



SUBMISSION TO THE
DEPARTMENT OF CLIMATE CHANGE
IN RESPONSE TO THE
NATIONAL GREENHOUSE AND ENERGY REPORTING SYSTEM REGULATIONS POLICY PAPER

FEBRUARY 2008

CONTENTS

EXECUTIVE SUMMARY	i
INTRODUCTION	1
THE AUSTRALIAN TRUCKING ASSOCIATION	1
THE AUSTRALIAN TRUCKING INDUSTRY	1
BACKGROUND	2
FACILITIES	
THE IMPORTANCE OF THE DEFINITION OF THE TERM <i>FACILITY</i>	3
DEVELOPMENT OF THE <i>TRANSPORT FACILITY</i>	3
INDUSTRY IMPLICATIONS OF THE PROPOSED DEFINITION OF A <i>TRANSPORT FACILITY</i>	5
VERTICAL INTEGRATION AND THE <i>FACILITY</i> ASSESMENT OF AN INDIVIDUAL TRUCKING DEPOT	6
OPERATIONAL CONTROL	7
DIFFERENT REPORTING REQUIRMENTS FOR DIFFERENT THRESHOLDS	8
MATERIALITY	9
ATTACHMENT: NGRS REPORTING THRESHOLDS AND DIESEL CONSUMPTION EQUIVALENTS	11

EXECUTIVE SUMMARY

Some positive outcomes of industry consultation on the regulations to support the National Greenhouse and Energy Reporting System, in terms of achieving a workable and simpler reporting framework, have been achieved. The proposal seeks, however, to significantly and immediately increase the reporting burden on businesses in the trucking industry.

INDUSTRY IMPLICATIONS OF THE PROPOSED DEFINITION OF A TRANSPORT FACILITY

Under the proposal, as it currently stands, a trucking company consuming 2.5 million litres of diesel annually will trigger the *facility*-level energy threshold and will, therefore, be required to report data on greenhouse gas emissions and energy consumption to the National Greenhouse and Energy Reporting System from the first reporting period.

This will significantly and immediately increase the aggregate regulatory burden on businesses in the trucking industry because the threshold is expected to be exceeded by a large number of trucking operators who have not previously had to report data on greenhouse gas emissions or energy consumption.

The ATA submits that resolution of the issue could be achieved by either amending:

- the Act to apply the *corporate*-level thresholds to *transport facilities*; noting that the *corporate*-level threshold are accompanied by a three year phase-in period which would allow time for trucking companies to develop sufficiently rigorous reporting systems within their operations; or
- the proposed definition of a *transport facilities* to be established under regulations such that attribution of a transport activity or series of transport activities to a single physical location occurs at the state level; noting that this would better (although not completely) align the *facility*-level attribution of transport industry activities with the proposed approach on dealing with stationary industry *facilities*.

VERTICAL INTEGRATION AND THE FACILITY ASSESSMENT OF AN INDIVIDUAL TRUCKING DEPOT

Due to the non-stationary nature of transport and the incumbent requirement for the regulations to establish a specific approach on *transport facilities*, clarification is required for circumstances in which the principle activity of an individual trucking depot does not align to one the road freight transport ANZSIC industry code 461.

OPERATIONAL CONTROL

Further guidance on the practical operation of the provisions relating to *operational control*, including the Fuel Tax Credits approach, will be required in the form of guidelines and case studies, if the intention is not to clarify matters under the regulations.

DIFFERENT REPORTING REQUIREMENTS FOR DIFFERENT THRESHOLDS

The proposed imposition of an obligation to report data on both greenhouse gas emissions and energy consumption in the event that company only breaches an energy consumption threshold will impose additional and significant costs on trucking companies who are already disproportionately burdened under the current regulations proposal.

Accordingly, the ATA submits (again) that regulations be made under the Act to require only reporting of data relating to activities that contribute directly to the breach of a threshold.

MATERIALITY

The ATA supports the application of materiality thresholds to small facilities, however, submits that materiality thresholds should also be applied under the Act in relation to *coverage of emissions and energy sources within a facility*.

The ATA acknowledges that permit liability under the national emissions trading scheme is an important consideration, however, notes that materiality thresholds can be applied with no consequence to a corporation's liabilities if regulations are not made under the Act specifying different reporting requirements if different *facility*-level greenhouse gas emissions or energy thresholds are met by a company in a given year.

1. INTRODUCTION

The Department of Climate Change (the Department) released the *National Greenhouse and Energy Reporting System (NGERS) Regulations Policy Paper* on Monday, 4 February 2007.

The purpose of the *Policy Paper* is to inform stakeholders of and seek feedback on the Australian Government's current approaches to the final regulations that will underpin the *National Greenhouse and Energy Reporting Act 2007* (the Act). The policy paper includes proposals on:

- detailed definition of terms including *facilities*, *operational control*, *emissions* and *energy*;
- the scope of data subject to mandatory reporting;
- registration and deregistration information;
- greenhouse gas offsets, reductions and removals reporting requirements; and
- public disclosure of information.

Release of the *Policy Paper* follows three months of public consultation on the *NGERS Regulations Discussion Paper*, released in October 2007.

Throughout this time the ATA and its members engaged with the Government primarily in order to resolve operational issues relating to the definition of the terms *facilities* and *operational control* that, if left unresolved, would create significant uncertainty and compliance burdens for the trucking industry.

Some positive outcomes of industry consultation, in terms of achieving a workable and simpler reporting framework, have been achieved. The proposal seeks, however, to significantly and immediately increase the reporting burden on businesses in the trucking industry.

2. THE AUSTRALIAN TRUCKING ASSOCIATION

The ATA was originally established in 1989 as the Road Transport Forum and is the peak national body uniting and representing the interests of the Australian trucking industry.

The ATA provides public policy advocacy at the national level for trucking operators and industry employees through a federated membership structure comprising state and sector based trucking associations, the Transport Workers' Union and some of the nation's largest transport enterprises.

Policy coverage of the ATA encompasses industry safety, skills and workforce, the environment and climate change, taxation and fiscal pricing, infrastructure and transport planning.

The ATA is a member of the Australian Industry Greenhouse Network (AIGN) and contributes to the formulation of industry positions on greenhouse policy.

The general views of AIGN members on particular aspects of greenhouse policy are represented in the various submissions prepared by the AIGN. These views differ in particulars, relating to both principle and detail, from the positions of individual member associations and companies.

The AIGN submission in response to the *Policy Paper* should be read in conjunction with this submission.

3. THE AUSTRALIAN TRUCKING INDUSTRY

The transport sector plays a vital role in the Australian economy given the country's huge land mass, dispersed population and production centres and trade advantages in minerals, energy and agriculture production. Transport services provide the means through which communities and

industries are interconnected across vast overland distances and are connected with the rest of the world in efficient and streamlined production and distribution networks.

The trucking industry is an especially important component of the Australian transport sector because road freight services impart significant logistical efficiencies in servicing the demands of non-bulk and, to a lesser extent, bulk freight customers. In 2005-06, road freight transport and storage contributed \$30 billion to Australia's national income, accounting for 3.3 per cent of gross industry value added¹.

The hire and reward sector of the Australian trucking industry comprises around 48,000 individual operators and has a 16-firm turnover concentration ratio of less than one-quarter². The fiercely competitive market structure of Australian trucking is uncompromising to industry participants and perhaps the greatest source of value to the downstream industries and communities who depend upon individualised, efficient and efficiently priced freight transport.

Road transport is the dominant freight transport mode in Australia. In 2004-05 road transport is estimated to have carried in excess of 2 billion tonnes of freight or 75 per cent of the total tonnage carried by Australian domestic transport. Extending the measure to incorporate both mass and distance, road transport is estimated to have moved 194 billion-tonne kilometres of freight or 38 per cent of the 2004-05 domestic freight task, with rail and domestic shipping accounting for 36 and 22 per cent respectively³.

Official forecasts predict the domestic freight task will grow at an average annual rate of 2.8 per cent over the period to 2020, with growth in the movement of non-bulk freight (3.6 per cent) substantially outstripping that of bulk freight (2.3 per cent). The freight task serviced by road transport is forecast to grow at an average annual rate of 3.8 per cent through to 2020, leading to an increase in the modal dominance of road transport in the domestic freight market and a doubling in the output of road freight transport over the period 2000 to 2020⁴.

There exists only a marginal element of modal competition in the Australian freight market due to inherent differences in the service delivery characteristics between road, rail and maritime. Road transport dominates the domestic freight market because it is flexible, market responsive and provides the greatest degree of streamlined connectivity to Australian industry and Australia's dispersed communities.

Economic modelling undertaken by the Productivity Commission shows that road and rail are complementary freight transport modes, i.e. the cross-price elasticity of rail freight services with respect to road freight is negative. Simulations show that if taxes on road freight transport were increased substantially there would be only a marginal shift in the modal share composition of the Australian freight market and this would come at the expense of an overall reduction in rail output due to a contraction in the size of domestic freight market⁵.

4. BACKGROUND

Introduction of the NGERs legislation to the Australian Parliament and subsequent development of the regulations has progressed in an environment of national political consensus opinion on the reality of climate change, commitment to reducing Australia's greenhouse gas emissions and support for the introduction of a national emissions trading scheme.

¹ Australian Bureau of Statistics (ABS), Australian National Accounts: National Income, Expenditure and Product, cat. no. 5206.0.

² Op. Cit.

³ Australian Logistics Council (ALC), 2007, *Contribution of Transport and Logistics to the Economy*

⁴ Bureau of Transport and Regional Economics (BTRE), 2006, *Report 112: Freight Measurement and Modelling in Australia*

⁵ Productivity Commission (PC), 2006, *Inquiry Report 41: Road and Rail Freight Infrastructure Pricing*.

Within this context, the primary purpose of the NGERs is two-fold:

1. The creation of an accounting framework, registry and database to inform the development of emissions trading in Australia and to underpin commercial and financial transactions in emissions permits and offsets when the system becomes operational in 2010.
2. Streamlining and removing duplication of the reporting requirements of existing greenhouse and energy policies, programmes and regulations that have been established at the jurisdiction of Commonwealth, state and territory governments in the absence of and in the period preceding decisive action on emissions trading.

With an emissions trading scheme in operation, suitably comprehensive in scope and design as to minimise distortions within the domestic economy and avoid carbon leakage abroad, the intention is that Australia's annual greenhouse gas emissions targets will be achieved in a most efficient and least cost manner.

Beyond streamlining the reporting requirements of the various Commonwealth, state and territory greenhouse and energy programs it is imperative that national political consensus opinion on emissions trading evokes a comprehensive response to climate change which must necessarily involve elimination of the accumulative and costly patchwork of half measures.

The trucking industry is crippled with competing policies and policy inconsistency across the spectrum of Australian jurisdictions and with regulation in the foreseeable period burgeoning, industry demands efficient, streamlined and cost effective outcomes.

The ATA notes that streamlining of the existing (and prospective) set of climate change policies, programs and regulations across jurisdictions is being pursued through the *Complementary Measures Sub-group* of the newly established COAG *Working Group on Climate Change and Water*.

5. FACILITIES

5.1 THE IMPORTANCE OF THE DEFINITION OF THE TERM *FACILITY*

On the importance of the definition of the term *facility* that is to be made under regulations, the *Discussion Paper* comments that "the definition of a facility is critical to defining what companies will be required to report [to the NGERs]".

The ATA submits for consideration of the Department, that the definition of a facility is not only critical to defining *what* companies are required to report but also critical to defining *which* and *how many* companies are required to report, particularly in the case of transport and under the current regulations proposal.

The Act prescribes that reporting under the NGERs will be mandatory for all corporations who exceed certain thresholds, to be phased in over three years from 1 July 2008 – *the thresholds, together with their respective diesel equivalents, are illustrated in Figure 1 attached*.

5.2 DEVELOPMENT OF THE *TRANSPORT FACILITY*

The Act outlines the following definition of a *facility*:

A facility is an activity, or a series of activities (including ancillary activities) that involve the production of greenhouse gas emissions, the production of energy or the consumption of energy and that:

- a. form a single undertaking or enterprise and meet the requirements of the regulations; or*
 - b. are declared by the Greenhouse and Energy Data Officer to be a facility under section 54;*
- but does not include an activity, or series of activities, in the exclusive economic zone, except to the extent that it is an oil or gas extraction activity or a series of oil or gas extraction activities.*

The above definition explicitly calls for regulatory interpretation of the term *facility*. Given its stated importance, consultation (particularly on the part of the trucking industry) has been heavily focussed on the regulations that will govern interpretation of what constitutes a *facility*.

Both the *Discussion Paper* and *Policy Paper* have proposed that:

The regulations will specify the circumstances in which an activity or series of activities (including ancillary activities) will form part of a single undertaking or enterprise, as being where the:

- activity or activities consist of one principal productive activity and any additional activities occurring at the facility are able to be assessed as secondary or ancillary; and*
- activity or activities are situated in, or attributable to, a single physical location.*

Given the non-stationary nature of transport and by virtue of services provided in Australia's nationally integrated transport market, both the *Discussion Paper* and the *Policy Paper* acknowledged that the above assessment, which implies an ability to determine a physical boundary, is not readily applicable to transport.

Accordingly (and appropriately), it has been proposed that transport industry sectors⁶ would be included in the regulations as subject to a specific approach to defining a *facility*.

The approach taken on *transport facilities* in the *Discussion Paper* and in the *Policy Paper* diverge, however, with the latter implying a substantially increased aggregate reporting burden on businesses in the trucking industry.

In the *Discussion Paper*, three approaches to defining a *transport facility* were presented for consideration, with the first option corresponding to the baseline of the proposal contained in the *Policy Paper*.

This option proposed that fuels consumed in transport activities could be attributed to an individual depot on the basis of fuel supply/purchase, thereby implying attribution of transport fuels to individual *depot facilities* and fulfilling the requirement of the proposed regulations that transport activities be *attributable to* a single physical location.

For example, if a trucking company ran linehaul between Sydney and Melbourne and operated a depot in each city, greenhouse gas emissions and energy consumption from transport fuels supplied from the Sydney depot or purchased at a service station in NSW would be attributed to the Sydney depot facility.

⁶ The following industry sectors (by ANZSIC code) are included within the definition of transport: Road Freight Transport (461); Road Freight Transport (461); Road Passenger Transport (462); Rail Freight Transport (471); Rail Passenger Transport (472); Water Freight Transport (481); Water Passenger Transport (482); Air and Space Transport (490); Scenic and Sightseeing Transport (501); Postal and Courier Pick-Up and Delivery Services (510).

The ATA noted, in its submission in response to the *Discussion Paper* and in further consultation with the Department, that this approach, while favoured, would become complicated where fuel supply occurred at a service station in a state in which the trucking company did not operate a depot and/or in a state in which the trucking company operated multiple depots.

Consequent resolution of the issues identified has been achieved, with the *Policy Paper* proposing that, for the purposes of defining a *transport facility*:

*a transport activity or series of transport activities are **attributed** to a single physical location ... [and] that this attribution to a single physical location should be at the national level.*

In order to accommodate the requirement that data submitted to the NGERs be delineated on the basis of state and territory jurisdiction, the *Policy Paper* proposes that *transport facilities* be subject to sub-facility reporting, stating that:

[t]o do this it is proposed that for a principal transport activity, a company can attribute this activity, as well as secondary and ancillary activities to a [sub-]facility, as determined by:

- a) the industry sector under which that principal transport activity falls; and*
- b) the State or Territory in which the fuel used for that transport activity was purchased.*

For example, if a trucking company ran linehaul between Sydney and Melbourne and operated solely in NSW and Victoria, it would attribute transport fuel consuming activities to either a NSW sub-facility or a Victoria sub-facility on the basis of fuel supply/purchase.

Any other greenhouse gas emissions producing or energy consuming activities deriving from secondary or ancillary activities of the company, i.e. warehousing and storage services (ANZSIC 530) and/or automotive repair and maintenance (ANZSIC 941), would be attributed to the NSW or Victoria sub-facility on the basis of the state of in which the activities were undertaken.

5.3 INDUSTRY IMPLICATIONS OF THE PROPOSED DEFINITION OF A *TRANSPORT FACILITY*

The approach to defining a *transport facility* proposed in the *Policy Paper* implies that the entire national operations of a trucking company would be deemed under regulation to constitute a single *facility*, thereby evoking application of *facility*-level thresholds to an entire set of nationally diffuse *corporate*-level transport activities.

Under the proposal, as it currently stands, a trucking company consuming 2.5 million litres of diesel annually will trigger the facility-level energy consumption threshold of 100 TJ and will, therefore, be required to report data on greenhouse gas emissions and energy consumption to the NGERs from the first reporting period.

In terms of fleet size, the 2.5 million litre diesel equivalent threshold would be breached by a typical linehaul operator running 20 B-double trucks.

This will significantly and immediately increase the aggregate regulatory burden on businesses in the trucking industry because the 100 TJ facility-level energy threshold is expected to be exceeded by a large number of trucking operators who have not previously had to report data on greenhouse gas emissions or energy consumption.

Trucking companies currently report data on greenhouse gas emissions and energy consumption to the Australian Government under the *Greenhouse Challenge Plus* and *Energy Efficiencies Opportunities* programs.

As illustrated, in Table 1 below, the thresholds applying to trucking companies for mandatory participation in these programs are extraordinarily higher than the *facility*-level thresholds proposed to apply to trucking companies under the NGERs.

Table 1: Comparison of mandatory reporting thresholds and diesel consumption equivalents: NGERs, the <i>Energy Efficiency Opportunities</i> and <i>Greenhouse Challenge Plus</i> programs		
	Threshold	Diesel equivalent
NGERS (proposed)	100 TJ of energy consumed and/or produced	2.59 ML
<i>Energy Efficiency Opportunities</i>	500 TJ energy consumed	12.95 ML
<i>Greenhouse Challenge Plus</i>	\$3 million in Fuel Tax Credit claims	16.21 ML

On thresholds, the Explanatory Memorandum to the Act refers that:

Thresholds will be set that, at a minimum:

- *maintain the integrity of appropriate national energy and greenhouse gas emission data collections and provide for a picture of industry greenhouse gas emissions and energy consumption and production in Australia by state/territory and industry; and*
- ***do not significantly increase the cost to business.***

Furthermore, the alternative threshold settings explored in the cost-benefit analysis undertaken for the purposes of the Regulation Impact Statement (RIS) referred to a *site-level* emissions and energy data for *sites* exceeding 25kt CO₂-e or 100TJ of energy, not a series of depots comprising the national operations of a transport company.

It is imperative that the Government acknowledges, and acts accordingly to resolve, the substantially increased aggregate reporting burden on businesses in the trucking industry that is set to apply as a result of the approach taken in the *Policy Paper on transport facilities*; noting that, this will apply a discriminatively more burdensome reporting requirement on companies in the trucking industry than on companies operating in the more typical ‘stationary’ industries.

The ATA submits for the consideration of the Department that resolution of the issue could be achieved by either amending:

- the Act to apply the *corporate*-level thresholds to *transport facilities*; noting that the *corporate*-level threshold are accompanied by a three year phase-in period which would allow time for trucking companies to develop sufficiently rigorous reporting systems within their operations; or
- the proposed definition of a *transport facilities* to be established under regulations such that attribution of a transport activity or series of transport activities to a single physical location occurs at the state level; noting that this would better (although not completely) align the *facility*-level attribution of transport industry activities with the proposed approach on dealing with stationary industry *facilities*.

5.4 VERTICAL INTEGRATION AND THE FACILITY ASSESSMENT OF AN INDIVIDUAL TRUCKING DEPOT

Due to the non-stationary nature of transport and the incumbent requirement for the regulations to establish a specific approach on *transport facilities*, clarification is required for circumstances in

which the principle activity of an individual trucking depot does not align to one the road freight transport ANZSIC industry code 461.

For example, a trucking company may operate a depot at which the warehousing and storage activities in proportion to the road freight transport and other ancillary activities were substantial enough that warehousing and storage was considered the principle activity of the operations undertaken at that depot. In this situation, the depot would be considered under the regulations to constitute an individual facility aligning to the non-transport ANZSIC industry sector code 530.

Where the trucking company comprised many other depots, which consisted of significant road freight transport activities but negligible warehousing and storage activities, the value added proportion of warehousing and storage in respect of the transport facility would deteriorate; and potentially to a point whereby the warehousing and storage activities were classified as a secondary activity of the transport facility and would, therefore, be required to be reported as part of the transport facility.

On the issue of vertical integration in the operations of a transport company, the *Policy Paper* states:

that where a transport company is also engaged in another activity that is a principal activity, based on value added, this activity would also need to be reported as a separate facility.

It is unclear what the implications of the regulation would be in the situation where the primary activity of an individual depot within the *operational control* of a trucking company did not align to the road freight transport ANZSIC industry sector code.

Further guidance on the practical operation of the provisions relating vertical integration, in the context of the proposed approach on *transport facilities*, will be required in the form of guidelines and case studies.

The ATA would appreciate the opportunity to work with the Department in developing guidelines and case studies in order to eliminate the ambiguity associated with the operation in the trucking industry of the provisions relating to vertical integration.

6. OPERATIONAL CONTROL

Under the Act, a corporation is considered to have *operational control* over a facility (*or an activity that forms part of a facility*) if it has the authority to introduce and implement operating, health and safety and environmental policies.

In circumstances where more than one corporation could be considered to have operational control over a facility (*or an activity forms part of a facility*), the Act prescribes that the corporation with the *greatest* authority to introduce and implement operating and environmental policies is taken to have operational control.

The ATA noted, in its submission in response to the *Discussion Paper* and in further consultation with the Department, that the regulations have a vital interpretive role in defining which party has operational control over the transport activities undertaken by subcontractors.

In response, the *Policy Paper* proposes the establishment of a Fuel Tax Credits approach to assist in identifying the circumstances in which a trucking company retains operational control over fuel consuming transport activities.

Specifically, the proposal refers that a transport company would be considered to have *operational control* over all activities that consume fuel for transport purposes for which it is entitled to claim a Fuel Tax Credit under the provisions of the *Fuel Tax Act 2006* (the FT Act).

Notwithstanding that the Fuel Tax Credits approach is currently limited in application (due to gaps in the coverage of fuels used for transport purposes that are eligible for a Fuel Tax Credit under the FT Act and fuels that are required to be reported to the NGERs), the ATA is supportive of its implementation as it will provide a useful and familiar baseline upon which trucking companies are able to assess their reporting obligations under NGERs.

It is unclear how the Fuel Tax Credits approach will be granted authority under the NGERs legislation given the *Policy Paper* refers that the Government does not intend to establish regulations under the Act relating to operational control.

Trucking industry consultation on the NGERs regulations was required, in the first instance, because the legislative definition of the term *operational control* did not provide sufficient guidance on the reporting obligation for fuels consumed by subcontractors.

Further guidance on the practical operation of the provisions relating to *operational control*, including the Fuel Tax Credits approach, will be required in the form of guidelines and case studies, if the intention is not to clarify matters under the regulations.

The ATA would appreciate the opportunity to work with the Department in developing guidelines and case studies in order to eliminate the ambiguity associated with the precise operation in the trucking industry of the provisions relating to *operational control*.

7. DIFFERENT REPORTING REQUIREMENTS FOR DIFFERENT THRESHOLDS

The Act provides for regulations to be made that specify different reporting requirements by *corporations* or *facilities* that trigger at least one but not all thresholds in a given year, including *corporate-* and/or *facility-*level greenhouse gas emissions, energy consumption or energy production thresholds.

On grounds of minimising the regulatory burden on businesses, the ATA recommended, in its submission in response to the *Discussion Paper* and in further consultation with the Department, that regulations should be made under the Act so that corporations are required only to report data on activities that directly contribute to the breach of a threshold.

For example, if a single facility within the operational control of a trucking company exceeded the facility-level energy consumption threshold in a given year but did not exceed the facility-level greenhouse gas emissions threshold and the company as a whole did not exceed either of the corporate-group thresholds, the company should only be required to report data to the NGERs relating to energy consumption from the activities comprising the facility which breaches the threshold.

On the issue of different reporting requirements for different thresholds, the *Policy Paper* states that on grounds of minimising the regulatory burden faced by industry the Government intends to make regulations clarifying:

... that a corporation that does not meet the corporate threshold, but has operational control over a facility that meets the facility threshold is required to report only on that facility.

The ATA supports this approach, however, is of the firm opinion that regulations specifying different reporting requirements for different threshold should made in respect to all thresholds, including greenhouse gas emissions, energy production and energy consumption.

The *Policy Paper* states that the Government does not intend to make regulations specifying different reporting requirements if different *corporate*-level thresholds are met by a company in a given year.

The implication of this is that if a company breaches the *corporate*-level energy consumption threshold but does not breach the *corporate*-level greenhouse gas emissions threshold, it will nonetheless be required to report data on greenhouse gas emissions.

The ATA notes that the *Policy Paper* does not indicate whether the Government intends to make regulations specifying different reporting requirements if different *facility*-level thresholds are breached by a *facility* within the *operational control* of a company in a given year.

Further to the already significant and immediate increase in the regulatory burden on businesses in the trucking industry implied by the Government's current approach on *transport facilities*, the ATA submits again for the consideration of the Department that regulations be made under the Act to require only reporting of data relating to activities that contribute directly to the breach of a threshold.

The issue of greenhouse gas emissions vs. energy consumption thresholds is of particular concern to the trucking industry given the extraordinarily large divergence between the diesel consumption equivalents for the energy consumption and greenhouse gas emissions thresholds, as illustrated in Figure 1 attached.

The imposition of an obligation to report data on both greenhouse gas emissions and energy consumption in the event that only an energy consumption threshold is breached will impose additional and significant costs on trucking companies who are already disproportionately burdened under the current NGERs regulations proposal.

Importantly, these additional costs will be imposed with a negligible return in terms of the provision of additional greenhouse gas emissions data.

8. MATERIALITY

In the trucking industry, the additional burden of reporting of data on greenhouse gas emissions over and above reporting data on energy consumption relates almost exclusively to waste, although may, in some company circumstances, include refrigeration.

In the case of Australia's two largest transport companies, estimations of corporate-level greenhouse gas emissions show waste to be an insubstantial emissions source, accounting for only 1 to 3 per cent of the corporate total.

However, the time involved in establishing and maintaining systems to enable company reporting on waste emissions is significant as a proportion of the total time required to report greenhouse data, corresponding to approximately one-third in the case of Linfox.

In many company circumstances the additional burden of reporting on greenhouse gas emissions over and above reporting on energy consumption could be absolved by establishing materiality thresholds in the regulations pertaining to the coverage of emissions sources.

On materiality, the *Policy Paper* states, that:

In the context of greenhouse gas emissions reporting, materiality refers to the material impact of emissions measurements on the overall emissions profile of a facility and/or corporation. Materiality can be applied to:

- *coverage of facilities within a corporate group;*
- *coverage of emissions and energy sources within a facility;*
- *accuracy of measuring emissions and energy from those sources; and*
- *discrepancies in emissions and energy measurements.*

On materiality, the Australian Industry Greenhouse Network (AIGN) refers in its submission:

... that materiality is distinguishable from accuracy – the latter being a question of measurement capability at reasonable cost, whereas the former is a matter of relative scale, but also with a view to reasonable cost.

In relation to waste and refrigerant emission, consideration of both materiality and accuracy is necessary, with the concept of *reasonable cost* applying with particular significance in the case of greenhouse gas emissions reporting by trucking companies.

The *Policy Paper* proposes that a materiality threshold will apply under the Act in relation to reporting on small facilities so as to ensure companies are not required to report information that is not already collected and collated for other purposes.

For corporate groups reporting on multiple facilities, the *Policy Paper* proposes that the following materiality thresholds will apply.

A corporation is not required to report on a facility that, for a given reporting year:

- a. comprises less than 2% of the corporate group's inventory; and*
- b. emits less than 3 kt CO₂-e greenhouse gases; and*
- c. produces less than 12 TJ energy; and*
- d. consumes less than 12 TJ energy;*

and,

The aggregated total of all facilities excluded on the basis of materiality could not be estimated to make up more than a 5% of the corporation's total emissions or energy production/consumption.

The ATA supports the application of materiality thresholds to small facilities, however, submits that materiality thresholds should also be applied under the Act in relation to *coverage of emissions and energy sources within a facility*.

The *Policy Paper* states that materiality thresholds will not be established under the Act in relation to *coverage of emissions sources within a facility* because of the potential impact this may have on permit liability under the national emissions trading scheme.

The ATA acknowledges that this is an important consideration, however, submits that the thresholds can be applied with no consequence to a corporation's liabilities under the trading scheme if it remains the intention of the Government not to make regulations specifying different reporting requirements if different *facility*-level greenhouse gas emissions or energy thresholds are met by a company in a given year.

The ATA would appreciate the opportunity to further discuss the issue of materiality and the regulatory burdens on businesses in the trucking industry with the Department prior to finalisation of the regulations.

9. ATTACHMENT: NGRS REPORTING THRESHOLDS AND DIESEL CONSUMPTION EQUIVALENTS

