosures (TCFD) framework.

In 2020, AGL committed to net zero emissions by 2050 and introduced carbon transition metrics as a performance measure in executive remuneration frameworks to provide a focus for AGL executives to progress the transition. AGL has taken a market leading position in this regard, being the first ASX50 organisation to link executive long-term variable pay to climate-related goals.

As a continuation of our 2015 Greenhouse Gas Policy, AGL released its Climate Statement in June 2020, stating AGL's target to achieve net zero emissions by 2050, including commitments to:

1. Offer customers the option of carbon neutral prices across all AGL products;
2. Support the evolution of Australia's voluntary carbon markets;
3. Continue to invest in new sources of electricity supply;
4. Responsibly transition AGL's energy portfolio; and
5. Be transparent.



In line with our commitment to transparency, AGL also regularly reports on the outlook of emissions through mandatory National Greenhouse and Energy Reporting Scheme (NGER) reporting.

Most recently, in September 2022, AGL released its inaugural Climate Transition Action Plan (CTAP) under the Say On Climate initiative, which clearly states AGL's updated ambition for decarbonisation, including commitments to:

1. Exit all coal-fired generation by the end of 2035 (up to 10 years earlier than previously announced).
2. Ambition to meet customer energy demand with 12 GW new firming and renewable assets by 2036.
3. An interim target of 5 GW new firming and renewables by 2030.

Each of these reports and disclosures has provided critical information for stakeholders to understand AGL's commitments in relation to acting on climate in a comprehensive and transparent manner.

Feedback on design elements under consultation

Despite already operating within an existing comprehensive framework of disclosures, AGL is generally supportive of the CERT scheme as an initiative for transparent reporting of voluntary corporate climate-related commitments. While we note that the scheme aims to be a standardised framework presenting progress data verified using agency-held data, standardisation is complex given the range of businesses participating with different corporate structures and business activities. It is difficult to draw out meaningful information in the current format with key information hidden in the context section. Full transparency in reporting of comparative metrics will be aided by better display of the necessary contextual detail.

Enabling independent assurance of commitments and supporting information.

We are supportive of the approach described in the consultation paper. We think that independent assurance would increase transparency and allow a greater level of trust in the metrics reported as well as better understanding of how the metrics compare from one participant to the next. We would support Climate Active, RE100 and Science Based targets as assurance frameworks.

We would also support the inclusion of assurance over data reported under the NGER Scheme. Each year AGL attains limited assurance over the material emissions sources making up >99% of its reported NGER data, in accordance with the Standard on Assurance Engagements ASAE 3410 Assurance Engagements on Greenhouse Gas Statements.

Challenges with calendar year reporting for net emissions position

We have experienced complexities in reconciling timing of certificate surrenders (varied – calendar year), NGER reporting (financial year) and the CERT scheme (March - calendar year).

The CERT report deadline occurs before our internal process for finalising certificate surrenders for the previous calendar year and being a large business, these surrenders are significant. This has made it difficult to present a “net” emissions position. The net emissions position is informative though and we would like to be able to represent our progress with this metric.

Further to this issue, from a trading perspective, buying/surrendering certificates or offsets should occur when the market conditions are most favourable rather than within a specific annual period to get the best net position for this reporting.

We propose that there should be an opportunity for more frequent updating of reporting data to avoid lag should participants choose to do so. This could be labelled with a time stamp (e.g. Q1, Q2...) to aid comparison with other participants who choose to update only once per calendar year.

Broader feedback on CERT scheme function

Facility level reporting

As we proposed in previous submissions, we would support allowing facility-level reporting for larger emitting facilities above a certain threshold (e.g. Safeguard Facilities). This would aid monitoring of the progress of other climate initiatives that operate at a facility level, such as the Safeguard Mechanism, and provide consistency in metrics across schemes and importantly would allow consistency with company targets which in the case of AGL are set at the facility level due to the large-scale nature of its individual generation facilities.

If facility-level commitments cannot be accommodated, an alternative option would be to allow companies to specify the proportion of the corporate entity's emissions that a facility-level commitment relates to.

Target ranges

AGL also submits that CERT participants should be able to nominate target/commitment ranges (e.g., 45-50%), as this would allow companies with variable operating profiles some head room when trying to set a company-wide commitment/target.

Participant naming conventions should support transparency

We would suggest that the CER consider how the labelling of companies and facilities with complex legal structures could be presented so the public can more easily recognise the brands/companies they interact with.

We recognise that many participants operate under complex corporate structures that must be represented accurately, but there may be merit in ensuring that public trading names and facilities that report under the NGER framework are easily identified within the overall framework.

Presentation of data in CERT report

As mentioned in our previous submission, we still consider that the energy sector should be treated separately in the CERT Report, or at the very least, that the report should include some sort of grouping of corporations to ensure that readers are aware of the industry/sector that each corporation belongs to when reviewing the data. The reasons for this include that:

- the emissions of corporations in the energy sector can be step-changes rather than gradual decreases (i.e. following the closure of coal fired power stations); and
- corporations in the energy sector would generally have much larger emissions profiles due to the nature of their business.



We support efforts to improve the quality and transparency of corporate climate disclosures and agree that a general principle of standardisation and simplification of disclosures is helpful for stakeholders, as long as necessary contextual detail is not misrepresented through these efforts. With that in mind, we note that the CERT may always be somewhat imperfect as individual corporate climate disclosures are very complex and will necessarily vary between different corporate entities due to a wide range of factors. Nevertheless, we look forward to continuing to engage with the CER on the CERT initiative and will continue to support improved climate disclosure processes for the benefit of all stakeholders.

If you have any queries about this submission, please contact Aleks Smits (Senior Manager Policy) at asmits@agl.com.au.

Yours sincerely,

Chris Streets

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