

## **Alcoa Comments on Technical Guidance document for reporting under the NGER Act, 2007**

Alcoa supports the issuing of technical guidance for reporters under the NGER Act. In particular we strongly support the use of a single, streamlined national on-line reporting system built on the existing OSCAR system operated by AGO. While it makes good sense to standardise on methods and factors inherent in OSCAR, Alcoa's view is that there is potentially a significant issue with the current AGO Methods and Factors series of workbooks that needs to be accounted for in the new system if it is to apply to an AETS.

### **Key Issue: Scope 2: Emissions factors for consumption of purchased electricity from the grid**

Alcoa supports the public disclosure of Scope 2 (or indirect) emissions. Indeed, Alcoa has been voluntarily reporting its indirect emissions under the Federal Government's Greenhouse Challenge Plus program since 1995.].

As noted in the discussion paper, the development of a streamlined reporting system will include consideration of a variety of reporting needs including an AETS. One of the reporting needs will be to capture information on the indirect emissions of Trade Exposed, Energy Intensive Industries (TEEIs). Alcoa expects that this information would be used in the application of government policy with respect to the treatment of TEEIs. Given the importance of this policy to the ongoing operations of TEEIs, it is highly important that this Greenhouse emissions information is *accurate* and *truly reflective* of indirect emissions.

With regard to this Alcoa **does not support the use of an 'average State' approach** to determining Scope 2 emissions factors, as outlined in Part C Chapter 7, given the inherent inaccuracy associated with averaging. The proposed approach will result in differences between the level of emissions reported and those determined on historical supply arrangements.

To demonstrate this (in the context of Alcoa's Australian smelting operations):

- Current MWh from grid = 7,500 MWh per annum
- Assumed \$/tCO<sub>2</sub> = A\$20/t
- **Error using averaging = A\$15m per annum for each 0.1tCO<sub>2</sub>/MWh**

### **Alternative Solution– Hybrid Approach:**

As demonstrated above, the impact of averaging is significant. Alcoa believes a simple hybrid approach could avoid this issue, significantly improving *accuracy*, *efficiency*, *avoiding cross subsidisation* and without changing market signals for participants.

Where a TEEI (or even NEM/SEM wholesale market participant) believes they are disadvantaged under the State based averaging approach, there is recourse to apply to the relevant regulatory body to be accounted for specifically, with regard to the

emissions intensity of existing supply contract information. It should be noted that existing arrangements for power supply to many TEEIs are fixed on a long term basis.

The averaging calculation would then be undertaken (as outlined in Part C) for the balance of emissions (“the pool”), net of those businesses specifically accounted for.

### **Benefits over State based averaging approach**

- 1) The hybrid approach avoids the error above, significantly improving accuracy.
- 2) The incentive for disadvantaged businesses to leave the pool, avoids the alternative of arbitrary allocation of indirect emissions by government.
- 3) Under the hybrid approach, the pool would constitute those businesses (and associated emissions) that are fortunate to be advantaged by averaging. As the group of customers in the pool changes, so do the emissions in the pool. This effectively drives an efficient allocation process and represents a substantial improvement in efficiency and significantly reduces cross-subsidisation compared to State based averaging.
- 4) Improved transparency - Disadvantaged businesses would publicly disclose the relevant information, improving transparency.

### **Other Issues**

In addition to the above mentioned concern, there are some minor aspects of the Guidelines picked up on in the review that we provide comment on – in order to provide suggestions for clarification, focus or more precise scope definition that will aid us and other reporters in meeting our obligations under the new Act:

- Page 13 - fuels used for non-energy purposes, but not as feedstock or chemical process inputs (such as solvents, flocculants etc) should be reported separately to fuels for combustion, as they do not lead directly to emissions of GHGs;
- Page 19 - list of equipment types: should include gas turbines and HRSG's as a class of boilers or other form of energy generation device. Calciners could also be explicitly included as a variation on kilns (which are already included);
- Pages 25/26 - on Scope 2 emission factors - these are currently covered at the state level for state grid averages only. For company owned generating facilities supplying electricity (or steam or heat) direct to other company owned facilities the option should be available to develop facility specific Scope 2 emission factors. Examples applicable to Alcoa would be: (i) refinery powerhouses supplying electricity to bauxite mines or to other refineries; and (ii) Anglesea power station supplying electricity direct to Point Henry smelter - it should be possible within the guidance approach to document accurate Scope 2 emission factors applicable to each of these situations;
- It is important not to double count on Scope 2 emissions. In Alcoa's refineries the total gas usage is used for the refinery emissions calculations – so electricity sent to mines comes from a source that is already accounted. With

Point Henry smelter a significant portion of the electricity consumed is sourced from Anglesea power station. The Anglesea Power station emission factors will be different to that of the smelter power and we believe we should not need to report both (Scope 2);

- Any emissions reported under one facility need to be deducted from the emissions of the supplying facility where owned by the same company. Facility specific emissions accounting should be allowable, rather than simply using state grid averages that will not be accurate for these company specific situations. Our reading of the guidelines is that this option is available.

Apart from these matters Alcoa does not currently have other concerns with the proposed form or content of the technical guidance.

Alcoa World Alumina, Australia  
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