

15th October 2021

Office of Climate Change
Department of Environment, Parks and Water Security
GPO Box 3675
DARWIN NT 0801

Forwarded via email: environment.policy@nt.gov.au

Dear Sir/Madame,

APPEA Submission: Greenhouse Gas Emissions Offsets Policy and Technical Guidelines

As the peak national body representing companies engaged in oil and gas exploration throughout the Northern Territory (NT) and Australia, the Australian Petroleum Production & Exploration Association (APPEA) welcomes the opportunity to make a submission to the Department regarding the introduction of the Greenhouse Gas Emissions Offsets Policy and Technical Guidelines as part of the Northern Territory Offsets Framework within the Northern Territory's climate change action plan.

In February 2021 APPEA released its Australia's cleaner energy future report, incorporating the third edition of APPEA's Climate Change Policy Principles¹. These principles underpin the industry's approach to emissions reduction and are designed to assist policymakers in developing efficient and effective responses to climate change. In summary, the principles are:

1. Net zero emissions by 2050 should be the goal of national and international policy.
2. Climate policies should be efficient, enduring and integrated with economic, social, technology and energy policies.
3. Australia's international competitiveness should be enhanced. Government should pursue climate policies that maximise growth in jobs and investment and maintain the competitiveness of Australian trade-exposed industries, such as LNG.
4. Universal access to affordable, reliable, sustainable and modern energy must be achieved consistent with the UN's Sustainable Development Goal 7.

In developing policies that consider emissions from Territory projects, the NT Government should also recognise the valuable role that natural gas can play in helping the Territory and the nation respond to climate change. The development of natural gas can be a win-win, it delivers significant global emissions reductions while also delivering significant benefits to the Northern Territory. The Territory's natural gas

¹ A copy of the report can be found at www.appea.com.au/industry/policy/policy-positions/climate-change-policy-and-emissions-reduction.

resource has a vital role to play in delivering significant economic benefits at home while helping to reduce global emissions.

The vast majority of the Territory is already powered by natural gas power generation. Gas powered electricity generation provides security, reliability, and affordability to the electricity grid, and has half the emissions compared to coal. In the United States alone, shifting to natural gas prevented over two billion metric tons of carbon dioxide from being emitted between 2005 and 2016².

Natural gas can play an important role in reducing global greenhouse gas emissions. Natural gas is the perfect partner to intermittent renewable energy that requires on-call electricity generation to manage demand. As more renewable energy is integrated into the national grid, this balancing role becomes even more critical. The Territory is already fortunate to have significant natural gas power generation capacity –and is in close proximity to northern trading partners, who are also looking to decarbonise their energy networks.

APPEA supports a national climate change policy that delivers greenhouse gas emissions reductions, consistent with the objectives of the Paris Agreement, and applies a broad-based price signal on emissions to facilitate broad-based investment decisions at the lowest cost to the economy. This means APPEA supports the Australian Government leading on climate change policy responses, as the signatory to Australia’s Paris Agreement commitments. It also means duplicative and inconsistent requirements should not be imposed through the actions of a single regulatory agency in a single jurisdiction to only a limited number of projects.

National approach to emissions reductions

As stated in our previous submissions, actions undertaken by the Northern Territory Government should be consistent with, and complementary, to Australia’s commitments under the Paris Agreement. This is a national agreement and all sections of the national economy have a role in meeting this target. APPEA supports a national climate change policy that delivers greenhouse gas emissions reductions at least cost and facilitates broad-based investment decisions consistent with there being an international price on carbon. APPEA recommends that the policy explicitly recognise the national approach to the policy and set a long commitment to work with all industries in a way that is consistent with the Paris Agreement and the United Nations Sustainable Development Goals.

Scope

The NT Offsets principles states that the “mitigation hierarchy must be rigorously applied” i.e. all reasonable steps have been taken to first **avoid** or **mitigate** emissions. During the exploration phase, proponents would seek to reduce or eliminate flaring of appraisal gas in the first instance. The Beetaloo basin is well placed with existing gas infrastructure to apply this beneficial use of appraisal gas, however proponents are prohibited from this activity. We ask that the department seeks to allow for the

² US Energy Information Administration www.eia.gov/environment/emissions/carbon

beneficial use of appraisal gas, it is a clearly defined activity within the EMP process and eliminates the largest contributing source of greenhouse gas emissions. This is clearly the best environmental outcome and should be a key priority of the Northern Territory Government to reduce exploration emissions in the near term.

Direct emission offsets and offset priorities

Additional clarity is requested regarding an alternative emission offset described in section 8.1.2.1 of the policy and Section 9 (2a). Section 9 (2a) allows for 50% of the required amount of emission offsets to be delivered through “direct emission offsets”. It is unclear as to whether this would be considered an “alternative emission offset” defined in section 8.1.2.1. Further clarification is requested. If such is the case, then a proponent would only be able to either source direct offsets from ACCU’s generated from an alternative State/Territory or seek an alternative methodology for offset generated in the NT. Under the existing policy wording, it is interpreted that operators would be restricted to the following offset options:

- Option 1: NT generated ACCU offsets
- Or
- Option 2a) 50% Australia ACCU and 50% NT generated alternative emissions
- Option 2b) 50% Australia ACCU and 50% NT R&D
- Option 2c) 50% NT alternative emissions and 50% NT R&D
- Option 2d) 100% NT alternative carbon offsets

Under the current interpretation, credible internationally recognised offsets would not be permitted. It is APPEA strong opinion that this would erode the competitiveness of NT industries on a global stage, as industry would not be able to access a range of alternative low-cost, credible, international carbon offset markets. Whilst prioritising the co-benefits to the NT is an understandable priority, the development of a carbon market in the NT should not come at the costs of the competitiveness or viability of NT based industries collectively.

The size of carbon offsets that are likely to be required to support an onshore shale development and associated manufacturing industry are large. It is anticipated that the volume of offsets will need to be sourced from a mixture of local, regional and international source. Under the current policy, the requirement to source locally derived offsets is likely to distort the NT offset market and materially reduce the competitiveness of NT industries globally. Offsets are likely to become un-affordable to a range of lower valued and higher carbon intensity industries, which are likely to undermine the economic development goals of the NT in the future. To avoid this, the emission offset order of priority (section 9) should reflect the following recommendations:

- The offset order of priority should continue to prioritise NT generated offsets, whilst not excluding credible internationally sourced offsets
- The offset order priority should not be mandated
- The % of offsets should not be mandated
- A proponent should be able to choose a lower priority offset or mixture of offset types with sufficient justification as to why such a decision is required (i.e. based upon cost, timelines, offset volume etc.)
- That based upon the current lack of R&D infrastructure in the NT on offsets, that the government prioritise the development of this capacity. A potential solution is that an R&D

payment can be made directly to the NT Government, to coordinate the research in the interest of Territorians.

Recommendation 9.8 of the HFI inquiry

APPEA seeks to better understand the role of this policy in conjunction with the incomplete HFI recommendation 9.8:

That the NT and Australian governments seek to ensure that there is no net increase in the life cycle GHG emissions emitted in Australia from any onshore shale gas produced in the NT.

The offsets policy and future unknown conditions applied through 9.8 could essentially eliminate domestic utilisation of gas within Australia. This could undermine the NT's economic development strategies relating to development of a gas manufacturing hub, gas supporting renewables and creating a \$40Bil economy by 2030.

If you have any queries or for further information in relation to the contents of this letter and our submission, please contact me on 0434 590 589 or at cschmidt@appea.com.au.

Yours Sincerely,



Cassy Schmidt
Director – Northern Territory