

15 October 2021

Submission to the Greenhouse Gas Emissions Offsets Policy and Technical Guidelines

Lock the Gate welcomes the opportunity to make a submission to the Greenhouse Gas Emissions Offsets Policy and Technical Guidelines.

By way of background, Lock the Gate Alliance is a national grassroots organisation made up of 150,000 individuals and over 250 local groups who are concerned about unsafe or inappropriate mining. The mission of the Lock the Gate Alliance is to protect Australia's agricultural, environmental, and cultural resources from inappropriate mining and to educate and empower all Australians to demand sustainable solutions to food and energy production. Lock the Gate works across the NT and is committed to advocating for environmental and community health, and the productivity of local economies.

The Alliance is seriously concerned this flimsy policy will allow for major new polluting oil and gas projects to expand across the Northern Territory, significantly raising greenhouse gas emissions. The Territory should be putting forward stringent, enforceable, legally binding policies to ensure pollution doesn't skyrocket across the NT. However, this policy could actually drag down ambition and encourage other jurisdictions to also weasel out of commitments and look for offsetting and carbon capture loopholes for polluting projects instead of genuine emissions reductions.

The new loopholes in this draft policy, including the introduction of a new category of offsets, 'indirect offsets', put current offsetting programs in the Northern Territory at risk. Offsets should genuinely draw down carbon and reduce climate impacts, however this policy does not ensure that outcome.

We are also concerned about the discretion this policy gives the Minister to make decisions about what does or does not require offsetting. Under Section 7.1, there is no clear or binding method laid out for determining the amount of offsets required, which makes the draft policy unacceptably weak. The policy needs to hold more legal weight. Statements like, 'may require' 'may recommend' 'should specify' in the document show that much of the policy is entirely discretionary. The decisions of the Minister need to be able to be scrutinised and challenged where appropriate. For the sake of transparency and accountability, there should be a clear and objective method for determining when and the amount of offsets required. Despite being labelled 'technical guidance', there is a real lack of such guidance or assessment criteria.

This offsets policy does not address the significant recommendation 9.8 of the Pepper Final Report, which states that fracking should not be allowed to proceed unless there is no net increase in the life cycle GHG emissions emitted in Australia from any onshore shale gas produced in the NT, and that any increase must be fully offset. Instead, this policy gives fracking companies the flexibility to propose what they think is an appropriate offset level for their projects, and decisionmakers the ability to simply consult with fracking companies and make a decision on the offsets on this opaque case-by-case basis. This will not result in significant increases in greenhouse gas emissions – far from 'net zero'.

Under Section 10. the policy states, “decision makers have flexibility in how they apply delivery timeframe requirements. For example they may require the emission offsets to be delivered within one or more years after the relevant emitting event or period”. This vague and it is not a transparent process as it leaves too much discretionary power to individuals. Polluters should be required to offset at the time of polluting. This is particularly the case for methane gas emissions – recognized as one of the most potent greenhouse gases due to its immediate heating effect on the planet. This discretionary ‘flexibility’ should be removed from the policy.

There is a key concern from the Alliance about the growth of hydraulic fracturing activities for oil and methane gas extraction across the Northern Territory. Limiting methane urgently has been recognised as a key plank in keeping global temperature rises to a minimum globally. The IPCC has identified slashing methane emissions as a key requirement for tackling global warming.

This policy won’t help mitigate rising methane from fracking projects across the NT. Any fracking company could easily navigate through the enormous loopholes in this weak policy to undercount emissions, avoid scrutiny, and then pay themselves to do R&D for potential future offsetting systems in the Northern Territory. Ultimately, the policy could facilitate companies to be eligible for R&D funding despite their primary focus being increasing profitability through rising emissions and more greenwashing. We are concerned indirect offset research payments will flow to unproven and unsuccessful attempts for carbon capture and storage – with absolutely no certainty of success and plenty of evidence that such efforts will result in total failure and rising pollution.

In order to understand the full extent of likely emissions and pollution impact of fracking across the Beetaloo basin, Lock the Gate commissioned a new in-depth economic and climate analysis by Reputex Energy. The report provides clarity on the climate implications and costs of the Federal and Northern Territory Government’s plans for a large-scale fracking industry in the Northern Territory.

Reputex is a leading provider of modelling and forecasting services for the Australian renewable energy, electricity and carbon markets and state and federal governments. The Reputex report reveals the cost of fully and accurately offsetting domestic lifecycle greenhouse gas emissions – as has been promised by government. The report highlights very high greenhouse gas pollution, high costs and a high risk of stranded assets from fracking in the Beetaloo. **Please find the report attached.**

The report shows how fracking the Beetaloo at the scale currently promoted by governments and industry, the report’s high scenario, would massively contribute to Australia’s greenhouse gas emissions, at a time when our climate commitments are under an international spotlight.

Key insights from the report:

- The [Reputex Report - Analysis of Beetaloo Gas Basin Emissions & Carbon Costs](#) - calculates potential NT fracking industry growth and the climate mitigation (offsets) required under three production scenarios - low, mid, and high.

- Based on government and industry gas resource estimates, and using conservative assumptions around methane emissions, the report finds Beetaloo GHG emissions would be up to 1.4 billion tonnes under a high production scenario over 20 years. Australia's overall annual emissions are currently around 520 Mt, meaning if the fracking industry expands in the NT as both governments plan, **it would be responsible for about two and a half times Australia's entire annual greenhouse emissions.**
- **Cost of offsetting emissions will be up to \$22 Billion.** Based again on conservative emissions calculations for methane, the report then calculates the 'carbon liability', i.e. the cost of offsetting emissions using Australian Carbon Credit Units (ACCUs), finding it would range from **\$3 Billion** (low scenario) to **\$22 Billion** over 20 years. The report notes the costs could actually be much higher if the cost of carbon credits rises faster in line with values estimated by the International Energy Agency.
- **Gas will be commercially unviable.** The Reputex Report concludes, *"In line with NT policy and Recommendation 9.8 of the Pepper Inquiry, the inclusion of carbon costs is likely to have significant implications for the commercial viability of Northern Territory gas basin projects, with potential for emissions liabilities to add between \$1 - \$2.5 per GJ to the cost of Beetaloo basin gas, varying with the modelled production scenario."*
- In terms of Australia's carbon budget and in the event global warming is kept to Paris Agreement levels, the report notes: *"The development of the Beetaloo Sub-basin under a mid to high scenario, resulting in 368-523 Mt of GHG emissions over 20 years, is likely to have a significant impact on Australia's remaining carbon budget, with modelled outcomes representing between 3 to 5 per cent of Australia's remaining carbon budget (2°C scenario). For a 1.5°C scenario Beetaloo Sub-basin gas could represent 10 to 27 per cent of Australia's total carbon budget."*
- The report notes in its conclusion: *"Beetaloo basin gas emissions represent a large source of additional GHG emissions entering the Australian economy at a time when rapid global emission reductions are necessary to limit the effects of global warming. To this end, **new oil and gas fields from 2021 have been modelled by the IEA to be inconsistent with a net-zero pathway.**"*

Gas from the Beetaloo will be among the most expensive gas in the world and it will be one of the most polluting new fossil fuel projects in Australia. This report is a conservative calculation of all the costs, and it's clear fracking the Beetaloo is unjustifiable both economically and environmentally. It also makes it clear what a proper offset process would entail and what it would cost. If fracking companies and governments think they can get out of these costs, then they are cheating on their offset commitments.

In light of polluting and uneconomic fracking, this draft offsets policy appears to be an attempt to somehow avoid the reality of the offset costs by using creative accounting and opaque processes. This outcome is completely unacceptable and in direct contravention to the promise Chief Minister Michael Gunner made when he lifted the fracking moratorium and stated the Government would, "*ensure there is no net increase in the lifecycle emissions emitted in Australia from any onshore shale gas produced in the NT*".

The draft policy is insupportable in the face of massive new emissions to be produced by fracking. There would be a significant net increase in greenhouse pollution. The 'offsets' would largely be a greenwashing exercise, designed to avoid the costs of genuine greenhouse gas drawdown.

This policy should be significantly redrafted, as in its current state it will only serve to prolong the climate and fracking debates in the Northern Territory, cause investment uncertainty, litigation risk, and ultimately worsen the climate crisis, with direct negative impacts on Territorians.

Key Recommendations:

- Remove any reference to and allowance for 'indirect offsets'.
- Ensure all offsets used are compliant and certified through the ACCUs system.
- Only allow offsetting for currently operating or expanding projects. Do not allow any significant new increases in gas extraction and pollution to occur off the back of this flimsy policy.
- Rule out carbon capture and storage as an eligible offset in any form.
- All scope 1, 2 and 3 emissions generated in Australia should be required to be completely offset.
- Remove the discretionary 'flexibility' over the timing of when offsets need to occur.
- Limit the discretionary power of the regulator and individual decision makers.
- Remove the second of the Northern Territory Offset Principles ('Offsets must be designed to deliver maximum benefit to the Territory'), as it is not possible to genuinely offset the emissions likely to be generated from Beetaloo in the NT alone.
- Enforceable penalties for not offsetting emissions.
- Require a complete redrafting of this policy, which should then be open for another round of public submissions and consultation.