

PECAN is an environment group in the City of Port Phillip, Victoria, and is also a member of the Beyond Gas Network.

We are writing to you to express our concerns about the Northern Territory's offsets policies – the Large Emitters policy¹ from August and the Draft Offsets Policy² released last month.

Recommendation 9.8 of the Pepper Inquiry stated “that the NT and Australian governments seek to ensure that there is no net increase in the life cycle GHG emitted in Australia from any onshore shale gas produced in the NT.”³ The Northern Territory government lifted its ban on fracking on the basis that it would implement all of the Pepper Inquiry's recommendations⁴, but to date there has been no action towards offsetting emissions from gas extraction, and the release of the Draft Offsets Policy provides no assurance that this commitment will be carried out.

There are two principal concerns with the Draft Policy. The first is that it doesn't make offsets obligatory for companies responsible for Greenhouse gas generation, and the second is that it proposes an entirely new class of offsets called Indirect Emissions Offsets, not recognized anywhere else in the world.

Given the government's unconditional commitment to the Inquiry's recommendations, it is alarming to read the use of phrases like “may be applied”, “may be required”, “may consider” used throughout the Draft, leading to the conclusion that the regulatory body will exercise unlimited discretionary capacity in making any determination about the need for offsetting. There is no reference to recommendation 9.8 in the Draft, an extraordinary omission because this recommendation is central to Northern Territory offset policy, and makes explicit the need for all Scopes 1, 2 and 3 emissions created in Australia to be fully offset. Under the Large Emitters policy, companies must estimate their Scope 1, 2 and 3 emissions; however they are not required to estimate their Scope 3 emissions if they are generated in Australia, which is precisely what recommendation 9.8 of the Inquiry was specific about, in requiring that such emissions were to be fully offset.

The Draft leaves decisions as to whether emissions should be offset to the regulator's discretion, and further discretion as to what component(s) of the emissions load, if any,

1 https://depws.nt.gov.au/_data/assets/pdf_file/0008/1041938/ntg-large-and-expanding-emitters-policy-2021-version-1.0.pdf

2 https://depws.nt.gov.au/_data/assets/pdf_file/0004/1041970/draft-nt-ghg-emissions-offsets-policyv0.1.pdf

3 <https://frackinginquiry.nt.gov.au/inquiry-reports?a=494295>

4 <https://hydraulicfracturing.nt.gov.au/about/government-accepts-all-recommendations-of-the-inquiry>

should be offset. For example the regulator could determine that only Scope 1 emissions were to be offset, leaving Scope 2 and 3 emissions unaffected in the case where combustion occurred in Australia, in violation of the government's 2018 commitment.

The timing of the Draft policy's release is also surprising, given the Territory government's commitment to net zero emissions by 2050, and currently the widespread attention being given to the Australian government's need to adopt not only the same 2050 target but the need to strengthen its 2030 targets as well. It is anticipated that if Beetaloo goes into production it could produce up to 117 mtCO₂e annually, almost 25% of Australia's current emissions from all sources. A report from energy consultant Reputex released this month calculated that based on current ACCU offset prices, offset costs could reach \$1.36bn annually, or \$22bn over the anticipated life of the resource. A further report from the United Nations Environment Program in May showed that reducing methane emissions by 45% this decade would avoid 0.3°C of global warming by 2045 and would be consistent with limiting global temperature rises to 1.5°C⁵. In this context how can the Territory government produce policy which does not make explicit that the companies generating these emissions must be responsible for offsetting them?

Indirect Offsets Policy

The inclusion of this entirely new offsets category provides further confirmation that the Territory government is searching for measures that will enable it and the gas companies to avoid responsibility for offsetting their emissions. The draft policy would enable Research and Development projects, whereby a project was directed at finding ways of reducing emissions through new technologies or new practices, to be treated as offsets. Again, the regulator is only required to have "reasonable confidence" that the research project would produce beneficial outcomes; a regulator sympathetic to the gas companies could classify a range of questionable projects as expenditure on offsets. The Draft would enable Carbon capture and storage projects to be considered as offsets, despite all the failed endeavours over many years, and the fact that no CCS project has ever delivered the outcomes claimed for it. No confidence could be placed in claims about amounts of emissions to be captured and stored in any future projects.

Changes needed to the Draft and the Large Emitters Policy

To ensure full compliance with Recommendation 9.8 of the Pepper Inquiry and the Northern Territory's undertaking to implement in full its 135 recommendations, the following changes are required:

- 1) For both the Large Emitters Policy and the Draft Offsets Policy, full estimates of emissions must be provided, and accredited offset programs must be utilised.

5 <https://www.unep.org/news-and-stories/press-release/global-assessment-urgent-steps-must-be-taken-reduce-methane>

- 2) Scope 1 and 2 emissions are inadequate - both the Pepper Inquiry recommendations and the Northern Territory government's commitment to their full implementation require that all Scope 1, 2 and 3 emissions generated in Australia are to be fully offset
- 3) The Indirect Offsets Policy must be withdrawn – it violates the intent of the Pepper Inquiry recommendations, and the Northern Territory Government's undertakings. Such a policy is not sanctioned in Australia or anywhere else in the world and its introduction in the Northern Territory would open the government to worldwide criticism as not being serious about this vitally important issue. Australia is at a critical turning point in its economic history, and it is important that all Australian governments come together to constructively support this transition.

We hope you will understand our proposals in the spirit in which they are made.

Sincerely,

Jack Halliday and Peter Moraitis

For PECAN