



To:

Greenhouse and Energy Reporting Taskforce  
Department of Climate Change  
GPO Box 787  
Canberra ACT 2601

Date: 13<sup>th</sup> February 2008

Re: Submission on the Technical Guidelines

L.S./Department of Climate Change Task Force

Please find attached our submission on the Technical Guidelines based on our own internal review and feedback received from our prospects / customers across several industries in Australia.

Supply Chain Consulting is an Australian owned company and provides enterprise software solutions and services. We deliver innovative solutions to meet the needs of today's enterprises. Our product portfolio includes SLIM™ qualified SAP solutions, Viewlocity™ supply chain visibility and optimisation software and CarbonView™, the world's leading proactive carbon management solution. Supply Chain Consulting is headquartered in Sydney with offices in Asia, Europe, US and Australia.

Our product CarbonView™ streamlines the gathering of greenhouse gas emission data and allows companies to have an auditable report on their greenhouse gas emissions in accordance with local regulations including the Australian guidelines. CarbonView™ also offers functionality to provide carbon labels on a product level and can even optimise your supply chain taking into account your financial targets, supply chain indicators and carbon constraints and cost.



In positioning the CarbonView product in the Australian market, we are talking to Australian companies on a daily basis and receive feedback on the NGER regularly. We have summarised the feedback in the attached submission.

Kind regards,

A handwritten signature in black ink, appearing to read "Trevor Barrows", with a long horizontal flourish underneath.

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## National Greenhouse Gas and Energy Reporting Act – Technical Guidelines

### Submission by Supply Chain Consulting

#### **Purpose**

This submission is made on behalf of Supply Chain Consulting Pty Ltd ([www.supplychain-consulting.com](http://www.supplychain-consulting.com)). The submission aims to highlight the aspects of NGER that are of particular interest to our organisation and the services we offer to Australian Industry by way of our information system called CarbonView – [www.carbon-view.com](http://www.carbon-view.com).

#### **Background**

Supply Chain Consulting (SCC) is a multinational information systems supplier owned in and with head offices in Australia. The firm is a recognised supplier of SAP technology with a particular presence in the logistics industry. Many of Australia's leading logistics providers are SCC clients. SCC has operations in North America, Europe and Asia.

We recently launched an information systems product called CarbonView that serves to measure the GHG emissions of an organization, its products and processes. We provide with this submission a description of CarbonView.

The key characteristics of CarbonView include:

1. It is focused on providing an automated, integrated and on line method for GHG emissions accounting.
2. It incorporates and is aligned with recognised international standards for GHG accounting.
3. It enables very detailed accounting of a firm's GHG emissions such that they can be reported at a highly aggregated level but also so that the user can drill down into the GHG measurements and assess their GHG emissions by product and by process. This enables ongoing management and ultimately optimisation of GHG emissions.

It enables a company to measure their GHG emissions and energy consumption over time such that they can know the key sources of GHG emissions and monitor progress in reducing GHG emissions.



Whilst CarbonView is currently designed to particularly meet the needs of supply chain clients we expect to develop the tool so that it will become a source of GHG emissions measurement for all kinds of organizations.

The current design and target market is the many organizations that need to manage the GHG emissions of their entire supply chain. We define a company's supply chain as including all of the inputs to the organisation, the processing of those inputs and the delivery of the finished products to the end user or retail clients. By this definition most large organisation's can be seen as a supply chain and can benefit from using CarbonView to examine their GHG emissions and energy consumption.

A high profile example of the value of supply chain GHG measurement is the trend for retailers to develop "carbon labels" being an on package measure of the GHG emissions traceable to a particular product. CarbonView is able to assist organizations in this process. We expect Australian retailers to all levels of industry and the general public to increasingly want to report the GHG emissions of the products they sell to their clients just as WalMart, Home Depot in the US and Tesco and Marks and Spencer have proposed.

CarbonView provides a very detailed method for continuous reporting and management of GHG emissions. It is a highly flexible tool that enables the user to configure their GHG accounting to meet different measurement and management needs.

A key characteristic of CarbonView is that it enables the user to monitor the impact of their management decisions on GHG emissions. Whilst NGER calls for annual reporting, CarbonView enables more frequent reporting and real time monitoring.

## **Submission**

### ***Overview Paper – Technical Guidelines for the Estimation of Greenhouse Emissions and Energy at Facility Level***

#### ***General Feedback***

##### ***A) Technical Guidelines versus AGO Workbook***

1. In the Technical Guidelines Overview document it is mentioned that the Technical Guidelines will replace the AGO workbook (p6). We would like to understand the reasons for replacing the AGO workbook with the Technical Guidelines. There are currently more than 700 companies reporting to the Greenhouse Challenge program in Australia using the AGO workbook.
2. We would like to ask the task force to publish a document that highlights the differences between the AGO workbook and the Technical Guidelines to make it easier for companies that already report under the AGO workbook to transfer to the Technical Guidelines.
3. There is some confusion about whether the NGA document from January 2008 will be replacing the AGO work book if you read through the introduction to In the National Greenhouse and Energy Reporting System regulations policy paper February 2008 (p3) it states “The *Technical Guidelines* will update and replace the *National Greenhouse Accounts Factors published in January 2007*. Once finalised, the calculation methods and processes outlined in the *Technical Guidelines* will be converted into a legislative instrument to sit under the Act”. We would like clarification on whether this a grammatical error and actually refers to the National Greenhouse Accounts Factors published in January 2008 or whether it refers to a outdated document no longer available, as we are unable to locate the National Greenhouse Accounts Factors 2007 document.

##### ***B) Submissions on the NGER Discussion Paper***

In total there were more than 80 submissions on the previous NGER discussion paper. Supply Chain Consulting would like to know what the process is for reviewing the submissions and how the task force is responding to the feedback that was given in the submissions.

##### ***C) National Greenhouse Emissions Data Format and Report Structure***

1. Within the technical guideline there appears to be no guidance provided on the technical format of the data and configuration of the required National Greenhouse Emissions Report. Supply Chain Consulting would like to know how the Task Force would like the Scope 1 & 2 mandatory data and Scope 3 voluntary data to be configured and format/structure of the required report.

2. Can the Task Force provide details of an electronic file format for the National Greenhouse Emissions Reporting System (NGERS) to enable controlling corporations to more easily consolidate GHG Scope 1 to 3 data into the required reporting structure and communicate it across a common platform back to the Department of Climate Change.

***Page 19 – Do companies have data systems in place to facilitate the reporting of equipment in use for the consumption of energy and is the equipment list in attachment b complete?***

In responding to the question whether companies have data systems in place to facilitate energy consumption reporting at equipment level, we will have to split the Australian industry into two types of companies: energy intensive industries where energy cost are the major component of their production cost (for instance mining, cement industry, brick industry) versus the others. The majority of companies in the energy intensive industries have either had a focus on an energy efficiency program as a cost reduction or they were part of the Energy Efficiency Opportunity program. In both cases, companies in this industry will have data on energy consumption per equipment. However, the majority of companies in Australia do not track energy to this level of detail; instead they capture energy consumption by facility level.

In terms of data systems most companies report at a facility based level and this is a more reasonable approach if companies are expected to start reporting promptly. It would be difficult for companies to report at an equipment level initially, especially for small-medium enterprises as costs would be involved in setting such reporting systems in place, it may be more beneficial to phase such requirements in over time or offer further incentive to organisations who do report at the equipment level

In summary Supply Chain Consulting would recommend the task force to carry out NGER reporting at facility level in the initial years. In the following years, thresholds can be defined in such a way that facilities using more than a certain amount of energy will have to report on equipment level.

***Page 22/23 – Should scope 2 procured energy emission factors be based on a physical or contract based approach?***

Contract based approach appears to be more appealing although it does involve greater information requirements as it requires the estimation of emission factors for each energy supplier. Consumers of electricity would be allocated the emissions generated by their contracted supplier, hence competition between suppliers would be emphasised and companies are encouraged to purchase energy from renewable sources. The physical approach has its advantage in that it is more easily applied and total emissions are captured accurately across the grid and ensures completeness and full comparability within and across states and territories.

Supply Chain Consulting recommends using the physical based approach for scope 2 procured energy emission factors based on the following considerations:

- In implementing the NGER Act in Australia it is important that the conversion factors used are transparent. The physical based approach allows for the most transparent way of determining energy emission factors.
- The aim of NGER is to understand energy efficiency and greenhouse gas emissions and to implement reduction programs; getting factors right to the lowest level of detail is not going to make the difference in the short term.
- The disadvantage of using the physical approach is that customers are not encouraged to buy their electricity from emission friendly energy providers. This disadvantage can be countered through government programs for the energy providers as they will have to report the energy generation as their scope 1 and results for each electricity provider can be published.
- The timelines to implement NGER are very short, especially for companies that will have to start reporting in the next financial year 08 / 09. In order to get consistent reporting as quickly as possible, the physical based approach should be used and this can be reviewed on a yearly basis.

***Page 27 - Should scope 2 indirect emissions be estimated using default national or default state scope 2 emission factors?***

Due to the fact that each state has a unique mix of fuels and generators used in the generation of electricity, a state scope 2 emissions factor would be most suitable. Although interconnectors will assist in developing a national grid over time, currently a state based grid will be most appropriate as variations in price are evident between states, indicating that the interconnectors constrain trade and lead to some regionalisation of the markets. State based emission factors will result in added complexity to reporting but it would be more accurate and more crucial in relation to optimisation due to the extensive price differences.

In summary state based is preferred based on the below criteria:

- Consistency in Australian National Inventory Report
- Opportunities for renewable energy are very different per state; state based conversion factors allow this to be taken into account
- State based factors are already in use; Supply Chain Consulting cannot see a benefit to move to default national emission factors