



15 October 2021

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To Whom it May Concern,

## **Submission in relation to the draft policy “Greenhouse Gas Emissions Offsets Policy and Technical Guidelines”**

Thank you for the opportunity to provide a submission in relation to the draft policy “Greenhouse Gas Emissions Management Offsets” (**Draft Offsets Policy**).

The Environment Centre NT (ECNT) is the peak community sector environment organisation in the Northern Territory, raising awareness amongst community, government, business and industry about environmental issues and assisting people to reduce their environmental impact and supporting community members to participate in decision making processes and action.

ECNT is of the view that the Draft Offsets Policy is weak climate policy that will do little to achieve the Northern Territory Government’s goal of net zero emissions by 2050. ECNT believes that, together with the release of the weak Greenhouse Gas Emissions Management for New and Large Emitters Policy (**Large Emitters Policy**), the Draft Offsets Policy will prolong and entrench highly carbon intensive projects and lead the Northern Territory more quickly towards catastrophic climate change.

ECNT believes that due to the high and arbitrary thresholds of what constitutes a “large emitter”, many, if not most, carbon-intensive projects will escape the Large Emitters Policy and Draft Offsets Policy altogether. This includes fossil fuel projects, as well as emissions caused by changes in land use (principally for agriculture, involving the clearing and burning of native vegetation). Such an outcome is inconsistent with the Northern Territory Government’s aspirational target of net zero emissions by 2050, and good climate policy.

ECNT is also concerned that neither the Draft Offsets Policy nor the Large Emitters Policy impose any requirement for gas companies to offset life cycle fracking emissions. In ECNT’s view, this constitutes a backflip from the Northern Territory Government’s commitment to ensure that fracking in the Northern Territory will result in no net increase in life cycle emissions produced in Australia. Moreover, it seems likely that one of the most polluting gas projects in the world, Santos’ Barossa Project, will not be caught by either policy. This is primarily due to the NTEPA’s decision not to require an environmental impact assessment of the backfill of the Darwin LNG facility despite its very significant emissions profile (meaning that it is not clear that there is an environmental authorisation which would trigger the application of the Large Emitters Policy or the Draft Offsets Policy). Together, the Beetaloo and Barossa projects have the

potential to make the Northern Territory one of the highest emitting jurisdictions in the world on a per capita basis. It will be a perverse outcome indeed – and completely inconsistent with Australia’s Paris Agreement targets - if the Northern Territory Government facilitates the approval of these multi-decade fossil fuel projects without a requirement for the gas companies to fully and genuinely offset their life cycle emissions.

Finally, the Draft Offsets Policy will enable companies to game the offsets system to further entrench the gas industry (including through the invention of “indirect” offset categories that are not recognised anywhere else in the world, and enabling research for unproven and expensive carbon capture and storage methods to be counted as offsets).

## **Context**

The warning from the Intergovernmental Panel on Climate Change<sup>1</sup> should be the end of new gas projects, including fracking the Beetaloo Basin (the most prospective area for shale gas in the Territory) and Santos’ highly carbon emission-intensive Barossa project. Drastic changes are needed to address the climate crisis. Even the conservative International Energy Agency has recommended that there be no new fossil fuel projects if we are to keep to the 1.5°C target under the Paris Agreement.<sup>2</sup>

If approved, Santos’ Barossa Project could be the most carbon intensive LNG in Australia, potentially among the most polluting LNG projects the world. Adding to the processing emissions in Darwin Harbour, the Barossa gas field has very high levels of CO<sub>2</sub> (16-20%) which would mostly be vented into the atmosphere. The planned production of gas from the Beetaloo Basin would be a carbon bomb that could increase Australia’s greenhouse gas emissions by as much as 20%.<sup>3</sup> This would have catastrophic effects on the climate and could undermine the possibility of Australia achieving its already-too-weak Paris Agreement targets. Given the seriousness of global heating, neither the Barossa Project, nor onshore shale gas development, should be going ahead at all. The quickest and cheapest way to cut emissions is to stop burning fossil fuels such as gas and replace them with renewables. That means no fracking the Beetaloo, and no exploitation of the Barossa gas field.

In 2018 the Northern Territory Government decided to proceed with fracking on the basis that life cycle emissions from fracking the Beetaloo would be completely offset. The Pepper Inquiry found that onshore shale gas production would have “unacceptable” climate impacts and should not go ahead unless life cycle emissions were offset in full, including domestic combustion emissions (recommendation 9.8 of the Pepper Inquiry). Life cycle emissions include all emissions from the production, processing and ultimate combustion of the gas within Australia, which are known as scope 1, 2 and 3 emissions. At current low offset prices in Australia, the emissions would cost half a billion dollars every year to offset. At projected Paris Agreement targets, it could be closer to \$4billion.<sup>4</sup> It has now been 3.5 years since this promise was made, but Northern Territory residents still have no idea how it will be achieved, or if it can be achieved.

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<sup>1</sup> <https://www.theguardian.com/environment/2021/aug/11/no-place-to-hide-pressure-on-australia-to-end-support-for-new-fossil-fuel-projects-after-ipcc-report> and <https://www.abc.net.au/news/2021-08-11/what-does-the-ipcc-report-mean-for-australia/100364884>.

<sup>2</sup> <https://www.iea.org/reports/net-zero-by-2050>.

<sup>3</sup> <https://www.abc.net.au/news/2020-02-29/beetaloo-basin-gas-field-could-jeopardise-paris-targets/12002164>.

<sup>4</sup> <https://australiainstitute.org.au/wp-content/uploads/2020/12/Weapons-of-Gas-Destruction-WEB.pdf>.

Over 60 climate scientists and experts recently wrote an open letter to the Chief Minister calling on him to fulfill his commitment that all emissions be fully offset, or abandon fracking.<sup>5</sup>

The Northern Territory Government has set an aspirational target of net zero emissions by 2050, but has produced very few enforceable policy or regulatory parameters to achieve this outcome. Calls to enact a Climate Change Act that would actually require accountability in moving towards this target have gone unheeded.<sup>6</sup> In any case, it is increasingly clear that reaching net zero emissions by 2050 is far too late and helps “perpetuate a belief in technological salvation and diminishes the sense of urgency surrounding the need to curb emissions now”.<sup>7</sup>

### **The Large Emitters Policy**

The Draft Offsets Policy should be read in conjunction with the recently released Large Emitters Policy.<sup>8</sup> The Large Emitters Policy requires companies to prepare a Greenhouse Gas Abatement Plan if they require an environmental authorisation and meet an arbitrary emissions trigger.<sup>9</sup> The Large Emitters Policy was only put out for a limited “targeted” consultation, and has many flaws.

First, it is clear that many significant greenhouse gas emitting projects will avoid the application of the Large Emitters Policy altogether.

The Large Emitters Policy makes a distinction between what constitutes “large greenhouse gas emitting actions” for industrial activity (scope 1 emissions of 100,000 tonnes of CO<sub>2</sub> equivalent), compared with land use activity (scope 1 emissions of 500,000 tonnes of CO<sub>2</sub> equivalent). This is problematic in a number of respects. First, the exclusion of scope 2 and 3 emissions from the definition of what constitutes large greenhouse gas emitting actions will mean that many significant emitters will avoid the policy. The industry that will have the greatest Scope 3 emissions is, of course, the gas industry: it extracts gas for the primary purpose of that gas being combusted by consumers, releasing greenhouse gases. While it may be useful for accounting processes to separate emissions into Scope 1, Scope 2 and Scope 3, these definitions do not reflect the actual pollution caused by fossil fuel extraction projects. In addition, land clearing is a significant contributor to the Northern Territory’s greenhouse gas emissions, and yet the Large Emitters Policy creates a licence to generate emissions by setting an arbitrary threshold of 500,000 tonnes for land use activity before the policy comes into effect. For example, a recent “simplified” pastoral land clearing application at Claravale Station would generate in the vicinity of 100,000 tonnes of CO<sub>2</sub> equivalent emissions. This application did not meet the threshold criteria for application of the Large Emitters Policy, and thus the proponent was not required to take any action to offset these emissions. ECNT notes that there is likely to be an avalanche of land clearing applications with significant emissions profiles. The NT Farmers Association has revealed plans for 168,000 hectares of farming development across the Northern Territory, which would equate to approximately 17million tonnes of emissions, equivalent to the Northern Territory’s entire annual greenhouse gas emissions. It is conceivable that none of these land clearing proposals would trigger the policy, while generating huge amounts of emissions.

<sup>5</sup> <https://australiainstitute.org.au/post/over-60-scientists-experts-call-on-chief-minister-gunner-to-honour-commitment-to-net-zero-fracking-emissions/>.

<sup>6</sup> <https://www.edo.org.au/wp-content/uploads/2020/06/A-Climate-Change-Act-for-the-NT-FINAL.pdf>.

<sup>7</sup> <https://theconversation.com/climate-scientists-concept-of-net-zero-is-a-dangerous-trap-157368>.

<sup>8</sup> [https://depws.nt.gov.au/\\_data/assets/pdf\\_file/0008/1041938/ntg-large-and-expanding-emitters-policy-2021-version-1.0.pdf](https://depws.nt.gov.au/_data/assets/pdf_file/0008/1041938/ntg-large-and-expanding-emitters-policy-2021-version-1.0.pdf).

<sup>9</sup> Estimated scope 1 emissions of 100,000 tonnes per annum of carbon dioxide equivalents, in the case of industrial projects like gas production.

Other issues with the Large Emitters Policy include:

- (a) it does not actually require gas companies to offset their life cycle emissions, leaving that in the discretion of the relevant government decision-maker;
- (b) it does not even require gas companies to estimate their life cycle emissions generated in Australia (which would be required at a bare minimum if any condition were to be imposed that such emissions must be offset, as recommended by the Pepper Inquiry with respect to the onshore shale gas industry);<sup>10</sup>
- (c) it does not require gas companies to say how they propose to offset their scope 3 emissions (whether produced in Australia or elsewhere).

### The Draft Offsets Policy

The purpose of the Draft Offsets Policy is to establish how and when to use offsets in the Territory to compensate for emissions. Offset requirements can be applied to environmental approvals by decision-makers as a condition of an approval. The Draft Offsets Policy is proposed to be used to guide such offset conditions.

To comply with recommendation 9.8 of the Pepper Inquiry, the Draft Offsets Policy (together with the Large Emitters Policy) should require life cycle emissions to be genuinely offset. Instead, it is a flimsy draft policy that (together with the Large Emitters Policy) will undermine the chance of this occurring.

ECNT has identified the following problems with the Draft Offsets Policy:

- (a) It does not refer to recommendation 9.8 of the Fracking Inquiry.
- (b) It does not require gas companies to offset their life cycle greenhouse gas emissions.
- (c) It leaves up to the discretion of the relevant government decision-maker whether offsets are required at all, and for what emissions. For example, it would be possible for a decision-maker to say that offsets are not required at all for an onshore shale gas project, or that only offsetting of scope 1 (upstream) emissions is required. Such an outcome would be inconsistent with recommendation 9.8.
- (d) Noting that there are unlikely to be sufficient ACCUs produced in Australia to offset emissions from either the Beetaloo or Barossa projects, it provides no guidance as to what international offsetting methodologies would be acceptable and actually achieve the required abatement.
- (e) It enables offsets of a very low quality and questionable validity, including through the invented category of “indirect offsets” which are not recognised anywhere else in the world. Indirect offsets consist of funding research and development into technologies or practices that might reduce emissions in the future. Such an approach would be without precedent, particularly as decision-makers only need have “reasonable confidence” that the new technology or practice will actually work. Indirect offsets may also directly undermine the value of ACCUs.
- (f) It opens the door to carbon capture and storage being recognised as an “indirect offsets” category. Carbon capture and storage is unproven and extremely expensive. Despite billions of dollars being spent here and overseas, no CCS project has yet been delivered on time, on budget, or to agreed performance. It is a method of further entrenching the gas industry, not moving away from fossil

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<sup>10</sup> The Large Emitters Policy does require large emitters to estimate their scope 1, 2 and 3 emissions. However, there is no requirement to estimate scope 3 emissions generated in Australia (which are what the Pepper Inquiry recommended should be offset). Further, companies are only required to say how they intend to avoid, mitigate or offset their scope 1 and 2 emissions in their GGAP. There is no requirement to say how they will offset their scope 3 emissions generated in Australia.

fuel extraction.<sup>11</sup> The Draft Offsets Policy might enable gas companies to say that their expenditure on unproven CCS research and development “offsets” their exorbitant greenhouse gas emissions, a perverse outcome. The Northern Territory Government should not accept CCS, or research and development about CCS, as a category of offset.

## Recommendations

The Large Emitters Policy must be redrafted as follows:

- (a) “Significant greenhouse gas emissions” should be defined as “any development that produces a minimum of 100,000 tonnes of CO2 equivalent per year (including Scope 2 and 3 emissions produced in Australia and overseas);
- (b) It must require proponents to estimate and offset their scope 1, 2 and 3 emissions produced in Australia;

The Draft Offsets Policy must be redrafted as follows:

- (a) It must require proponents with significant greenhouse gas emissions to estimate and offset their scope 1, 2 and 3 emissions generated in Australia (in particular for onshore gas projects, in accordance with recommendation 9.8 of the Pepper Inquiry).
- (b) It must make clear that requiring only scope 1 and 2 emissions from onshore gas projects to be offset is insufficient. All life cycle emissions generated in Australia (scope 1, 2 and 3 emissions) must be offset to comply with Recommendation 9.8.
- (c) It must provide guidance for which international offsetting methodologies are acceptable for the purposes of the policy, including how the Northern Territory Government proposes to carry out due diligence to ensure that they are rigorous and in fact achieve the requisite levels of abatement;
- (d) All references to “indirect offsets” must be removed;
- (e) It must explicitly state that carbon capture and storage (and research and development for carbon capture and storage) is not a recognised category of offset.

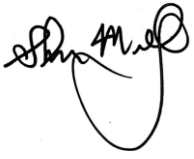
If you have any questions in relation to ECNT’s submission, please contact Kirsty Howey on [kirsty.howey@ecnt.org](mailto:kirsty.howey@ecnt.org) or Shar Molloy on [shar.molloy@ecnt.org](mailto:shar.molloy@ecnt.org).

Yours faithfully,



<sup>11</sup> <https://www.climatecouncil.org.au/resources/what-is-carbon-capture-and-storage/>.

Kirsty Howey - Co-Director

A handwritten signature in black ink, appearing to read 'Shar Molloy', with a large, stylized flourish at the end.

Shar Molloy - Co-Director