

19 February 2020

Office of Climate Change
Department of Environment, Parks and Water Security
Northern Territory Government
Via email: environment.policy@nt.gov.au

Dear Sir/Madam,

RE: Comment on *Greenhouse Gas Emissions Management for New and Expanding Large Emitters* discussion policy

The Australian Petroleum Production & Exploration Association (APPEA) welcomes the opportunity to provide comment on the *Greenhouse Gas Emissions Management for New and Expanding Large Emitters draft discussion policy* released for comment on 21 December 2020.

APPEA appreciates that this draft policy is a component of the NT Government's [Climate Change Response](#) and [Three Year Action Plan](#) released in July 2020, and that the intent of this policy is to support the NT Government position to outline the Government's expectations for the mitigation and management of greenhouse gas emissions from new and expanding large emitters.

APPEA and our members are committed to reducing emissions to levels that are as low as reasonably practicable. In February 2021, APPEA released its *Australia's cleaner energy future* report, incorporating the third edition of APPEA's *Climate Change Policy Principles*.¹ 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 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

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

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 2016.² 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 policy proposes to apply scope 1 and scope 2 greenhouse gas emissions and that the *“estimated scope 1 emissions inform the application of this policy to relevant projects, however any required abatement plans must consider both scope 1 and scope 2 emissions.”* Under the Australian Government's Safeguard Mechanism there is a specific treatment for the electricity sector, meaning that scope 2 emissions for Safeguard Mechanism facilities are captured under that parallel treatment for electricity. In that way, electricity related developments are directly covered and a duplicative approaches are available. The approach proposed in the draft is also inconsistent with the approach taken in Western Australia, which applies to scope 1 emissions, recognising that in applying the policy to any power station developments, emissions are directly covered by the policy. A similar approach should be followed in the NT.

APPEA recommends that the policy explicitly acknowledge proponent's obligations under the *National Greenhouse and Energy Reporting Act 2007*.

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

Treatment of different activities

The policy sets different thresholds between industrial activities and land use activities (primarily involving land clearing). This key different is explained to be due to the timeframe over which greenhouse gas emissions are generated by a project, and the potential avoidance and mitigation techniques available to projects. Explicitly, the policy sets greater allowances for land use activities (500,000 tCO₂-e for land clearing and 100,000 tCO₂-e for an Industrial activity).

To achieve the net zero, APPEA recommends that all industries are treated consistently and that one emission thresholds is applied uniformly. The application of a single emission thresholds across all industry types will facilitate the creation of an efficient process, whereby all industries are treated fairly and consistently.

Exploration and appraisal activities

APPEA notes that difficulties arise when considering oil and gas exploration and appraisal (E&A) activities under such a policy. The policy applies to actions as defined in Section 5 of the Northern Territory *Environmental Protection Act 2019* which defines an action as a “*project, a development, an undertaking, an activity or series of activities, works, or a substantial or material alteration to a previous action.*” This is not how it is applied in Western Australia under the *Greenhouse Gas Emissions Policy for Major Projects*³ or at the national level for the safeguard mechanism and annual reporting. For consistency and clarity on application, APPEA recommends that the policy exclude exploration and appraisal activity and instead reference the requirements in other legislation, such as the Code of Practice for Onshore Petroleum Activities within the Northern Territory, *Petroleum (Environment) Regulations* (PER) and national reporting requirements.

Exploration and appraisal programs create short-term (months) scope 1 emissions primarily through the flaring of hydrocarbons during well testing activities. Well testing activities are a critical step required to understand the commercial and technological viability of a resource. These activities are unavoidable, as a higher level of certainty on the resource size and producibility must be obtained prior to commitment of development capital. Avoidance of scope 1 emissions during this phase is limited by the interest holder’s ability to beneficially use or sell hydrocarbons, which is currently not permitted under the NT Petroleum Act.

It is also recommended that policies to allow for the beneficial use of produced hydrocarbon where feasible and practicable should be considered in parallel with any greenhouse gas emission management policy. This will allow interest holders with tangible pathways to reduce scope 1 emissions during appraisal programs.

Duplication of existing Territory assessment processes

The Northern Territory has existing robust approval process implemented under the NT *Petroleum (Environment) Regulation* (PER) and *Environmental Protection Act* (EP Act) for onshore activities, and under the *Offshore Petroleum and Greenhouse Gas Storage Act* (1999) for offshore activities. All of these legislative instruments consider risks and impacts associated with greenhouse gas emissions. Onshore activities are already assessed by the Northern Territory Environmental Protection Authority.

³ WA *Greenhouse Gas Emissions Policy for Major Projects* www.der.wa.gov.au/images/documents/your-environment/climate-change/Greenhouse%20Gas%20Emissions%20Policy%20for%20Major%20Projects.pdf.

It is recommended that any the new policy recognise and integrate with existing approval processes, rather than introduce a new process to be administered and assessed by the same Authority. This includes recognising that greenhouse gas emissions management strategies can be covered under the existing Environmental Management Plan (EMP) and Environmental Impact Statement approval processes.

Overlap with existing emission mitigation and management plan requirements

For onshore petroleum activities, the PER requires an interest holder proposing to undertake onshore petroleum activities to submit an EMP to the Minister for Environment for approval. The EMP must identify, assess and mitigate risks associated with greenhouse gas emissions, as well as demonstrate how the mandatory requirement of the Code of Practice are to be applied.

The Codes of Practice were developed and implemented as a part of the NT Inquiry into Hydraulic Fracturing. These codes mandate a range of mandatory emission reduction and abatement requirements in Part D, for which include restrictions on venting, use of reduced emission completions (flaring) and ongoing leak detection and reporting. The Code of Practice also includes the requirement for a Methane Emission Management Plan. The introduction of a Greenhouse Gas Abatement Plan (GGAP), would require an interest holder to implement an EMP, MEMP and GGAP all covering Greenhouse gas management. This level of duplication (triplication) is an avoidable regulatory burden on industry.

It is recommended that any the new policy recognise existing regulatory instruments, such as the PER and Code of Practice, to ensure interest holders are not required to submit multiple management plans covering the same aspect.

Retrospective application

The Policy states it applies to *“new projects and expanding projects that require environmental approval under the EP Act.”* APPEA supports this approach to new and significantly expanding projects. This recognises investments that have been made in good faith under the policy approach that existed when those decisions were made.

Conclusion

The oil and gas industry has a long history of taking actions to reduce emissions in and around its operations in the Northern Territory and across Australia.

The Northern Territory has existing robust regulatory instruments and approval processes that ensure GHG emissions from petroleum activities are appropriately assessed, mitigated and reported.

Australia’s existing and any future climate change policies should be aimed at enhancing the Territory’s international competitiveness as a destination for investment. Ensuring that policies are aligned as much as possible with existing regulatory processes is consistent with Territory and National commitments to reduce duplication and unnecessary regulation.

Our members appreciate that environmental regulation plays a critical role in ensuring projects meet Australian community and environmental standards whilst providing a robust operating framework for industry. However, regulations, if designed or implemented poorly, can impose unnecessary burdens or impediments to major projects.



We look forward to further working with the Northern Territory Government on these important issues. Please feel free to contact Mr Damian Dwyer, Deputy Chief Executive at ddwyer@appea.com.au or APPEA's NT Director at Darwin@appea.com.au if you have any queries.

Yours sincerely

A handwritten signature in blue ink, appearing to read "K Knudsen", is positioned above the printed name.

Keld Knudsen
Director – APPEA