

State-sponsored Greenwash

It is no accident that there are no credible policies or regulatory measures to address rising emissions by industry in Australia. Nor is it an accident that there are no robust mechanisms to address misleading climate claims.

The fossil fuel industry and major emitters have set Australia's policy agenda on climate. The result is a comprehensive policy framework where misleading climate claims by industry are not only accepted, they are actively sponsored by Federal Government.

Polly Hemming
Rod Campbell
Sumithri Venketasubramanian

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Level 1, Endeavour House, 1 Franklin St
Canberra, ACT 2601
Tel: (02) 61300530
Email: mail@australiainstitute.org.au
Website: www.australiainstitute.org.au
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Summary

All of Australia's states and territories have made commitments to reach net zero emissions by 2050 or sooner. Three quarters of Australia's organisations have done the same, covering a significant portion of Australia's emissions.

Despite this apparent increase in climate ambition, greenhouse gas emissions in Australia are rising across most sectors of the Australian economy.

Globally observed problems relating to net zero targets by the private sector, including definitions, timelines, credibility and transparency, are evident in Australia.

While scientists have been clear that emissions have to be reduced in an absolute sense, many corporations in Australia have abandoned this idea, relying instead on creative accounting and promises of future removals by unproven technology to justify ongoing emissions. It seems that in the private sector everyone assumes they can be the 'net', but no one is prepared to be the 'zero'.

In recognition of rising emissions amid a proliferation of climate claims, civil society is increasingly calling out greenwashing by industry. Australian regulators have also committed to addressing misleading climate claims, and other efforts to address greenwashing—including legal action by NGOs—are also being made.

The Australian Competition and Consumer Commission has announced that it will focus on greenwashing in its 2022-23 enforcement and compliance policy update, defining greenwashing as "falsely promoting environmental or green credentials to capitalise on these consumer preferences", including misleading claims about carbon neutrality.

However, what may be less well-understood is that legal action by NGOs and efforts by regulators to crack down on dubious net zero targets are being undermined by the Australian Government, and that the Australian Government has played a significant role in creating this situation in the first place.

The Australian Government doesn't just turn a blind eye to dubious net zero commitments by corporations, it also actively endorses them through its policies and programs. We refer to this practice as 'state-sponsored greenwash'.

The reasons for Australia's state-sponsored greenwash are not complicated. The system as it is functioning serves the interests of both the private sector and governments at state and federal levels. Big emitters make net zero pledges to protect their social licence to operate and to prolong the viability of their existing business models. This suits Australian governments, which are keen to delay the political pain and economic shifts that will be

inevitable with genuine decarbonisation. When impossible claims are made by Australia's carbon intensive industries, such as being a 'net zero' gas company or selling 'carbon neutral' petrol, both detailed in this report, the federal government sees an opportunity to delay the difficulties of phasing out internal combustion engines or fossil fuel exports.

Australia's state-sponsored greenwash needs to be understood in the context of Australia's long history of inaction on climate change. At best, Australia has been a climate laggard, and at worst, it has been an aggressive blocker of international climate action. While the Australian public supports strong climate action, the country has made minimal progress in reducing emissions and its trends are among the worst in the developed world.

This mismatch between public opinion and policy is largely due to the influence of powerful corporate interests from the energy and resources sectors on Australian policymaking. The Australian Government's historical and current use of greenwashing strategies in its own policies has simultaneously made it easier for corporations and industries in Australia to do the same in regard to their net zero claims.

Australia has no overarching government framework that requires non-state actors to disclose their greenhouse gas emissions comprehensively and transparently. Similarly, Australia currently has no regulation that requires emissions to be managed or reduced across the economy. The highest polluting facilities are theoretically subject to a 'Safeguard Mechanism' that requires them to keep emissions below a baseline level or purchase carbon credits to compensate. However, such purchases are rare, and Australia's industrial emissions have increased significantly since the creation of the Mechanism in 2016.

The newly-elected Australian Government plans reforms that will place emissions reductions requirements on industry. However, these reforms will place less stringent reduction requirements on emissions-intensive, trade-exposed industries such as gas and coal. It will also allow all entities to offset their emissions as an alternative to reducing them.

It is generally accepted that the practice of offsetting emissions should be a last resort, used only in hard-to-abate sectors. However, the Australian Government has actively promoted offsetting, rather than mandating real emissions reductions, and continues to do so. Australia has an entire federal policy framework and fund dedicated to the generation of carbon offsets that can be purchased by the private sector to meet compliance requirements under the Safeguard Mechanism or to meet voluntary climate targets.

The Australian Government also administers a carbon neutral ecolabel scheme, Climate Active, where corporations—including some of Australia's biggest fossil fuel emitters—are 'certified' carbon neutral for offsetting some of their emissions and subsequently promoted by the Government as "progressive climate leaders".

It is unclear how government regulators and activists looking to address greenwashing will successfully prosecute their cases against industry when industry has been allowed to work with government to set the standards under which they are able to greenwash.

Measures to tackle the credibility and efficacy of net zero commitments by the private sector can only be effective if they are accompanied by an acknowledgement of the interaction between industry and government. This requires confronting situations where the private sector has been allowed to influence climate policy, where governments are enabling or complicit in greenwash by the private sector, and through installing regulatory frameworks that actually reduce emissions.

Better regulation can be driven by facilitating the involvement of researchers, worker groups, affected communities and wider civil society. Generally, Australia has done the opposite, with attacks on the tax status of environmental NGOs, defunding of climate research, restrictions on government-funded researchers' ability to speak publicly, and attacks on trade unions, including those that represent fossil fuel industry workers.

In summary, both the integrity of climate policy broadly and the successful regulation of net zero commitments more narrowly are a function of how well other aspects of public and private sector governance are working. It is no coincidence that Australia's recent national election saw the election of many independent candidates who were committed explicitly to both integrity measures and climate policy.

In discussing the Australian context, this paper suggests how the domestic landscape may be representative of state-sponsored greenwash in other countries. It also suggests that the credibility of net zero claims made by non-state actors is inextricably linked to the state. This dynamic must be acknowledged and addressed—directly or indirectly—to understand where net zero pledges in Australia are currently failing and why.

Introduction

In Australia, all major sub-national governments (states and territories) have made net zero commitments, as have an increasing number of local governments, universities, and NGOs. Many corporations have made similar commitments including the companies responsible for a large amount of Australia's emissions. Despite these pledges, greenhouse gas emissions are rising across most sectors of the Australian economy.

Criticism of the ways in which the concept of net zero has been co-opted and undermined is significant and well-documented: an “alarming lack of credibility pervades the entire [global] landscape” and the Australian landscape appears to be no exception.^{1 2} Australia's carbon offset system, which underpins most net zero claims by the private sector, has been beset by scandal and claims of low integrity for some time.

In recognition of this, civil society is increasingly calling out greenwashing by industry. Australian regulators have also committed to addressing misleading climate claims.

However, efforts to address greenwashing—including legal action by NGOs and efforts by regulators to crack down on dubious net zero targets—are being undermined by the Australian Government. In addition, the Australian Government has played a significant role in creating this situation in the first place.

It is no accident that there are no credible policies or regulatory measures to address emissions from non-state actors in Australia. Nor is it an accident that there are no transparent reporting requirements or credible measures to address misleading climate claims. Successive Australian Federal Governments have routinely allowed the fossil fuel industry and major emitters to both set the country's agenda on climate and play a major role in creating the rules for generating offsets. The Australian state doesn't just turn a blind eye to dubious net zero commitments by non-state actors—it actively endorses such 'commitments' through its policies and programs.

The reasons for Australia's state-sponsored greenwash are not complicated. The system serves the interests of both industry and government. When big emitters make net zero pledges for the distant future (often while planning to increase their emissions), they do so to protect and prolong their social licence to operate. In doing so, they also protect the

¹ NewClimate Institute (2022) *Net Zero Stocktake 2022*, <https://newclimate.org/resources/publications/net-zero-stocktake-2022>

² Australasian Centre for Corporate Responsibility (2022) *Climate Action 100 benchmark: too much carrot, not enough stick for the biggest polluters*, <https://www.accr.org.au/news/climate-action-100-benchmark-too-much-carrot-not-enough-stick-for-the-biggest-polluters/>

reputations of governments that do not just approve, but often also subsidise, those same emission expansion plans.³

The political power of the fossil fuel industry in Australia means that scaling down and phasing out fossil fuel production and consumption will not be politically easy for Australian governments. So, when impossible claims are made, such as being a net zero gas company or selling or carbon neutral liquified natural gas and petrol, both detailed in this report, Australian governments see an opportunity to delay or avoid the political difficulties that real decarbonisation would bring. Further, governments are able to make their own domestic and international climate pledges less concrete or ambitious by pointing to the nominal net zero ambition of the industries they oversee.

This paper begins with a discussion of how the concept of net zero has been interpreted by carbon intensive industries in Australia, followed by an explanation of the ways in which the Australian Government has endorsed industry's claims.

We then illustrate how the standard of climate ambition and subsequent 'achievement' by the private sector has been set by the Australian Government, including background on the ways Australian Governments have tried to greenwash the country's poor climate performance. We also examine how an entire policy framework has been established in Australia under which potentially misleading net zero claims are not only made possible; they are underwritten by the Australian Government.

Finally, we argue that a key step towards establishing regulatory frameworks that actually reduce emissions will be reducing the influence of industry on the processes that shape these frameworks. Similarly, the efforts to address the credibility and efficacy of net zero commitments by industry will be ineffective unless they are accompanied by acknowledging and addressing the interaction between states and the private sector.

Doing this does not only mean calling for greater ambition by states and governments. It also requires honestly acknowledging and addressing where the private sector has been allowed to influence climate policy, and where governments are enabling or complicit in greenwash by the private sector.

³ Verschuer, Ogge & Campbell (2021) *Subsidising fracking in the Beetaloo Basin: Submission to Senate Environment and Communications References Committee*, <https://australiainstitute.org.au/report/subsidising-fracking-in-the-beetaloo-basin/>

Net zero in Australia

‘Net zero’ is now the norm for major Australian companies, with 70 per cent of the ASX200’s collective market capitalisation having announced net zero targets as of 31 March 2022.⁴ This figure represents 95 of Australia’s largest companies, twice as many as only a year before. Every one of Australia’s state and territory governments has also committed to net zero emissions by 2050.⁵

However, Australian industrial, energy and fugitive emissions continue to rise. This demonstrates a clear disconnect between the all-time high number of net zero commitments and meaningful climate action.⁶

The Australian context appears to be indicative of the global net zero landscape. Over a fifth of the world’s 2,000 largest companies have made net zero commitments, which are a relatively recent phenomenon—the rush of theoretical climate ambition from the private sector has occurred mostly over the last several years.⁷ It appears that the corporate world is at least paying lip service to the fact that the world is experiencing, and will continue to experience, the catastrophic effects of global warming due to greenhouse gas emissions from human activity without some action.⁸

However, corporate sustainability reporting has been a feature of business operations since the late 1990s, with climate reporting and emissions reductions targets increasing from 2015 onwards.⁹ ¹⁰ Over this time global emissions have continued to rise, hitting their all-time highest in 2021, despite the science unambiguously stating that, to curb the worst of

⁴ Australian Council of Superannuation Investors (2022) *Promises, pathways & performance – climate change disclosure in the ASX200*, <https://acsi.org.au/research-reports/promises-pathways-performance-climate-change-disclosure-in-the-asx200-2/>

⁵ Climateworks Centre (2021) *State and territory climate action: Leading policies and programs in Australia*, <https://www.climateworkscentre.org/resource/state-and-territory-climate-action-leading-policies-and-programs-in-australia/>

⁶ Department of Industry, Science, Energy and Resources (2022) *National Greenhouse Gas Inventory Quarterly Update: December 2021*, <https://www.dceew.gov.au/climate-change/publications/national-greenhouse-gas-inventory-quarterly-update-december-2021>

⁷ Energy & Climate Intelligence Unit (2021) *Taking stock: A global assessment of net zero targets*, <https://eciu.net/analysis/reports/2021/taking-stock-assessment-net-zero-targets>

⁸ Intergovernmental Panel on Climate Change (2021) *Climate Change 2021: The Physical Science Basis*, <https://www.ipcc.ch/report/ar6/wg1/>

⁹ Gagné, Berthelot (2021) The evolution of corporate reporting on GHG emissions: A Canadian portrait, *Corporate Governance and Sustainability Review*, https://www.researchgate.net/publication/351405717_The_evolution_of_corporate_reporting_on_GHG_emissions_A_Canadian_portrait

¹⁰ Faria (2016) *The evolution of corporate climate targets*, <https://www.wemeanbusinesscoalition.org/blog/the-evolution-of-corporate-climate-targets/>

human-induced climate change, the world must stop putting more greenhouse gases into the atmosphere.¹¹ Put simply, the rapid rise in net zero commitments has not driven a rapid reduction in emissions from the world's major polluters.

THE AMBIGUITY OF NET ZERO

The concept 'net zero' is technically just an accounting calculation: emissions 'out', compensated for by emissions 'in'. Any absolute emissions produced theoretically need to be balanced by an equivalent reduction in absolute emissions elsewhere to achieve net zero.

Net zero emerged as a scientific concept in the early 2000s, in the context of attempts to understand what it would take to halt the greenhouse gas-driven increase in global average surface temperature.¹² In order to meet the 1.5°C global warming target in the Paris Agreement, global carbon emissions should reach net zero around mid-century. One candid researcher developing models for how this could happen notes:

Basically, what happened is the Paris Agreement was signed, but then nobody actually knew what it meant... And then the IPCC [tasked the scientific community] to actually figure out what 1.5°C meant in two ways—what's the difference between climate impacts with 1.5°C versus 2°C of warming? And the other question is what needs to be done and/or what can we still emit to stay within 1.5°C? ¹³

It was ultimately found that it was simply not possible to keep warming below 1.5°C, without removing emissions "by some artificial means".¹⁴ Climate modellers began to develop scenarios in which it was still theoretically possible to achieve emission reductions consistent with 1.5°C or 2°C of warming by incorporating the potential emission reductions that might flow from as yet non-existent technologies that might be developed in time to achieve large amount of carbon abatement.¹⁵ As one candid scientist working on these models noted:

¹¹ Intergovernmental Panel on Climate Change (2022) *Climate Change 2022: Mitigation of Climate Change*, <https://www.ipcc.ch/report/sixth-assessment-report-working-group-3/>

¹² Fankhauser, Smith, Allen, Axelsson, Hale, Hepburn, Kendall, Khosla, Lezaun, Mitchell-Larson, Obersteiner, Rajamani, Rickaby, Seddon, Wetzler (2022) The meaning of net zero and how to get it right, *Nature*, <https://www.nature.com/articles/s41558-021-01245-w>

¹³ Thorbecke (2021) *Why some experts say corporate 'net-zero' emissions pledges could have net-zero impact on climate crisis*, <https://abcnews.go.com/US/experts-corporate-net-emissions-pledges-net-impact-climate/story?id=80798850>

¹⁴ Ibid

¹⁵ Dyke, Watson, Knorr (2021) *Climate scientists: concept of net zero is a dangerous trap*, <https://theconversation.com/climate-scientists-concept-of-net-zero-is-a-dangerous-trap-157368>

Originally, when I was working on this topic 10 years ago, or more, we were thinking about, “OK... maybe a few percent of [the CO₂] we emit will have to be offset” because, for example, cement production is very difficult without producing CO₂, or certain forms of agriculture might be still be emitting greenhouse gases.

But we were not thinking of entire sectors carrying on—like the fossil fuel sectors, for example.¹⁶

In Australia “by some artificial means” has been interpreted in a myriad of different ways across the private sector and by governments. The dissonance between the all-time high number of net zero commitments and rising emissions indicates that ‘net zero’ is not working for the climate, although it does appear to be working for those committing to it.

A number of criticisms have been directed at the loopholes the concept of net zero affords entities. These loopholes include a lack of transparency, inconsistent accounting and a reliance on future removal technology to justify increases in real-time emissions. These loopholes demonstrate just how far the definition of net zero has strayed from what the modelling by researchers was originally intended to do.¹⁷ The concepts of miracle technologies and “artificial means” have now been seized upon by a wide range of industries that are reluctant to make rapid changes to their business models, and which thus lean heavily on these ideas to avoid pressure to actually reduce emissions.¹⁸

Net Zero Stocktake 2022, a global stocktake of net zero pledges by the Net Zero Tracker Initiative, has revealed that it is the biggest emitting companies that are most likely to have net zero targets.¹⁹ Climate ambition by the companies responsible for a majority of global emissions may have once been a cause for optimism, but the study also found that the transparency and integrity of these pledges was lacking. Ultimately, net zero ambition is not synonymous with a 1.5°C limit to global warming.

¹⁶ Thorbecke (2021) *Why some experts say corporate ‘net-zero’ emissions pledges could have net-zero impact on climate crisis*, <https://abcnews.go.com/US/experts-corporate-net-emissions-pledges-net-impact-climate/story?id=80798850>

¹⁷ Knorr (2022) *Wolfgang Knorr – Let us move on from ‘net zero’*, <https://braveneweuropa.com/wolfgang-knorr-let-us-move-on-from-net-zero>

¹⁸ Global Witness (2022) *“Nature-based solutions”: using digital methods to investigate corporate greenwashing*, <https://www.globalwitness.org/en/campaigns/greenwashing/using-digital-methods-to-investigate-corporate-greenwashing/>

¹⁹ NewClimate Institute (2022) *Net Zero Stocktake 2022*, <https://newclimate.org/resources/publications/net-zero-stocktake-2022>

Similarly, analysis by the New Climate Institute and Carbon Market Watch of the climate strategies of 25 major global companies found that their headline pledges are vague, lack urgency in terms of short-term targets, and rely greatly on offsets to achieve net zero.²⁰

The interpretation of ‘net zero’ also varies greatly between entities and across sectors. This has created a confusing landscape of climate claims where it is virtually impossible to distinguish who is actually acting in good faith on climate and who is not. Net zero by a given year does not give an indication of the trajectory it takes to get to that point, and a net zero commitment says nothing about the emissions reduction activities needed to achieve it.²¹

The accounting approaches used to disclose and account for emissions are similarly inconsistent. By varying their accounting approach, entities can choose for themselves which emissions they will take responsibility for and which they will attribute to somebody else. This is made possible by several factors.

The categorisation and disclosure of emissions according to ‘scopes’

Under the Greenhouse Gas Protocol Corporate Standard,²² an organisation’s emissions are separated into three categories, known as ‘scopes’. These are:

- Scope 1: direct emissions;
- Scope 2: indirect upstream emissions; and
- Scope 3: indirect downstream emissions (such as finished products).

Companies are required only to disclose scope 1 and 2 emissions; the reporting of scope 3 emissions is largely voluntary. This means that a company can, for example, disclose only some (or none) of the emissions that result from their finished products. The exclusion of scope 3 emissions from reporting does not capture the full extent of the emissions for which an entity is responsible. For example, oil and gas companies Woodside and Ampol, discussed later in this report, do not account for the vast majority of emissions in their climate targets. Ampol’s net zero target accounts for scope 1 and 2 emissions only – approximately 2 per cent of their total emissions.

²⁰ NewClimate Institute, Carbon Market Watch (2022) *Corporate Climate Responsibility Monitor 2022*, <https://newclimate.org/resources/publications/corporate-climate-responsibility-monitor-2022>

²¹ Ogge (2021) *Regulatory carbon capture*, <https://australiainstitute.org.au/report/regulatory-carbon-capture/>

²² World Business Council for Sustainable Development and World Resources Institute, RI and WRSCD (2004) *The Greenhouse Gas Protocol (Revised)*, <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

Origin Energy—a major Australian oil and gas company—has also taken a creative approach to its climate target. Origin recently announced a net zero target across all scopes by 2050 but has decided to exclude projected emissions from its planned developments in the Beetaloo, Canning and Cooper-Eromanga gas basins.²³

Emissions intensity

Despite the need to reduce emissions in absolute terms, reporting on emissions intensity is also a common and controversial feature of net zero accounting. Emissions intensity metrics allow overall production and absolute emissions to increase as long as the carbon intensity of each unit of production is lower. The Australian Government’s Safeguard Mechanism places pollution limits based on emissions intensity rather than absolute emissions.²⁴ Emissions of companies under the Safeguard Mechanism have grown by 7 per cent since the scheme began, despite a majority of these entities having net zero targets (this is further discussed later in this submission).²⁵

Carbon credits and offsetting emissions

An overwhelming feature of net zero plans by the private sector and subnational governments is the concept of ‘balancing’ emissions accounts through ‘offsetting’ emissions or promised future carbon removal to compensate for emissions being released now. This includes purchasing carbon credits to offset emissions or factoring in future removals from unproven carbon capture and storage (CCS) or direct air capture. For fossil fuel companies, like Santos and Woodside, two of Australia’s biggest emitters, this approach relieves them of the need to find real reductions.²⁶ Santos, for example, has stated that its goal is to become a “a net-zero emissions energy and fuels business by 2040”. The means to achieve this rely predominantly on CCS, carbon offsets and direct air capture²⁷—all technologies with a long history of promising large amounts of low-cost abatement ‘soon’, but have yet

²³ Australasian Centre for Corporate Responsibility (2022) *Origin’s climate cognitive dissonance: failure to factor in emissions from much hyped new gas basins*, <https://www.accr.org.au/news/origin%E2%80%99s-climate-cognitive-dissonance-failure-to-factor-in-emissions-from-much-hyped-new-gas-basins/>

²⁴ Department of Industry, Science, Energy and Resources (2021) *Safeguard Mechanism: Prescribed production variables and default emissions intensity values*, <https://www.dcceew.gov.au/climate-change/publications/safeguard-mechanism-document>

²⁵ Reputex (2021) *The Economic Impact of the ALP’s Powering Australia Plan*, <https://www.reputex.com/research-insights/report-the-economic-impact-of-the-alps-powering-australia-plan/>

²⁶ Kurmelovs (2021) *Santos sued for ‘clean fuel’ claims and net zero by 2040 target despite plans for fossil fuel expansion*, <https://www.theguardian.com/australia-news/2021/aug/26/santos-sued-for-clean-fuel-claims-and-net-zero-by-2040-target-despite-plans-for-fossil-fuel-expansion>

²⁷ Santos (2022) *2022 Climate Change Report*, <https://www.santos.com/news/release-of-2022-climate-change-report/>

to deliver on those promises.²⁸Such an approach to net zero commitments does not account for the risk of failure of offsets or CCS to permanently store greenhouse gases and the possibility that emissions may actually increase as a whole.

The flexibility afforded by the net zero approach was intended to support necessary sectors of the economy where absolute emissions are hard to abate, such as agriculture. However, the net zero approach is now overwhelmingly used and abused by high-emitting corporates to avoid any significant change their business model. The scientific consensus—which is that emissions have to be reduced in an absolute sense—has been largely abandoned by a range of state and non-state actors in favour of creative accounting and promises of future removals by unproven technology to justify ongoing production.

INTERPRETATIONS OF NET ZERO BY AUSTRALIAN CORPORATES

The irony of the net zero approach is that it is being used to achieve the very opposite of what it was intended to achieve. It is no coincidence that the ‘net’ in ‘net zero’ invites creative accounting and overblown claims of climate action, especially from firms that are committed to increasing absolute emissions.²⁹

Below we provide several examples of the varied and complex approach to net zero by several big-emitting corporate actors in Australia.

Finding accurate and consistent data to assess the net zero claims of these companies was largely dependent on an organisation’s willingness to provide it—in other words, it was difficult. The difficulty we experienced appears to be representative of the experience of others around the world trying to evaluate net zero targets. The authors of a recent international report investigating the credibility of corporate climate claims wrote of being “quite astonished at how much time it took to understand the integrity of [companies’] claims”.³⁰

Further analysis of the companies discussed below can be found in Appendix 1.

²⁸ Browne (2018) *Sunk costs: Carbon capture and storage will miss every target set for it*, <https://australiainstitute.org.au/report/sunk-costs-carbon-capture-and-storage-will-miss-every-target-set-for-it/>

²⁹ Merzian, Hemming (2021) *Banking on Australia’s Emissions*, <https://australiainstitute.org.au/report/banking-on-australias-emissions/>

³⁰ NewClimate Institute (2022) *Net Zero Stocktake 2022*, <https://newclimate.org/resources/publications/net-zero-stocktake-2022>

Woodside

Oil and gas company Woodside Energy has a net zero “strategy” under which emissions reduction targets are set only on “net equity scope 1 and 2” emissions, relative to a complicated baseline (which “may be adjusted”). The company’s plans do not involve changing its business model and reducing production of fossil fuel. Instead, they rely on undefined “lower-emission technologies” and offsets—while significantly increasing gas production.

Telstra

Telstra is a major telecommunications company whose net zero plans and emissions reporting are relatively transparent. However, the plans rely mainly on offsets, and will likely become even more reliant on this method due to the company’s move into electricity and gas retailing. It is difficult to see how a company that is “passionate about tackling climate change now and in the future” will credibly achieve net zero while expanding into fossil gas sales.

Ampol

Ampol is an Australian petroleum company that refines and distributes fuels and also operates a network of service stations. The company’s net zero target covers just two per cent of its emissions; despite the vast majority of its emissions coming from the combustion of its fossil fuel products, Ampol has no climate target for these scope 3 emissions. The company plans to transition to a lower emissions “Future Energy” provider but provides scant detail on how this will be achieved and also claims that customer demand for transport fuels will remain robust until at least 2030.

All these companies’ climate targets share common features (to varying degrees): a lack of transparency, a lack of short-term targets, selective accounting, inconsistent reporting

metrics, an overreliance on offsets and unclear absolute emissions reductions. Collectively these claims appear indicative of the net zero landscape in Australia.^{31 32 33 34 35}

In all the examples it is unclear exactly *how* each entity plans to meet its targets. It is also unclear in some instances whether an entity even plans to reduce its emissions. This appears to be consistent with other assessments that estimate that a third of Australian firms will fail to achieve their targets due to “a lack of skills, underinvestment in technology, poor government policy, and poor leadership”.³⁶

ADDRESSING MISLEADING CLIMATE CLAIMS

The emissions reduction claims of non-state actors are coming under increasing scrutiny at domestic and international levels.

The United Nations Secretary-General has launched a High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities.³⁷ The Group is addressing standards, definitions, criteria, and processes to ensure and assess the integrity of net zero targets set by non-state actors, including the private sector. It will also focus on the “over-use of carbon offsets and unrealistic dependence on carbon removal technology” as part of efforts to combat greenwashing.³⁸

³¹ Australasian Centre for Corporate Responsibility (2022) *Australasian Centre for Corporate Responsibility expands landmark Federal Court case against Santos*, <https://www.accr.org.au/news/australasian-centre-for-corporate-responsibility-expands-landmark-federal-court-case-against-santos/>

³² Australian Council of Superannuation Investors (2022) *Promises, pathways & performance – climate change disclosure in the ASX200*, <https://acsi.org.au/research-reports/promises-pathways-performance-climate-change-disclosure-in-the-asx200-2/>

³³ Fung, Soutar (2021) *Hero to zero: Uncovering the truth of corporate Australia’s climate action claims*, <https://www.greenpeace.org.au/news/australias-biggest-corporate-greenwashers-revealed-new-report/>

³⁴ Koob (2022) *‘We asked questions about it’: Small companies warned by regulator of flimsy net-zero claims*, <https://www.smh.com.au/business/banking-and-finance/we-asked-questions-about-it-small-companies-warned-by-regulator-of-flimsy-net-zero-claims-20220729-p5b5n7.html>

³⁵ Korbelt, Rice, Aird, Caldwell (2022) *Financial institutions a growing target amid global greenwashing crack down*, <https://www.corrs.com.au/insights/financial-institutions-a-growing-target-amid-global-greenwashing-crack-down>

³⁶ Thomson (2022) *Why a third of firms will miss their net zero targets*, <https://www.afr.com/chanticleer/why-a-third-of-firms-will-miss-their-net-zero-targets-20220321-p5a6kv>

³⁷ United Nations Secretary-General (2022) *Secretary-General Will Push Business, Investors, Cities to ‘Walk the Talk’ on Net-Zero Pledges, Launching Expert Group as Climate Crisis Worsens*, <https://www.un.org/press/en/2020/sga2109.doc.htm>

³⁸ Lo (2022) *Canadian ex-minister Catherine McKenna named to head UN greenwash watchdog*, <https://www.climatechangenews.com/2022/03/31/canadian-ex-minister-catherine-mckenna-named-to-head-un-greenwash-watchdog/>

Australian regulatory bodies have acknowledged the need to address the growing chasm between the stated ambition of non-state actors and their actual achievements in Australia, along with increasing reports of sham offsets and misleading ESG claims.

In March 2022, the Australian Competition and Consumer Commission (ACCC) announced a new focus on greenwashing in its 2022-23 enforcement and compliance policy update.³⁹ The announcement defined greenwashing as “falsely promoting environmental or green credentials to capitalise on these consumer preferences”, including misleading claims made in the manufacturing and energy sectors about the carbon neutrality of production processes.

Overblown claims about net zero, carbon neutrality or carbon offsetting may face consequences under both competition and consumer law for creating “unfair advantages for untruthful companies and misled consumers”.⁴⁰

The ACCC is working closely with other regulators such as the Australian Securities and Investments Commission (ASIC) and the Clean Energy Regulator (CER).⁴¹ ASIC is currently conducting a review into greenwashing of environmental, social and corporate governance (ESG) funds.⁴²

However, as this paper aims to demonstrate, despite these announcements, it is unclear how successful efforts by ASIC and the ACCC, along with others such as the Australian Securities Exchange (ASX) who have also committed to address greenwashing, will be given that it is the Australian Government itself rubber-stamping the greenwash.⁴³

The net zero ‘economy of appearances’

The concept of net zero serves large emitting industries by allowing them to continue with business as usual. However, it also benefits other private sector actors and individuals interacting with and profiting from these industries, such as financial intermediaries and actors in supply chains that need to meet their own climate targets. A net zero claim by an

³⁹ Australian Competition and Consumer Commission (2022) *ACCC’s enforcement and compliance policy update 2022-23*, <https://www.accc.gov.au/speech/acccs-enforcement-and-compliance-policy-update-2022-23>

⁴⁰ Mason & Wootton (2022) *‘Sham’ carbon credits, banks in ACCC’s sights*, <https://www.afr.com/policy/energy-and-climate/sham-carbon-credits-banks-in-accc-s-sights-20220324-p5a7kp>

⁴¹ Smith, Richmond, Daveson, Back & Lawrence (2022) *Regulators join forces to fight greenwashing in 2022*, <https://www.claytonutz.com/knowledge/2022/march/regulators-join-forces-to-fight-greenwashing-in-2022>

⁴² Armour (2021) *What is “greenwashing” and what are its potential threats?* <https://asic.gov.au/about-asic/news-centre/articles/what-is-greenwashing-and-what-are-its-potential-threats/>

⁴³ Collett (2022) *ASX cracks down on ethical fund ‘greenwashing’*, <https://www.smh.com.au/money/investing/asx-cracks-down-on-ethical-fund-greenwashing-20220520-p5an1j.html>

entity allows these actors to also make the claim that they are taking action on climate while the business as usual endures. The reality is that at best, investors, financial institutions, and supply chain organisations are kept in the dark about the reality of emissions embedded in their investments or suppliers. At worst, they are willing participants in those emissions and the obfuscation thereof.

An effective way to describe this ecosystem is with the term ‘net zero economy of appearances’. The economy of appearances—a concept originally devised by Tsing—refers to a situation where the ultimate reality is not important.⁴⁴ It is only necessary for the buyers and sellers of a fictitious commodity to agree that the virtual substance in question has some exchange value. In the context of net zero, each actor plays along with the promise of reducing emissions as it is in their business interests to do so.

The relationship between the Northern Territory (NT) and the gas industry is an example of such an arrangement. The Northern Territory is home to some of Australia’s most vulnerable people and ecosystems to the effects of global heating and sea level rise.⁴⁵ In 2020, the Northern Territory government adopted an “objective” of net zero emissions by 2050 in order to “set expectations about future emissions constraints to help our industries and businesses plan and adapt.”⁴⁶

However, the Territory Government also promotes and subsidises “gas-led growth projects across the Territory”—including unconventional onshore projects and major offshore gas extraction. No constraints have been placed on the expansion of the NT’s fossil fuel industry. The region is already home to two major LNG export facilities, but the NT Government’s Gas Strategy promotes yet more “gas-led growth projects across the Territory.”⁴⁷ These projects include large-scale onshore unconventional gas extraction in the Beetaloo Basin, some of the world’s most controversial and emissions intensive offshore projects,⁴⁸ and emissions-intensive gas and minerals processing plants.

The NT Government is also a significant trader of gas on Australia’s domestic market, selling almost \$300 million worth of gas per year via its wholly owned Power and Water Corporation. This gas comes from the Blacktip offshore gas project, which was subsidized

⁴⁴ Tsing (2000) *Inside the Economy of Appearances*,

https://www.researchgate.net/publication/230537760_Inside_the_Economy_of_Appearances

⁴⁵ Hayman (2019) *Will climate change be devastating for Kakadu National Park?*,

<https://www.abc.net.au/news/2019-04-02/kakadu-curious-darwin-saltwater-intrusion-climate-change/10957808>

⁴⁶ NT Government (2020) *Northern Territory Climate Change Response: Towards 2050*,

<https://climatechange.nt.gov.au/nt-climate-change-response/northern-territory-climate-change-response-towards-2050>

⁴⁷ NT Government (2022) *Our Territory Gas Strategy*, <https://territorygas.nt.gov.au/home>

⁴⁸ Milne (2020) *Santos’ dirty big \$2B Barossa bet*, <https://www.boilingcold.com.au/santos-dirty-big-2b-barossa-bet/>

into existence in 2009 by the NT Government committing to buy \$4 billion worth of gas over 20 years—far more than the Territory needed.

The Northern Territory government recently entered a non-binding agreement with gas giant Inpex (which also has a net zero goal), jointly committing to a “net zero emissions future” to be achieved predominantly with carbon capture and storage. The Net Zero commitment was accompanied by a commitment to expand Inpex’s liquefied natural gas (LNG) operations in the Territory.⁴⁹

The official announcement by government stated that the agreement “captures our complementary transition targets and initiatives”.

It is clear that the net zero claims of both Inpex and the NT Government have no credibility, and that neither has any intention of reducing emissions at all. The jarring contradiction between a stated goal of reducing emissions and a major expansion of the fossil gas industry is demonstrated by the fact that the NT Government is unable to publish reports on its projected emissions profile. The profile was initially due in mid-2021, but the accompanying “action item” is still only 50% complete in mid-2022.⁵⁰ Another unpublished, long-overdue report will attempt to explain how Beetaloo Basin emissions could be offset.⁵¹

Yet despite the clear impossibility of increasing emissions in order to reduce emissions, both Inpex and the NT Government have subscribed eagerly to the narrative that this is achievable. In turn, both can tell shareholders and the community that they are committed to climate action.

The net zero economy of appearances also encompasses the Federal Government as an active participant and beneficiary. When fossil fuel companies and other big emitters make net zero pledges underpinned by claims of carbon neutrality or emissions reductions far into the future (often while planning to increase emissions), they don’t just protect and prolong their social licence. They also protect the governments endorsing or turning a blind eye to their activities.

As a result, national governments are subsequently able to make their own domestic and international climate pledges, while also justifying a lack of any meaningful emissions

⁴⁹ Hynes, Perera (2022) *Inpex commits to a net zero future in the Northern Territory, as it sets its eyes on expanding*, <https://www.abc.net.au/news/2022-07-22/inpex-nt-government-sign-Ing-emissions-reduction-agreement/101258150>

⁵⁰ NT Government (2022) *Climate Change Response, action item 1.1.1*, <https://climatechange.nt.gov.au/nt-climate-change-response/action-items/1.1.1>

⁵¹ GISERA (2022) *Offsets for life cycle greenhouse gas emissions of onshore gas in the NT*, <https://gisera.csiro.au/research/greenhouse-gas-and-air-quality/offsets-for-life-cycle-greenhouse-gas-emissions-of-onshore-gas-in-the-northern-territory/>

reduction achievements or policies, by pointing to the nominal net zero ambition of the industries they are beholden to.

Still using the example of the Northern Territory, Australia's Federal Government announced recently that Inpex had been given permission to assess the suitability of an area off the northwestern coast of the NT for geological carbon storage. The current Australian Resources Minister, Madeline King, said that the release of the offshore acreage was "providing Australian industry with new opportunities for carbon capture and storage and helping Australia to achieve its target to lower emissions by 43 per cent by 2030" and also that "carbon capture and storage has a vital role to play to help Australia meet its net zero targets."⁵²

Carbon capture and storage has proven around the world to be an abject failure in storing CO₂ permanently. Nor is it designed to capture the entirety of emissions from gas production. However, for a government ideologically and materially underwriting the gas industry, the pretence by all parties that emissions will be reduced is critical to maintaining the net zero fantasy.

As King's statement suggests, the new Labor Government has "welcomed" the Northern Territory's gas expansion plans, with the suggestion that "the resources industries are part of the solution" in meeting the net zero "challenge".^{53 54 55 56} The new Government also endorses the Northern Territory's proposed use of offsets and carbon capture and storage by industry to meet its net zero commitment, despite the NT having no plan for reducing its emissions.^{57 58} Publicly, the current Australian Government continues to "welcome" the

⁵² King (2022) *New offshore greenhouse gas storage acreage to help lower emissions*, <https://www.minister.industry.gov.au/ministers/king/media-releases/new-offshore-greenhouse-gas-storage-acreage-help-lower-emissions>

⁵³ Davidson (2019) *Labor's support for 'carbon disaster' in Beetaloo basin condemned*, <https://www.theguardian.com/australia-news/2019/apr/26/labors-support-for-carbon-disaster-in-beetaloo-basin-condemned>

⁵⁴ Bowen (2021) *Climate of the Nation 2021 launch speech*, <https://australiainstitute.org.au/event/climate-of-the-nation-2021-with-chris-bowen/>

⁵⁵ King (2022) *Speech to NT Resources Week conference*, <https://www.minister.industry.gov.au/ministers/king/speeches/speech-nt-resources-week-conference>

⁵⁶ Breen (2022) *Fracking watchdog says NT still lacking federal government commitment on Beetaloo Basin emissions promise*, <https://www.abc.net.au/news/2022-07-21/beetaloo-basin-nt-fracking-government-emissions-offset-in-doubt/101247338>

⁵⁷ NT Department of the Chief Minister and Cabinet (2022) *Global collaboration to accelerate a thriving net-zero emissions future*, <https://cmc.nt.gov.au/news/2022/global-collaboration-to-accelerate-a-thriving-net-zero-emissions-future>

⁵⁸ Inpex (2022) *INPEX-led Bonaparte CCS Assessment Joint Venture awarded acreage offshore Northern Territory in Australia*, <https://www.inpex.com.au/news-and-updates/media-centre/media-releases/inpex-led-bonaparte-ccs-assessment-joint-venture-awarded-acreage-offshore-northern-territory-in-australia/>

Northern Territory Government's commitment to offsetting the emissions from the Beetaloo gas development.⁵⁹

⁵⁹ Breen (2022) *Fracking watchdog says NT still lacking federal government commitment on Beetaloo Basin emissions promise*, <https://www.abc.net.au/news/2022-07-21/beetaloo-basin-nt-fracking-government-emissions-offset-in-doubt/101247338>

State-sponsored greenwash

Each of the Australian examples presented above has, in one way or another, been sanctioned by the Australian Government, which has either met them with silence or endorsed them actively. Telstra, for example, is a government-certified carbon neutral organisation and is promoted by the government as a Climate Leader.⁶⁰ Ampol's petrol and diesel is also certified as a carbon neutral product by the Australian Government.⁶¹

Former Prime Minister Scott Morrison said he “could not be more thrilled” with Woodside's final investment decision on its Scarborough Gas development in 2021. Prior to winning the 2022 election, current Prime Minister Anthony Albanese visited another Woodside project and commended its “commitment” to net zero:

Every state and territory is with them. So are Australian businesses, big and small, and [net zero] is a target that Labor will set for the country—because we want to create jobs, lower power prices and reduce emissions.⁶²

In June 2022, the new Minister for Resources, Madeline King, confirmed the Australian Government's support for Woodside's Scarborough project—along with the development of another significant gas project, the Browse gas field.⁶³

As this paper aims to demonstrate, this government support is not restricted to isolated incidents. Rather it is the result of a comprehensive policy framework under which potentially misleading net zero claims are facilitated; they are also underwritten by the Australian Government.

Given its own approach to ‘meeting’ its climate targets, it is unsurprising that Australia's Federal Government accepts the manner in which big-emitting non-state actors in Australia are claiming to meet their targets in similarly opaque ways, including relying heavily on carbon capture and storage or carbon offsets.

⁶⁰ Climate Active (n.d.) *Be Climate Active*, <https://www.climateactive.org.au/be-climate-active>

⁶¹ Climate Active (2021) *Public Disclosure Statement: Ampol Limited – Product Certification CY2021 (Projected)*, <https://www.climateactive.org.au/buy-climate-active/certified-members/ampol-limited>

⁶² Tilly (2021) *Albo pays a visit to North West Shelf*, <https://www.energynewsbulletin.net/policy/news/1408158/albo-pays-visit-to-north-west-shelf>

⁶³ Law (2022) *Scarborough gas project: Albanese Government gives support to \$16.5 billion WA project*, <https://thewest.com.au/business/energy/scarborough-gas-project-albanese-government-gives-support-to-165-billion-wa-project-c-7016824>

AUSTRALIA AND CLIMATE ACTION

While the Australian people overwhelmingly support strong, effective action on climate change,⁶⁴ Australian governments have a long history of avoiding meaningful domestic climate policy and obstructing international climate negotiations.^{65 66} This is the result of a long and significant history of powerful corporate interests from the energy and resources sectors influencing Australian policymaking—a history that has delayed Australia’s transition to renewable energy.⁶⁷

As a result, Australia has made minimal progress in reducing emissions, and its emissions trends are among the worst in the developed world.⁶⁸ It generally lacks both comprehensive emissions reporting requirements, and regulations to compel non-state actors to take responsibility for their environmental impact.

Where regulation does exist, the consequences for breaching it are minimal.⁶⁹ Instead of channeling public money into research and development for hard-to-decarbonise sectors or renewable energy, billions of taxpayer dollars are spent every year on fossil fuel subsidies.⁷⁰

While the 2022 Australian election—referred to as a ‘greenslide’ election⁷¹—appears to have marked a turning point for Australia’s climate ambition, with an increased climate target and promising policies in relation to anti-corruption measures, electricity decarbonisation and industrial emissions, there are already signs that the fossil fuel industry will continue to control the agenda.

⁶⁴ Quicke (2021) *Climate of the Nation 2021*, <https://australiainstitute.org.au/report/climate-of-the-nation-2021/>

⁶⁵ McGregor (2013) *Australia makes a bad start at Warsaw climate change meeting*, <https://theconversation.com/australia-makes-a-bad-start-at-warsaw-climate-change-meeting-20190>

⁶⁶ Handley (2019) *Australia accused of putting coal before Pacific ‘family’ as region calls for climate change action*, <https://www.abc.net.au/news/2019-08-16/australia-slammed-watering-down-action-climate-change-pacific/11420986>

⁶⁷ Lucas (2021) Investigating networks of corporate influence on government decision-making: The case of Australia’s climate change and energy policies, *Energy Research & Social Science*, <https://www.sciencedirect.com/science/article/abs/pii/S2214629621003649>

⁶⁸ Fernyhough (2021) *OECD says Australia is 2nd dirtiest economy per capita, tells it to clean up*, <https://reneweconomy.com.au/oecd-says-australia-is-2nd-dirtiest-economy-per-capita-tells-it-to-clean-up/>

⁶⁹ Climate Council (2022) *What is the Safeguard Mechanism?* <https://www.climatecouncil.org.au/resources/what-is-the-safeguard-mechanism/>

⁷⁰ Armistead, Campbell, Littleton, Parrott (2022) *Fossil fuel subsidies in Australia (2021-22)*, <https://australiainstitute.org.au/report/fossil-fuel-subsidies-in-australia-2021-22/>

⁷¹ ABC News Daily (2022) *The election ‘Greenslide’*, <https://www.abc.net.au/radio/programs/abc-news-daily/the-election-greenslide/13896630>

Like the Coalition it deposed, the newly elected Labor Government is a beneficiary of significant donations from the fossil fuel industry, and has already expressed support for gas and coal expansion on a number of occasions.⁷²

The Labor Government's silence on whether it will continue the fossil fuel subsidies that cost Australians \$11.6 billion in 2021-22 can be interpreted as implicit support for the industry. What is less ambiguous is that the government will continue to support new gas and coal production in Australia, citing the risks to the Australian economy if it did not continue to approve these projects.^{73 74} Just three months after winning the election, the Labor Government opened up nearly 47,000 km² of offshore acreage for oil and gas exploration.⁷⁵ The time from exploration to production of oil and gas projects is around 10 years,⁷⁶ meaning that the government clearly supports new fossil fuel projects commencing beyond 2030.

The Australian Government's support for ongoing fossil fuel production, despite nominally greater climate ambition, is relevant to the net zero ambition of non-state actors because it creates a very real risk that, rather than forcing industry to reduce emissions, the Government will simply continue to use various strategies to greenwash their poor performance.

GOVERNMENT GREENWASHING

The Australian Government itself adopts many of the tactics used by the private sector raised in the first section to 'game' the concept of net zero. These include selective accounting, relying heavily on land sector sinks to 'offset' industrial emissions, and crossing fingers on the prospect of future carbon removal technology.

⁷² Moss (2022) *To walk the talk on climate, Labor must come clean about the future for coal and gas*, <https://theconversation.com/to-walk-the-talk-on-climate-labor-must-come-clean-about-the-future-for-coal-and-gas-183641>

⁷³ Remeikis (2022) *Labor to back new fossil fuel projects that 'stack up Economically and environmentally*, <https://www.theguardian.com/environment/2022/aug/11/labor-to-back-new-fossil-fuel-projects-that-stack-up-economically-and-environmentally>

⁷⁴ Murphy, Karp, Butler (2022) *Anthony Albanese rules out banning fossil fuel projects, citing risk to Australian economy*, <https://www.theguardian.com/environment/2022/jul/26/anthony-albanese-rules-out-banning-fossil-fuel-projects-citing-risk-to-australian-economy>

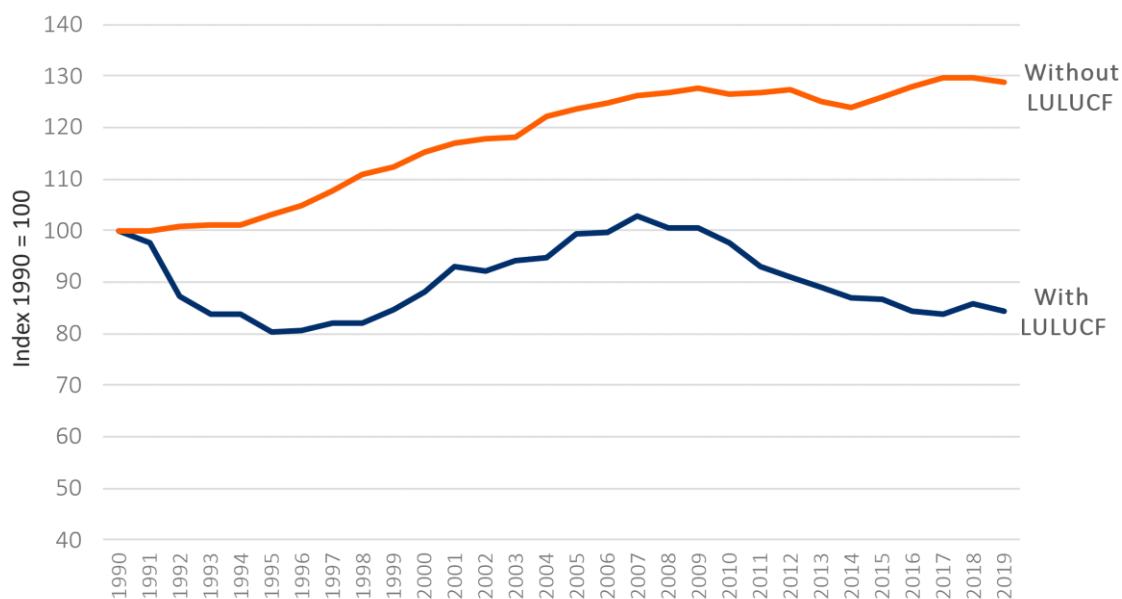
⁷⁵ Brann (2022) *Federal government opens 46,000 sq km for offshore oil and gas exploration*, <https://www.abc.net.au/news/2022-08-24/offshore-oil-and-gas-exploration-ccs-backed-federal-government/101368006>

⁷⁶ Canadian Audit & Accountability Foundation (n.d.) *Revenues from Phases of an Oil and Gas Project*, <https://www.caaf-fcar.ca/en/oil-gas-revenues-concepts-and-context/the-life-cycle-of-oil-and-gas-projects/revenues-from-phases-of-an-oil-and-gas-project>

Selective accounting

While technically within the rules of international climate accounting, Australia's emissions accounting methodology conceals a lack of real emissions reduction. As shown in Figure 1, the inclusion of land use, land use change and forestry (LULUCF) conceals a lack of emissions reduction in most Australian industries, particularly the fossil fuel production and combustion industries.

Figure 1. Australia's GHG emissions from 1990, with and without LULUCF



Source: Source: United Nations Framework Convention on Climate Change (2021) *GHG Profiles - Annex I*

It was Australia that negotiated the inclusion of the land sector in the emissions accounting framework during the Kyoto Protocol negotiations—and it is Australia that continues to benefit from this accounting technique under the Paris Agreement. When the land sector is included in climate reporting, natural carbon sinks can mask rising emissions in other areas of the economy. Given that Australian land sector emissions have declined to become a net carbon sink, largely thanks to drought and then prolonged rain, Australia is able to claim that the land sector 'balances' out industrial emissions in its official emissions accounts.⁷⁷ That such arguments conceal the lack of any significant trend away from fossil fuel use in Australia is evident in Figure 1.

The Australian Government continues to approve new coal and gas projects as part of its planned expansion of fossil fuels. The country is already the largest exporter of liquefied

⁷⁷ Merzian, Hemming (2021) *Banking on Australia's Emissions*, <https://australiainstitute.org.au/report/banking-on-australias-emissions/>

natural gas (LNG) in the world and vies with Indonesia to be the largest exporter of coal. To justify this continued expansion and provide it with social licence, the government often exaggerates the economic significance of the fossil fuel industry (which employs less than one per cent of Australian workers⁷⁸), and has at various times gone to lengths to reframe oil and gas as part of the solution to lowering emissions, or as critical to the economy.^{79 80} At other times, it has attempted to minimise the impact of its gas and coal production by omitting emissions from gas and coal that is exported to, and burnt in, other countries—echoing the way in which industry often fails to acknowledge the climate impact of its end products. Again, this accounting approach is accepted under the rules of UNFCCC accounting, but it is morally questionable and potentially misleading.

Offsetting in favour of reductions

As explained above, when the land sector is included in climate reporting, natural carbon sinks can mask rising emissions in other areas of the economy. As Figure 1 shows, when the land sector is included in Australia’s accounts, emissions appear to have decreased by 16 per cent since 1990. Without the land sector, it becomes clear that emissions have actually *increased* by 29 per cent since 1990 to 2019.

The preservation of the world’s natural carbon sinks is an incredibly important exercise, bringing biodiversity and other benefits.^{81 82} However, there is also extensive literature

⁷⁸ Australian Bureau of Statistics (2022) *Labour Force, Australia, Detailed*, <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/latest-release>

⁷⁹ Taylor (2019) *Australia’s LNG boom is reducing our global carbon impact*, https://www.minister.industry.gov.au/ministers/taylor/opinion_piece/australias-Ing-boom-reducing-our-global-carbon-impact

⁸⁰ Greber, van Leeuwen, Fowler (2022) *‘No apologies’: Bowen shrugs off G7 gas call*, <https://www.afr.com/policy/energy-and-climate/no-apologies-bowen-shrugs-off-g7-gas-call-20220629-p5axrf>

⁸¹ Littleton, Dooley, Webb, Harper, Powell, Nicholls, Meinshausen, Lenton (2021) Dynamic modelling shows substantial contribution of ecosystem restoration to climate change mitigation, *Environmental Research Letters*, <https://iopscience.iop.org/article/10.1088/1748-9326/ac3c6c/meta>

⁸² Katha, Dooley (2016) The risks of relying on tomorrow’s ‘negative emissions’ to guide today’s mitigation action, *Stockholm Environment Institute Working Paper*, <https://www.jstor.org/stable/resrep02826>

documenting the measurement uncertainties and significant risks of relying on natural ecosystems to store fossil carbon emissions.^{83 84 85 86 87 88}

Future technologies—carbon capture and storage

The idea of carbon capture and storage (CCS) is to capture CO₂—usually from an industrial source—and store it in underground geological reservoirs.⁸⁹ Australian governments have invested large amounts of public money into CCS projects and initiatives since the early 2000s: some \$4 billion since 2003,⁹⁰ with the promise that it would reduce emissions from fossil fuels.⁹¹ Initially, through the concept of ‘clean coal’, governments promised that CCS would enable coal-fired power generation to continue for decades despite the need to reduce emissions.⁹²

Today, there is not a single coal fired power station in Australia operating with CCS.⁹³ Nevertheless, claims that CCS will play a significant role ‘soon’ in reducing emissions continue to be made by state and non-state actors alike. While the complete failure of CCS to materialise in the coal-fired electricity sector is rarely discussed by those who remain

⁸³ Dooley, Nicholls, Meinshausen (2022) Carbon removals from nature restoration are no substitute for steep emission reductions, *One Earth*, <https://www.sciencedirect.com/science/article/pii/S2590332222003232>

⁸⁴ State of NSW and Office of Environment and Heritage (2016) *Fire and Soils: A review of the potential impacts of different fire regimes on soil erosion and sedimentation, nutrient and carbon cycling, and water quantity and quality*, <https://www.environment.nsw.gov.au/research-and-publications/publications-search/fire-and-soils>

⁸⁵ Hannam (2021) *Fires ravaged not only plants and animals, but the soils beneath them*, <https://www.smh.com.au/environment/conservation/fires-ravaged-not-only-plants-and-animals-but-the-soils-beneath-them-20210726-p58cxj.html>

⁸⁶ Climate Analytics (2017) *The dangers of Blue Carbon offsets: from hot air to hot water?* <https://climateanalytics.org/briefings/the-dangers-of-blue-carbon-offsets-from-hot-air-to-hot-water/>

⁸⁷ Carton, Lund, Dooley (2021) *Undoing Equivalence: Rethinking Carbon Accounting for Just Carbon Removal*, <https://www.frontiersin.org/articles/10.3389/fclim.2021.664130/full>

⁸⁸ Client Earth (2022) *Expert report by Derik Broekhoff on CO2 compensation*, <https://www.clientearth.org/latest/documents/expert-report-by-derik-broekhoff-senior-scientist-at-the-stockholm-environment-institute-on-co2-compensation/>

⁸⁹ Geoscience Australia (n.d.) *What is CCS?* <https://www.ga.gov.au/scientific-topics/energy/resources/carbon-capture-and-storage-ccs/what-is-ccs>

⁹⁰ Morris (2021) *As carbon capture, storage commitments near \$4b, what are the options for heavy industry?*, <https://www.abc.net.au/news/2021-08-21/taxpayer-bill-for-carbon-capture-and-storage-hits-4-billion/100375854>

⁹¹ Morris (2021) *As carbon capture, storage commitments near \$4b, what are the options for heavy industry?* <https://www.abc.net.au/news/2021-08-21/taxpayer-bill-for-carbon-capture-and-storage-hits-4-billion/100375854>

⁹² Kelly (2021) *‘Clean coal’ is nothing but a marketing scam: Energy experts*, <https://thenewdaily.com.au/news/2021/02/17/clean-coal-scam/>

⁹³ Joshi (2021) *A new flagship coal plant failed spectacularly – but it won’t be the last time*, <https://reneweconomy.com.au/a-new-flagship-coal-plant-failed-spectacularly-but-it-wont-be-the-last-time/>

optimistic about the technology, both the Australian Government and the fossil fuel industry now dedicate most of their attention and funding for CCS to its potential use in the oil and gas industry. Promises that CCS will reduce emissions from natural gas processing and from fossil fuel-based hydrogen production are becoming particularly prominent.^{94 95}

Continued support for CCS by the Australian Government diverts public funding away from technologies that could be reducing emissions and redirects that money to the fossil fuel industry. This funding, and the illusion that CCS can and will reduce emissions, also provides the fossil fuel industry with a social license to operate under the false pretence that its expansion is consistent with a safe climate. The science makes clear that continued fossil fuel production is incompatible with the emissions reductions necessary to prevent catastrophic climate change and subsequent impacts—both in Australia and globally.⁹⁶

By focusing on the promise of CCS as an emissions reduction technology, governments and the fossil fuel industry have increasingly given social license to new and expanded fossil fuel operations. CCS has been reborn again after each failure with a new purpose. When CCS for clean coal failed, industry and government turned attention to the gas industry. New gas projects in Australia and around the world have been justified on the basis that CCS will reduce emissions from gas processing operations.⁹⁷ In addition to the general doubts around CCS's viability, this approach also discounts the additional scope 3 emissions produced by additional fossil fuel extraction, justifying them with CCS by sequestering a fraction of processing emissions.⁹⁸

Failure of regulation

Emissions disclosure

To assess the credibility of a net zero target, along with the progress being made towards that target, it is critical to understand the accounting behind the claims being made. Many non-state actors fail to adequately disclose their emissions or demonstrate how they are making progress in reducing them.

⁹⁴ Global CCS Institute (2022) *Australian Government Announces CCS Funding in Federal Budget*, <https://www.globalccsinstitute.com/news-media/latest-news/australian-government-announces-ccs-funding-in-federal-budget/>

⁹⁵ Hepburn (2022) *The Australian Government Makes Love to the Fossil Fuel Industry, Screws Everyone Else*, <https://www.gizmodo.com.au/2022/08/the-australian-government-makes-love-to-the-fossil-fuel-industry-screws-everyone-else/>

⁹⁶ United Nations (2021) *Fossil fuel production 'dangerously out of sync' with climate change targets*, <https://news.un.org/en/story/2021/10/1103472>

⁹⁷ Global CCS Institute (n.d.) *CCS is a climate change technology*, <https://www.globalccsinstitute.com/about/what-is-ccs/>

⁹⁸ Ogge (2022) *Brown Coal, Greenwash*, <https://australiainstitute.org.au/report/brown-coal-greenwash/>

In Australia there is no overarching government framework that requires non-state actors to disclose their greenhouse gas emissions comprehensively and transparently. This means that it is largely up to individual organisations to decide what they want to report in corporate sustainability publications—and many do not report at all, while others report only selectively.

In 2007 the Australian Government introduced the National Greenhouse and Energy Reporting Scheme (NGERS), providing the first mandated national reporting guidelines for Australian companies on greenhouse gas emissions, and energy use and production of corporations. The scheme requires corporations that meet certain thresholds to disclose their emissions and energy use. Today, it covers about a third of Australia’s scope 1 corporate emissions.⁹⁹

However, the scheme was never intended to be a detailed climate disclosure tool and NGERS only provides a very high-level summary for each reporting entity—a sum total each for scope 1 emissions, scope 2 emissions and energy consumption. Because it is an energy reporting framework, NGERS does not require entities to report on scope 3 emissions despite the fact that these are often the source of the majority of a company’s emissions.¹⁰⁰

While the Australian Minister for Climate Change and Energy, Chris Bowen, has indicated that mandatory climate-related Financial Disclosures are forthcoming in Australia, the absence of emissions reporting and regulation requirements at a national level to date has created a situation where non-state actors are free to set climate targets with almost no need to actually verify them. The potential for misleading consumers and investors is obvious. Even where non-state actors have aligned themselves with voluntary frameworks such as the Science Based Targets initiative, it is difficult to assess whether their reporting against these is credible.¹⁰¹

Emissions regulation

Even where entities are required to report their emissions, there is currently no regulation in Australia that requires emissions to be managed or reduced across the economy, despite the clear, urgent need to make deep cuts to greenhouse gas emissions. The highest polluting facilities covered by NGERS are theoretically subject to a ‘Safeguard Mechanism’, whereby they are required to keep their emissions below certain levels (known as baselines) and to purchase carbon credits if they exceed these levels.¹⁰² However, this is rarely

⁹⁹ Emissions from the agricultural, forestry, private vehicle transport and residential sectors are not collected.

¹⁰⁰ Clean Energy Regulator (2021) *Greenhouse gases and energy*, <https://www.cleanenergyregulator.gov.au/NGER/About-the-National-Greenhouse-and-Energy-Reporting-scheme/Greenhouse-gases-and-energy>

¹⁰¹ NewClimate Institute, Carbon Market Watch (2022) *Corporate Climate Responsibility Monitor 2022*, <https://newclimate.org/resources/publications/corporate-climate-responsibility-monitor-2022>

¹⁰² Clean Energy Regulator (2022) *The safeguard mechanism*, <https://www.cleanenergyregulator.gov.au/NGER/The-safeguard-mechanism>

required, and Australia’s industrial emissions have increased significantly despite the creation of the Mechanism.¹⁰³

Since the Safeguard Mechanism began operating in 2016, emissions covered by the scheme have increased by about 7 per cent. Emissions from the scheme in 2020-21 were 137 million tonnes of CO₂-equivalent (CO₂-e). Analysis has suggested that under a ‘business as usual’ scenario covered emissions are projected to grow to 140 Mt in 2030.¹⁰⁴

This retrospective and projected emissions growth is significant because almost three quarters of the entities covered by the Safeguard Mechanism (representing 83 per cent of covered emissions) have net zero targets. If the promised climate ambition of Safeguard entities was credible—with legitimate short-term targets and strategies—their emissions should have seen a natural decline, rather than increasing.

In recognition that emissions by Safeguard-covered facilities are rising, the recently elected Australian Government has committed to “strengthening” the Safeguard Mechanism which would see a gradual lowering of baselines. However, it has made clear that facilities can stay under their baselines by offsetting their emissions as an alternative to absolute reductions. There is no requirement for firms covered by the Safeguard Mechanism to prove that they are in a ‘hard to abate’ sector to justify relying on offsets.

At the same time, the new Government has also suggested that tailored treatment will be provided to Safeguard-covered facilities that come from ‘emissions intensive trade exposed industries’ (including the gas and coal industries), potentially giving them less-stringent emissions reductions requirements. Inpex Corporation (the gas company that has committed to a net zero future with the Northern Territory) has been one of the first companies to publicly lobby the government on concessions to the fossil fuel industry.¹⁰⁵

Greenwashing regulation

In this context, it is not surprising that entities overseeing competition and consumer protection—such as the Australian Competition and Consumer Commission (ACCC) and the Australian Association of National Advertisers’ Ad Standards body—have proven unfit for purpose in policing claims, no matter how dubious, made by non-state actors.

¹⁰³ Morton & Murphy (2022) *Coalition climate policy forced big polluters to pay \$15m for carbon credits in past year*, <https://www.theguardian.com/environment/2022/apr/28/coalition-climate-policy-forced-big-polluters-to-pay-15m-for-carbon-credits-in-past-year>

¹⁰⁴ Reputex (2022) *Modelling Potential Futures for Australia’s Safeguard Mechanism (Carbon Market Institute)*, <https://www.reputex.com/research-insights/report-modelling-potential-futures-for-australias-safeguard-mechanism/>

¹⁰⁵ Fowler (2022) *Japan’s Inpex calls for carve-outs from Labor’s carbon policy*, <https://www.afr.com/companies/energy/japan-s-inpex-calls-for-carve-outs-from-labor-s-carbon-policy-20220819-p5bb9t>

For example, numerous ‘carbon neutral’ fossil fuel products are sold and promoted in Australia. These claims go largely unscrutinised by consumers and consumer protection bodies domestically. By contrast, Shell was recently forced to remove advertisements promoting ‘carbon neutral’ petrol after they were found to be misleading by the Netherlands’ Advertising Code Committee.¹⁰⁶ The fact that these products are promoted by the Australian Government through a government-owned ecolabel known as Climate Active (discussed in more detail below) may explain why they have not faced similar criticism at their international counterparts.

It is also unsurprising that civil society is increasingly taking measures into its own hands in response to government failure to act in the community’s interests and adequately regulate or control polluting industries, despite the clear damage that they are causing.^{107 108} A lawsuit was filed in August 2021 against oil and gas company Santos by the Australasian Centre for Corporate Responsibility alleging that Santos’ net zero strategy is “greenwashing”.¹⁰⁹ Comms Declare has filed a complaint with the support of the Environmental Defenders Office to Ad Standards alleging that Ampol is greenwashing with claims of a ‘carbon neutral’ petrol.¹¹⁰

HOW THE AUSTRALIAN GOVERNMENT SPONSORS CORPORATE GREENWASHING

Promoting offsetting

Rather than mandating real emissions reductions, the Australian Government actively promotes the practice of offsetting by non-state actors. Australia has an entire policy framework and public fund dedicated to the generation of carbon offsets, which are unitised emissions reductions generated by projects that reduce, avoid or store greenhouse gas emissions. They can be purchased by the private sector to make up for emissions that

¹⁰⁶ George (2021) *Shell campaign promoting carbon offsetting is greenwashing, Dutch advertising watchdog rules*, <https://www.edie.net/shell-campaign-promoting-carbon-offsetting-is-greenwashing-dutch-advertising-watchdog-rules/>

¹⁰⁷ Environmental Defenders Office (2022) *Australasian Centre for Corporate Responsibility expands landmark Federal Court case against Santos*, <https://www.edo.org.au/2022/08/25/australasian-centre-for-corporate-responsibility-expands-landmark-federal-court-case-against-santos/>

¹⁰⁸ MacDonald-Smith (2022) *Scarborough project will raise temperature by 0.000394 of a degree*, <https://www.afr.com/companies/energy/scarborough-challenge-based-on-damage-to-reef-20220622-p5avmx>

¹⁰⁹ Kurlmelovs (2021) *Santos sued for ‘clean fuel’ claims and net zero by 2040 target despite plans for fossil fuel expansion*, <https://www.theguardian.com/australia-news/2021/aug/26/santos-sued-for-clean-fuel-claims-and-net-zero-by-2040-target-despite-plans-for-fossil-fuel-expansion>

¹¹⁰ Environmental Defenders Office (2022) *Greenwashing complaint lodged against Ampol carbon-neutral fuel claims*, <https://www.edo.org.au/2022/08/30/greenwashing-complaint-lodged-against-ampol-carbon-neutral-fuel-claims/>

occur elsewhere, thus allowing companies to fulfil compliance requirements under the Safeguard Mechanism or to meet voluntary climate targets.

Where carbon offsets do have integrity and represent genuine additional abatement, they are only meant to be used to offset emissions after *everything* has been done to reduce or avoid producing greenhouse gases in the first place. The role of offsets in achieving climate emissions goals is sometimes referred to as the last step in a ‘hierarchy of mitigation’ taken from natural resource management theories.¹¹¹ One such hierarchy comprises the steps ‘Avoid, Reduce, Restore, Compensate/Offset’.

A hierarchy of mitigation should place offsets close to something as a last resort—a measure that can be used to negate emissions *after* reasonable efforts have been made to reduce them. For example, the global Science-Based Targets Initiative (SBTI)—which helps organisations set targets in line with 1.5°C—specifies that carbon credits cannot be counted as emissions reductions towards short- or long-term science targets, and should only be used after organisations have reduced emissions by more than 90 per cent.¹¹²

The use of carbon offsets to meet net zero targets has been heavily criticised as by its very nature, offsetting—whether via natural sinks or other means— never achieves anything beyond maintaining the status quo. Carbon offsets are not intended to justify maintaining or increasing emissions. The risk of them being too affordable or readily available is that it may be cheaper to maintain a polluting business model and simply offset rather than implement the structural changes that would see emissions avoided. In this respect, it’s unsurprising that changes to Australia’s carbon-offsetting scheme—discussed in more detail below— have been underway for several years to increase the supply of carbon offsets to the market: access to large quantities of low-cost carbon offsets is essential to the commercial viability of the plans of emission-intensive industries (like the gas industry) to significantly increase their production and gross emissions.

Buying offsets displaces and disincentivises investments in the structural adjustments that would permanently displace the use of fossil fuels. To date, carbon offsets have been cheap and abundant enough that it has been easier for governments and industry to carry on burning fossil fuels and simply offset the resulting pollution. Furthermore, evidence is growing that a significant number of carbon offsets globally have been found to not even

¹¹¹ WWF (2020) *First Things First: Avoid, Reduce...and only after that-Compensated*, https://wwf.panda.org/wwf_news/?362819/First-Things-First-Avoid-Reduce--and-only-after-thatCompensate

¹¹² Science Based Targets (2021) *SBTI Corporate Net-Zero Standard*, <https://sciencebasedtargets.org/net-zero/>

represent their claimed CO₂-e reduction.¹¹³ The inevitable outcome of such a situation has been a delay in transitioning away from fossil fuels and a worsening of emissions.¹¹⁴

Offsets are increasingly regarded as a greenwashing or delay tactic by organisations that don't want to make structural changes or change to a low-carbon business model. Offsets are also overwhelmingly used by the fossil fuel industry to justify increasing production in which case their use leads to a net increase in emissions, as in the case of their use by Woodside (discussed above).

The Australian Government also administers a carbon neutral ecolabel scheme, Climate Active, where non-state entities—including gas companies—are “certified” as carbon neutral for offsetting some of their emissions and subsequently promoted by the government as “progressive climate leaders”.¹¹⁵ This is discussed in more detail below.

Australia's carbon offset scheme

The Emissions Reduction Fund (ERF) is a \$4.5 billion scheme that issues Australian Carbon Credit Units (ACCUs) to projects for carrying out various ‘emissions reductions’ activities across the economy.¹¹⁶

Projects earn one ACCU for every tonne of CO₂-e stored or avoided by a project. ACCUs can be sold to the government or on a secondary market to businesses needing to offset their emissions for voluntary reasons or for compliance under the Safeguard Mechanism.

The original goal of the ERF was to incentivise emissions reductions in Australia that wouldn't happen otherwise, with the aim of helping Australia meet its emissions reduction targets. Accordingly, the Australian Government has been by far the biggest buyer of ACCUs to date.^{117 118}

However, over several years, the former Coalition government set in motion a number of changes designed both to increase the amount of carbon credits generated by projects and to extract itself as the biggest buyer these credits in order to increase the supply available to

¹¹³ Cames, Harthan, Füssler, Lazarus, Lee, Erickson & Spalding-Fecher (2016) *How additional is the Clean Development Mechanism? Analysis of the application of current tools and proposed alternatives*, <https://www.oeko.de/en/publications/p-details/how-additional-is-the-clean-development-mechanism-1>

¹¹⁴ Carbon Market Watch (2021) *Net-zero pipe dreams: Why fossil fuels cannot be carbon neutral*, <https://carbonmarketwatch.org/publications/net-zero-pipe-dreams-why-fossil-fuels-cannot-be-carbon-neutral/>

¹¹⁵ Climate Active (2022) *Our Network*, <https://www.climateactive.org.au/be-climate-active/our-network>

¹¹⁶ The recently elected Labor government has flagged that the name of the Emissions Reduction Fund is likely to change, but that it will still operate under its government

¹¹⁷ Clean Energy Regulator (2022) *Auction October 2021*, <https://www.cleanenergyregulator.gov.au/ERF/auctions-results/october-2021>

¹¹⁸ Clean Energy Regulator (2022) *Quarterly Carbon Market report – September Quarter 2021*, <https://www.cleanenergyregulator.gov.au/ERF/auctions-results/october-2021>

the private sector to use as offsets.¹¹⁹ The new Labor government also appears to support this approach. In a recent address to a carbon offset industry event, the Minister for Climate Change and Energy Chris Bowen signalled his government's support for the expanded use of offsets by claiming that carbon trading is "about to get a whole lot more important" and that "carbon credits will play a vital role in our government's climate action plan ... but we must do more to unlock the full potential of the carbon credit system."¹²⁰

Similarly, the website of the Clean Energy Regulator (CER)—the government body tasked with administering the ERF—was recently updated with a statement promoting carbon offsets: "the ability for Australia and Australian industry to move to 'net zero' emissions ... is heavily dependent on timely access to carbon offset units and certificates".¹²¹

Despite these confident assertions, Australia's entire carbon offset system has been clouded in scandal. Along with a number of independent experts, the former chair of the Emissions Reduction Assurance Committee (ERAC)—the statutory committee overseeing the integrity of carbon credit methods—has described the vast majority of Australia's credits as "a sham". Meanwhile, the ERAC's membership has been riddled with conflicts of interest and the influence of fossil fuel lobbyists.^{122 123}

In response to these developments a government-commissioned review is currently underway, assessing the governance of the offset scheme, the three methods that currently generate the majority of Australia's carbon offsets, and the ways in which more environmental and cultural benefits could be brought into the scheme.¹²⁴ However, rather than exercising caution and pausing the use of the methods in question, the Clean Energy Regulator continues to issue hundreds of thousands of carbon offsets to projects that may not result in any meaningful reductions. Even as the review is taking place, the Minister for Climate Change and Energy has encouraged "increased participation in the carbon

¹¹⁹ Hemming, Armistead, Venketasubramanian (2022) *An Environmental Fig Leaf*, <https://australiainstitute.org.au/report/an-environmental-fig-leaf/>

¹²⁰ Bowen (2022) *Keynote address to Carbon Market Institute Symposium*, <https://minister.dcceew.gov.au/bowen/speeches-and-transcripts/keynote-address-carbon-market-institute-symposium-0>

¹²¹ Clean Energy Regulator (2022) *Public Interest Certificate – Australian Carbon Exchange*, <https://www.cleanenergyregulator.gov.au/Infohub/Markets/Pages/Australian%20Carbon%20Exchange/Public-Interest-Certificate-Australian-Carbon-Exchange.aspx>

¹²² Long (2022) *Potential conflicts of interest abound in Australia's carbon credits market*, <https://www.abc.net.au/news/2022-04-02/carbon-credit-conflicts-of-interest-in-clean-energy-regulator/100952758>

¹²³ Hemming, Campbell, Ogge & Armistead (2022) *Come clean: How the Emissions Reduction Fund came to include carbon capture and storage*, <https://australiainstitute.org.au/report/come-clean-how-the-emissions-reduction-fund-came-to-include-carbon-capture-and-storage/>

¹²⁴ Bowen (2022) *Independent Review of ACCUs*, <https://minister.dcceew.gov.au/bowen/media-releases/independent-review-accus>

market”¹²⁵, while the Clean Energy Regulator has called for submissions on how to “make it easier” to participate in Australia’s carbon market.¹²⁶

Regulators endorsing offsets

Despite being an ‘independent’ statutory body, the Clean Energy Regulator has come under increasing scrutiny for the way in which it appears to overtly defend the carbon offsets it nominally ‘regulates’ against documented concerns raised by scientists, academics, independent experts and media investigations.^{127 128 129 130 131 132}

Further, and somewhat unusually for a regulatory body, the Clean Energy Regulator also appears to promote offsets and carbon offset developers in the same way products are promoted by commercial brands. The CER’s homepage showcases a brand of beer that has used renewable energy certificates and offsets to claim carbon neutrality.¹³³ Other case

¹²⁵ Bowen (2022) *Keynote address to Carbon Market Institute Symposium*, <https://minister.dcceew.gov.au/bowen/speeches-and-transcripts/keynote-address-carbon-market-institute-symposium-0> (NB: the comments by the Minister referenced in this submission were part of the event’s Q&A segment and do not appear in the Minister’s speech)

¹²⁶ Clean Energy Regulator (2022) *Increasing participation in the Emissions Reduction Fund*, <https://www.cleanenergyregulator.gov.au/Infohub/consultation-hub/increasing-participation-in-the-emissions-reduction-fund>

¹²⁷ Kelly (2021) *Clean Energy Regulator rejects junk carbon credit claims*, <https://www.abc.net.au/radionational/programs/breakfast/clean-energy-regulator-rejects-junk-carbon-credit-claims/13631010>

¹²⁸ Loussikian (2022) *Carbon credits scheme criticism ‘unfounded’: Angus Taylor*, <https://www.theaustralian.com.au/business/carbon-credits-scheme-criticism-unfounded-angus-taylor/news-story/b8d5bb1eb2deec868a5d98d5e5d6ff85>

¹²⁹ Clean Energy Regulator (2022) *ERAC response to TAI Report: Come Clean – Carbon Capture and Storage CCS*, <http://www.cleanenergyregulator.gov.au/About/Pages/News%20and%20updates/NewsItem.aspx?ListId=19b4efbb-6f5d-4637-94c4-121c1f96fcfe&ItemId=1083>

¹³⁰ Clean Energy Regulator (2022) *Statement: CER Response to AAP story on the blue carbon method*, <http://www.cleanenergyregulator.gov.au/About/Pages/News%20and%20updates/NewsItem.aspx?ListId=19b4efbb-6f5d-4637-94c4-121c1f96fcfe&ItemId=1047>

¹³¹ Clean Energy Regulator (2021) *Statement: CER Response to ABC story on the ACCU price*, <http://www.cleanenergyregulator.gov.au/About/Pages/News%20and%20updates/NewsItem.aspx?ListId=19b4efbb-6f5d-4637-94c4-121c1f96fcfe&ItemId=1041>

¹³² Clean Energy Regulator (2021) *Statement: TAI paper on Carbon Capture and Storage*, <http://www.cleanenergyregulator.gov.au/About/Pages/News%20and%20updates/NewsItem.aspx?ListId=19b4efbb-6f5d-4637-94c4-121c1f96fcfe&ItemId=1030>

¹³³ Clean Energy Regulator (n.d.) *Case study highlights: Making carbon neutral beer - Good natured brews*, <https://www.cleanenergyregulator.gov.au/>
[<https://www.youtube.com/watch?v=AhBfB1JGQpk&feature=youtu.be>]

studies on the CER's website and YouTube channel feature commercial carbon brokers and large commercial carbon project developers promoting carbon credits and projects.^{134 135}

The CER's site also hosts a seminar series called "Participating in Australia's carbon market to meet corporate climate goals", which is presented by a carbon industry lobby group and features a number of commercial carbon market participants and fossil energy retailers such as AGL and Telstra. One of the episodes in this series, entitled "The business case for emissions reductions and setting climate goals", places almost no emphasis on the reducing emissions, instead promoting the use of carbon offsets to claim carbon neutrality.^{136 137}

Climate Active

The Clean Energy Regulator works closely with the Australian Government's 'carbon neutral' certification scheme, Climate Active, as a means to promote Australian carbon offsets.

Climate Active certifies claims of carbon neutrality for organisations, products, services, buildings, precincts, and events. Businesses must follow the Climate Active Carbon Neutral Standard for their relevant certification type to be eligible for certification. Once certified, they pay a licence fee to use the Climate Active Carbon Neutral trademark and become a member of the Climate Active Network. Certified entities are given special recognition for 100% Australian carbon offset portfolios.

Climate Active claims that its certification is "proof towards a claim that your brand has achieved net zero emissions" and describes the scheme as "one of the most rigorous in the world".¹³⁸ It also promotes the brands it certifies heavily, describing them as "making a real difference":

The Climate Active stamp helps the community take action by making it easier to identify and choose brands that are making a real difference. It's about making good decisions today, for a more sustainable tomorrow.

Similarly:

¹³⁴ Clean Energy Regulator (2021) *Farming soil carbon: a second crop*, <https://www.cleanenergyregulator.gov.au/Infohub/case-studies/Pages/erf-case-studies/Case-study-%E2%80%93-soil-carbon-method.aspx>

¹³⁵ Clean Energy Regulator (2022) *Beef Cattle Method - South Pole*, https://www.youtube.com/watch?v=2OEzALHU_Eg

¹³⁶ Clean Energy Regulator (2021) *Market engagement and resources*, <https://www.cleanenergyregulator.gov.au/Infohub/Markets/Market-engagement-and-resources;>

¹³⁷ Clean Energy Regulator (2021) *Participating in Australia's carbon markets to meet corporate climate goals – Carbon market fundamentals*, https://www.cleanenergyregulator.gov.au/DocumentAssets/Pages/Participating_in_Australia%E2%80%99s_carbon_markets-March_2020.aspx

¹³⁸ Climate Active (2022) *Certification*, <https://www.climateactive.org.au/be-climate-active/certification>

Climate Active certification sends a clear signal that your business is serious about addressing climate change and is committed to sustainability, innovation, and industry leadership.

While the certification at face value requires an entity to follow the hierarchy of mitigation—reducing their emissions as much as possible before offsetting the remainder—in reality, this requirement does not appear to be enforced and it is unclear how it could be enforced under a voluntary paid certification scheme.

Despite its assertions of rigour, Climate Active appears to facilitate misleading climate claims by non-state actors. It not only allows heavy dependence on offsets in lieu of permanent reductions; its certification categories allow entities to carve off aspects of their business and claim net zero or carbon neutrality for that component while leaving emissions from the rest of the business unaddressed.

A consumer might well assume that if a business has achieved certification as a carbon neutral ‘organisation’, this certification covers the entirety of the business. However, in reality, the certification only requires an entity to account for their business *operations* (predominantly the emissions from running their offices). It doesn’t account for investments, or for the products the business manufactures.

National Australia Bank (NAB), for example, reports being a ‘carbon neutral’ organisation. However, the certification only covers the organisation’s business operations. Investments—not an insignificant part of a bank’s operations—are among the categories excluded from NAB’s Climate Active emissions “boundary”.¹³⁹ While NAB reports a reduction in operational emissions over the last five years of around 30,000 tonnes of CO₂-e, Market Forces found that the bank’s investments in expansionary fossil fuel projects between 2016 and 2020 were responsible for enabling 3.6 *billion* tonnes of CO₂.¹⁴⁰ This is over 4000 times the 840,750 tonnes reported within NAB’s emissions boundary to Climate Active over the same period.

Telstra, meanwhile, was certified as a carbon neutral organisation in 2020, having offset around 2 million tonnes of operational emissions. Again, the certification excludes some of Telstra’s products, despite the company acknowledging that scope 3 emissions account for around 70 per cent of its total emissions.¹⁴¹

¹³⁹ Climate Active (2022) *NAB Public Disclosure Statement, Emissions Boundary, P8*, https://www.climateactive.org.au/sites/default/files/2022-03/NAB_Ongoing%20Cert_Year%2011%20FY2020-21_PDS.pdf

¹⁴⁰ Market Forces (2021) *Funding Market Failure*, <https://www.marketforces.org.au/campaigns/banks/bigfourscorecard/#climate-scorecard-bank-actions-since-january-2016>

¹⁴¹ Carbon Disclosure Project (n.d.) *Telstra: Building smart modems and a sustainable supply chain*, <https://www.cdp.net/en/articles/companies/telstra-building-smart-modems-and-a-sustainable-supply-chain>

Just as the organisational certification does not encompass the total emissions produced by an entity, the Climate Active carbon neutral products certification only requires a business to offset the emissions generated from the manufacture of a product. It does not include the emissions from the wider business or the other products they may produce.

Still using Telstra as the example, in 2022 the company launched a retail fossil gas and electricity product, increasing the business's overall emissions. The product has been certified carbon neutral by Climate Active.¹⁴² Telstra is able to publicly claim that is a carbon neutral organisation selling carbon neutral products—and all the while, the vast majority of its emissions have gone unaccounted for.

Carbon neutral fossil fuels

While many Climate Active members engage with the scheme in good faith, driven by a desire to demonstrate credible climate ambition, Climate Active's certification and promotion of fossil fuel products and fossil fuel companies is possibly the most problematic and misleading aspect of the scheme.

No certified fossil fuel firm has credibly demonstrated alignment with pathways to limit global warming to 1.5°C, as set out in the Paris Agreement, and in keeping with the global carbon budget. Nor does any fossil fuel company propose offsetting the entirety of their emissions.

Nevertheless, Climate Active endorses the fossil fuel companies it certifies as “having gone beyond standard practice and set themselves apart as climate champions”. It also encourages consumers to buy from these businesses as they are “taking positive action on climate change”.

Some of Australia's biggest fossil fuel emitters—including AGL, Energy Australia, Ampol and Origin Energy—sell retail petrol, fossil gas and/or coal-fired electricity products that have been certified carbon neutral by Climate Active. Notwithstanding the argument that fossil carbon cannot be reliably or permanently offset by land-based carbon sinks,¹⁴³ none of these companies have provided credible evidence that they plan to reduce their emissions at all. Ampol, like many businesses using offsets, claims its carbon neutral petrol product is a step in its climate transition, but it is very vague about what that transition actually is.

¹⁴² Telstra Energy (2022) *Together we can make a difference*, <https://www.telstra.com.au/electricity-and-gas>

¹⁴³ Carton, Lund, Dooley (2021) *'Undoing Equivalence: Rethinking Carbon Accounting for Just Carbon Removal'*, <https://www.frontiersin.org/articles/10.3389/fclim.2021.664130/full>

Figure 2: Ampol’s social media promotion of its carbon neutral petrol



Source: <https://www.facebook.com/AmpolAustralia>

Carbon neutral gas companies

Climate Active has also certified the operations of several fossil fuel companies—Tokyo Gas, Cooper Energy and Nue Rizer (an underground coal gasification company formerly called Leigh Creek Energy)—allowing these companies to call themselves ‘carbon neutral organisations’ and make ambitious climate claims that are not indicative of their actual climate impact.

Cooper Energy

In 2020 gas company Cooper Energy announced that it was “Australia’s first carbon-neutral domestic gas producer by fully offsetting its FY20 emissions”.¹⁴⁴ ¹⁴⁵ In practice, this meant offsetting 10,000 tonnes of CO₂-e of operational emissions. For context the company’s scope 3 emissions for its equity share for the same year were around 537,000 tonnes.¹⁴⁶

Cooper Energy has since certified its gas product (but not its oil product) as carbon neutral under Climate Active on an ‘opt-in’ basis. This means that the customer chooses whether or not to make the gas they are buying ‘carbon neutral’ in a similar way to passengers can opt to offset their emissions when booking air travel. Cooper Energy’s scope 3 emissions in

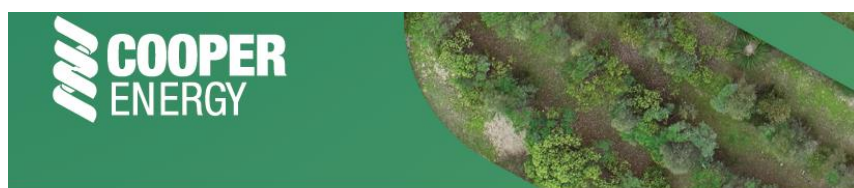
¹⁴⁴ Cooper Energy (2020) *ASX Announcement / Media Release: Cooper Energy to be carbon neutral in 2020*, <https://www.cooperenergy.com.au/investor-information/asx-announcements>

¹⁴⁵ Cooper Energy (2021) *Sustainability Report*, <https://www.cooperenergy.com.au/our-company/sustainability/sustainability-report>

¹⁴⁶ Ibid

2021, including gas and oil, were over 900,000 tonnes of CO₂-e. To date the company has not provided any evidence that it has purchased any offsets for its product.

Figure 3: Cooper Energy's Sustainability report



NET ZERO

Australia's First Carbon Neutral Domestic Gas Producer

Source: Cooper Energy Sustainability report, 2021

Tokyo Gas

Tokyo Gas is a gas company with investment and participation in a number of fossil fuel projects in Australia, including the Darwin LNG Project, the Pluto LNG Project, the Gorgon LNG Project, the Ichthys LNG Project.

In direct emissions Ichthys and Gorgon alone emit around 7 million and 9 million tonnes of CO₂-e a year. Pluto currently emits 1.9 million tonnes per year (a figure that will increase to 4.4 million tonnes with the Scarborough development), while the LNG gas plant emits 2.05 million tonnes of CO₂ per annum.^{147 148 149 150} Tokyo Gas' share of these direct emissions is approximately 380,000 tonnes of CO₂-e. To be certified a carbon neutral organisation, Tokyo Gas offset the emissions from running its offices only: 235.7 tonnes of CO₂-e per year.

¹⁴⁷ NT Environmental Protection Authority (2022) *Ichthys Gas Field Development (INPEX)*, <https://ntepa.nt.gov.au/your-business/public-registers/environmental-impact-assessments-register/completed-assessments/register/ichthys-gas-field-development-inpex>

¹⁴⁸ Swann (2018) *Gorgon-tuan Problem*, <https://australiainstitute.org.au/report/gorgon-tuan-problem/>

¹⁴⁹ Conservation Council of Western Australia, The Australia Institute (2021) *Why the Scarborough LNG development cannot proceed*, <https://australiainstitute.org.au/report/why-the-scarborough-lng-development-cannot-proceed/>

¹⁵⁰ Robert (2021) *Should Santos' Proposed Barossa Gas 'Backfill' for the Darwin LNG Facility Proceed to Development?* <https://ieefa.org/resources/should-santos-proposed-barossa-gas-backfill-darwin-lng-facility-proceed-development>

Figure 4 Tokyo Gas website



Source: <https://www.tokyo-gas.com.au/>

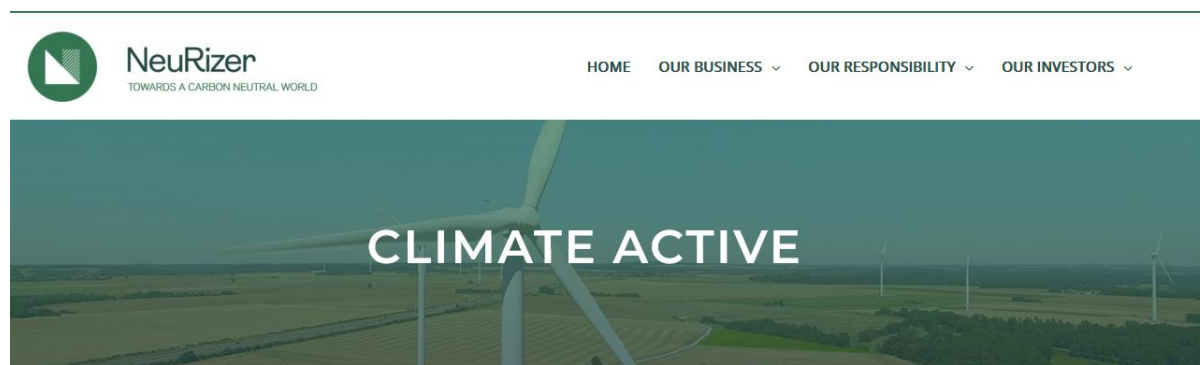
NueRizer

NueRizer is a urea plant carrying out underground coal gasification. The company has been certified as a carbon neutral organisation after offsetting its business operations (8,500 tonnes of CO₂-e). To put the emissions being offset versus the emissions that will be produced by the organisation into context, NueRizer projects that 1 million tonnes of urea per year will be produced when the company's project is fully operational (with potential to increase to 2Mtpa). Producing 1 million tonnes of urea with syngas has an estimated carbon footprint of around 700,000 t of CO₂-e.¹⁵¹

Again, none of these organisations are credibly reducing emissions—and yet, they can (and have) made public announcements about their net zero achievements. Climate Active, on behalf of the Australian Government, is effectively promoting this misleading approach, giving social licence to the industries driving the climate emergency by branding fossil fuel companies as climate leaders.

¹⁵¹ Kumar, Verma, Gupta, Paul, Jain, Haque (2021) 'Life Cycle Analysis for The Production of Urea Through Syngas', *IOP Conference Series: Earth and Environmental Science*, <https://iopscience.iop.org/article/10.1088/1755-1315/795/1/012031>

Figure 4 NueRizer webpage



NEURIZER IS A CERTIFIED CARBON NEUTRAL ORGANISATION

Climate Active is a partnership between the Australian Government and Australian businesses to drive voluntary climate action. Climate Active certifies businesses that have achieved net zero carbon emissions.

Source: <https://neurizer.com.au/our-responsibility/climate-active/>

Low quality offsets

Given the emphasis that Climate Active places on offsets, it is worth reiterating that the integrity and governance of Australia's carbon credits has been repeatedly brought into question over a number of years by numerous independent experts and reported in the media.^{152 153 154 155 156 157}

Fossil fuel companies Ampol and Origin Energy and other big emitting companies such as Lion Brewery (among others) all offset a significant quantity of emissions using carbon credits that have been found to be of low integrity by the Australia Institute and other

¹⁵² Burke (2016) 'Undermined by adverse selection: Australia's Direct Action abatement subsidies', *CCEP Working Paper 1605*, <https://ccep.crawford.anu.edu.au/publication/ccep-working-paper/7618/undermined-adverse-selection-australias-direct-action-abatement>

¹⁵³ Taylor (2015) *Greg Hunt hasn't a lot to show for \$660m spent on reducing greenhouse emissions*, <https://www.theguardian.com/environment/2015/may/01/greg-hunt-660m-spent-reducing-greenhouse-emissions>

¹⁵⁴ Burke (2016) *Direct Action not giving us bang for our buck on climate change*, <https://theconversation.com/direct-action-not-giving-us-bang-for-our-buck-on-climate-change-59308>

¹⁵⁵ Emissions Reduction Assurance Committee (2019) *Review of the Carbon Credits (Carbon Farming Initiative – Avoided Deforestation 1.1) Methodology Determination 2015: Discussion paper*, <https://consult.industry.gov.au/review-of-the-carbon-credits-carbon-farming-initiative-avoided-deforestation-11-methodology-det>

¹⁵⁶ Thompson (2021) *Boom time in carbon farming country*, <https://www.abc.net.au/radionational/programs/backgroundbriefing/boom-time-in-carbon-farming-country/13637436>

¹⁵⁷ Baxter & Gilligan (2017) *Verification and Australia's emissions reduction fund: integrity undermined through the landfill gas method?* <https://search.informit.org/doi/10.3316/INFORMIT.213968113774497>

academics. These credits are currently the subject of the government review.^{158 159 160 161 162}
163 164 165 166

Climate Active promotes entities that offset their emissions entirely using Australian carbon credits as “supporting Australian offset projects, our communities and the local environment”, and from 2023 will begin implementing a requirement that all Climate Active certifications use at least 20% ACCUs in their offset portfolios to be certified.¹⁶⁷

Despite the government’s overt endorsement of Australian offsets, a majority of offsets used by Climate Active members are significantly cheaper units from international frameworks, such as the Clean Development Mechanism (CDM) and Verified Carbon Standard/Verra. Many of the projects operating under both schemes have found to be neither real, nor additional.¹⁶⁸

Research has indicated that the Clean Development Mechanism—the framework generating offsets that Telstra has used to offset over 1 million tonnes of CO₂-e—may actually have *increased* emissions as a whole.¹⁶⁹ A 2016 study commissioned by the European Commission found that the CDM “has fundamental flaws in terms of overall

¹⁵⁸ Bowen (2022) *Independent Review of ACCUs*, <https://minister.dcceew.gov.au/bowen/media-releases/independent-review-accus>

¹⁵⁹ Climate Active (2021) *Public Disclosure Statement: Telstra Energy (Retail) Pty Ltd – Product Certification FY2021-22 (projected)*, <https://www.climateactive.org.au/buy-climate-active/certified-members/telstra>

¹⁶⁰ Bowen (2022) *Independent Review of ACCUs*, <https://minister.dcceew.gov.au/bowen/media-releases/independent-review-accus>

¹⁶¹ Climate Active (2021) *Public Disclosure Statement: Ampol Limited – Product Certification CY2021 (projected)*, <https://www.climateactive.org.au/buy-climate-active/certified-members/ampol-limited>

¹⁶² Climate Active (2022) *Public Disclosure Statement: Origin Energy Limited – Solar PV Product – Product Certification CY2022 (Projected)*, <https://www.climateactive.org.au/buy-climate-active/certified-members/origin>

¹⁶³ Climate Active (2022) *Public Disclosure Statement: Origin Energy Limited- Demand Response Product – Product Certification CY2022 (Projected)*, <https://www.climateactive.org.au/buy-climate-active/certified-members/origin>

¹⁶⁴ Climate Active (2021) *Public Disclosure Statement: Origin Energy Limited LPG – Product Certification CY2021 (Projected)*, <https://www.climateactive.org.au/buy-climate-active/certified-members/origin>

¹⁶⁵ Climate Active (2021) *Public Disclosure Statement: Origin Energy Limited Electricity – Product Certification CY2021 (Projected)*, <https://www.climateactive.org.au/buy-climate-active/certified-members/origin>

¹⁶⁶ Climate Active (2021) *Public Disclosure Statement: Lion Pty Ltd – Organisation Certification CY2021*, <https://www.climateactive.org.au/buy-climate-active/certified-members/lion>

¹⁶⁷ Climate Active (2022) *Independent Review of ACCUs*, <https://www.climateactive.org.au/what-climate-active/news/independent-review-accus>

¹⁶⁸ Cames, Harthan, Füssler, Lazarus, Lee, Erickson & Spalding-Fecher (2016) *How additional is the Clean Development Mechanism? Analysis of the application of current tools and proposed alternatives*, <https://www.oeko.de/en/publications/p-details/how-additional-is-the-clean-development-mechanism-1>

¹⁶⁹ Calel, Colmer, Dechezleprêtre, Glachant (2021) *Do Carbon Offsets Offset Carbon?* <https://www.cesifo.org/en/publikationen/2021/working-paper/do-carbon-offsets-offset-carbon>

environmental integrity” and that the majority of projects “are not providing real, measurable and additional emission reductions”.¹⁷⁰ Telstra has also offset its fossil gas and electricity product through the purchase of CDM offsets from an Indian windfarm.¹⁷¹

REDD+ (reduced emissions from deforestation and degradation) offsets, along with other avoided deforestation carbon credit methodologies, are also eligible to meet a carbon neutral claim under Climate Active. REDD+ has been widely criticised as failing to curb deforestation, generally lacking integrity, and systematically crediting non-additional abatement globally.^{172 173 174}

Beyond carbon, there are also particular concerns about the local benefits that international offsetting schemes deliver (or fail to deliver), particularly regarding inadequate consultation with customary landholders and carbon offset projects being established with no legal basis.^{175 176 177}

An example is the NIHT Topaiyo REDD+ project in Papua New Guinea under the Verified Carbon Standard. While the project has been marred by concerns over its legality since its inception, it is already issuing offsets to Climate Active members.¹⁷⁸ There continue to be questions around whether the local stakeholder consultation process amounted to free, prior and informed consent from landholders to operate a carbon project in the area.¹⁷⁹ There are also significant concerns over the additionality of the project. The claims by the

¹⁷⁰ Climate Home News (2022) *Data exclusive: The ‘junk’ carbon offsets revived by the Glasgow Pact*, <https://www.climatechangenews.com/2022/06/17/data-exclusive-the-junk-carbon-offsets-revived-by-the-glasgow-pact/>

¹⁷¹ Climate Active (2021) *Public Disclosure Statement: Telstra Energy (Retail) Pty Ltd – Product Certifications FY2021-22 (projected)*, <https://www.climateactive.org.au/buy-climate-active/certified-members/telstra>

¹⁷² West, Börner, Sills, Kontoleon (2020) ‘Overstated carbon emission reductions from voluntary REDD+ projects in the Brazilian Amazon’, *Proceedings of the National Academy of Sciences of the United States of Australia*, <https://www.pnas.org/doi/10.1073/pnas.2004334117>

¹⁷³ Agarwal, Saxena, Vyas, Shrivastava (2018) *Rethinking REDD+: A CSE assessment*, <https://www.cseindia.org/rethinking-redd--9198>

¹⁷⁴ Fletcher, Dressler, Büscher Anderson (2016) ‘Questioning REDD+ and the future of market-based conservation’, *Conservation Biology*, <https://www.jstor.org/stable/24760998>

¹⁷⁵ Greiner (2021) *How colonialism’s legacy makes it harder for countries to escape poverty and fossil fuels today*, <https://theconversation.com/how-colonialisms-legacy-makes-it-harder-for-countries-to-escape-poverty-and-fossil-fuels-today-159807>

¹⁷⁶ Ends Report (2009) *International offsets: poor value for money?* <https://www.endsreport.com/article/1569613>

¹⁷⁷ Corbera & Jover (2012) The undelivered promises of the Clean Development Mechanism: insights from three projects in Mexico, *Carbon Management*, 3:1, 39-54, DOI: 10.4155/cmt.11.74 4

¹⁷⁸ Verra (n.d.) *Project 2293: NIHT Topaiyo REDD+*, <https://registry.verra.org/app/projectDetail/VCS/2293>

¹⁷⁹ Lang (2021) *“Illegal operations by NIHT Inc”: Kamlapur Incorporated Land Group writes to Papua New Guinea’s Climate Change & Development Authority and Verra*, <https://redd-monitor.org/2021/06/29/illegal-operations-by-niht-inc-kamlapur-incorporated-land-group-writes-to-papua-new-guineas-climate-change-development-authority-and-verra/>

proponents of the project, NIHT, that logging would have taken place in the project area are dubious considering the historical rate of deforestation in the area being very low as well as the topography of the area being very unfavourable to commercial logging. (The company's own project description document states that the area is largely "high and steep mountain ranges".)¹⁸⁰ Considering that these two large integrity issues sit within the context of many other concerns over the project's quality—including carbon stock permanence, benefit sharing disputes, illegible project maps and methodological faults—this project should be viewed as indicative of other offset projects being used to meet Climate Active certification.

It is difficult to see how Australian Government bodies such as the ACCC will be empowered to address opaque and misleading net zero claims by non-state actors given the enthusiasm with which the Australian Government itself defends and promotes offsets and offsetting over absolute emissions reductions.

¹⁸⁰ Independent mapping carried out by Dr Bryant Allen, Honorary Associate Professor, Coral Bell School of Asia Pacific Affairs, Australian National University

Addressing greenwashing: regulating the regulators

The involvement of non-state actors in climate action could and should be a welcome development as the scale and urgency of the climate clearly requires an ‘all hands on deck’ approach, but as others have noted:

Non-state actors neither have the capacity nor, in all cases, the commitment necessary to play a leading role in global climate governance. Corporations can be especially fickle and unreliable. Putting stock in corporations’ net-zero pledges may...reinforce the neoliberal misapprehension that the best way to combat climate change is through the heroic efforts of individual companies and consumers, rather than the thoroughgoing system-wide transition called for by the IPCC....¹⁸¹

It is national governments that could have defined from the outset (and could still define) exactly what ‘net zero’ means. Instead, in place of strong credibility criteria, measurement and reporting requirements, Australia—along with many other countries—has given industry the luxury of creative interpretation and spared them the scrutiny of clear public reporting.

Ultimately it is the actions of states that will determine the ambition of non-state actors. Climate change is caused by market failure, and there is no theoretical or empirical evidence to suggest that voluntary commitments with voluntary compliance mechanisms will drive significant change. National governments control the levers of climate policy that affect net zero commitments by non-state actors. These levers include, but are not limited to, emissions disclosure requirements, environmental laws, emissions taxes or pricing mechanisms, anti-corruption measures, industry subsidies and public investment.¹⁸² There are significant consequences for refusing to pull those levers due to the abundance of claims that voluntary action will be sufficient.

¹⁸¹ Maclean (2019) Reorienting the Role of Nonstate Actors in Global Climate Governance, *Changing Actors in International Law*,
https://www.researchgate.net/publication/338065600_Reorienting_the_Role_of_Nonstate_Actors_in_Global_Climate_Governance

¹⁸² Maclean (2020) Rethinking the Role of Nonstate Actors in International Climate Governance, *Loyola University Chicago International Law Review*,
https://www.researchgate.net/publication/342222459_Rethinking_the_Role_of_Nonstate_Actors_in_International_Climate_Governance

Instead of setting standards to which non-state actors must adhere, climate policy has been largely subverted so that non-state actors set the climate standards they want from the state. Australian governments, like others globally, are overwhelmingly beholden to industry, including to the fossil fuel and other carbon-intensive industries that are responsible for the vast majority of global emissions.¹⁸³ An array of tactics implemented by private sector interests—including coercion, intimidation, lobbying, misinformation, and material incentives—mean that the most effective climate policy measures at the disposal of national governments are inadequate, entirely absent or skewed in the favour of industry.¹⁸⁴ This corporate influence results in national governments shaping domestic policy to suit the needs of powerful industries, actively endorsing and subsidising fossil fuel production, and defending industry interests in trade deals and other international agreements.¹⁸⁵

While the result of such governmental support manifests differently in developing and developed nations, the broad outcome is that emissions continue to rise globally, economies remain dependent on fossil fuel energy, and funding for the transition to renewable energy is absent. Meanwhile, non-state actors remain largely unaccountable, unbound by state obligations and out of reach of international law (to the extent that such law even exists).¹⁸⁶

RELEASING INDUSTRY’S GRIP ON CLIMATE POLICY

As we have demonstrated, tackling the credibility and efficacy of net zero commitments by non-state actors can only be effective if it is accompanied by acknowledging and addressing the interaction between governments and the private sector. This does not only mean greater ambition by states and governments, but also forthrightly acknowledging where the private sector has been allowed to influence climate policy and where governments are enabling or complicit in greenwash by the private sector.

¹⁸³ Oil Change International, Friends of the Earth U.S. (2021) *Past Last Call: G20 public finance institutions are still bankrolling fossil fuels*, <https://priceofoil.org/2021/10/28/past-last-call-g20-public-finance-institutions-are-still-bankrolling-fossil-fuels/>

¹⁸⁴ Cooke (2022) *IPCC Report Calls Out ‘Vested Interests’ Delaying Climate Action*, <https://www.resilience.org/stories/2022-03-01/ipcc-report-calls-out-vested-interests-delaying-climate-action/>

¹⁸⁵ Parry, Black, Vernon (2021) *Still Not Getting Energy Prices Right: A Global and Country Update of Fossil Fuel Subsidies*, <https://www.imf.org/en/Publications/WP/Issues/2021/09/23/Still-Not-Getting-Energy-Prices-Right-A-Global-and-Country-Update-of-Fossil-Fuel-Subsidies-466004>

¹⁸⁶ Kleczkowska (2020) *States vs. non-state actors – a public international law perspective*, https://www.researchgate.net/publication/338924055_States_vs_non-state_actors_-_a_public_international_law_perspective

Therefore, a key step towards regulatory frameworks that reduce emissions is reducing the influence of industry on the processes that shape rules and regulations. In Australia, at least, they have been central in designing the rules that govern them^{187 188 189} and fossil fuel representatives remain in influential positions within Australia’s climate policy bodies.¹⁹⁰

For Australians, one of the abiding images of the 2021 UN climate conference in Glasgow was the Australian Government and the CEO of oil and gas company Santos jointly announcing a final investment decision on the company’s carbon capture and storage project at Australia’s pavilion. Research by the Australia Institute describes in detail the extent to which industry influence shaped the regulations that led to this announcement.¹⁹¹

Removing the representatives of fossil fuel companies and major emitters from official bodies and reducing their influence on the development of regulation is a first crucial step towards a framework for genuine emissions reductions. However, it is worth restating that the corruption of Australia’s net zero policy by industry representatives also serves the interests of the Australian Government.

By being able to point to fossil fuel companies and their net-zero claims, the Australian Government has been able to deflect scrutiny and attention from its own lamentable record on emissions reduction and wider climate policy.

THE RESPONSIBILITY OF NON-STATE ACTORS

Non-state actors from sectors outside big emitting industries also have a key role (if not a responsibility) to play in advocating for climate integrity in their respective national contexts. Strong corporate governance—including reporting practices and linking management/directors’ responsibilities to emissions—are also important. Rather than being passive actors benefitting from an absence of regulation, the businesses branding themselves as ‘climate leaders’ have the opportunity to call out the entanglement of industry and government, and to demand transparency and effective decarbonisation policies.

¹⁸⁷ Hemming, Campbell, Ogge, Armistead (2022) *Come clean*, <https://australiainstitute.org.au/report/come-clean-how-the-emissions-reduction-fund-came-to-include-carbon-capture-and-storage/>

¹⁸⁸ Hemming, Armistead, Venketasubramanian (2022) *An Environmental Fig Leaf*, <https://australiainstitute.org.au/report/an-environmental-fig-leaf/>

¹⁸⁹ Drury (2022) *Selling Out: How powerful industries corrupt our democracy*, <https://www.hrlc.org.au/reports/2022/1/31/selling-out-how-powerful-industries-corrupt-our-democracy>

¹⁹⁰ The most well-known example is the Chair of Australia’s Climate Change Authority, former oil and gas executive Grant King.

¹⁹¹ Hemming, Campbell, Ogge, Armistead (2022) *Come clean*, <https://australiainstitute.org.au/report/come-clean-how-the-emissions-reduction-fund-came-to-include-carbon-capture-and-storage/>

For now, there is a noticeable silence on climate advocacy from the private sector in Australia. Fossil fuel companies are by far the loudest voices engaging with government on climate policy in Australia. No company engaging with government on climate is lobbying for policies aligned with the Paris Agreement.¹⁹²

It is reasonable to expect that industry will always game the system. Indeed, economic theory predicts that if given the chance, this is exactly what industry will do, and even those companies acting in good faith are likely to only do the bare minimum required of them. Without adequate transparency, meanwhile, governments will likely let industry get away with doing so.

As important as it is to reduce the influence of fossil fuel interests and major emitters, it will also be crucial to facilitate the involvement of researchers, worker groups, particularly affected communities and wider civil society. This goes beyond inclusion in decision making and consultation, requiring a range of policy settings to ensure experts and the community can contribute to effective climate policy, including net zero discussion.

These voices are often subject to silencing and intimidation. For example:

- Australia has seen numerous attacks on the favourable tax status of environmental and civil society groups that participate in net zero policy debate.¹⁹³
- There have been attacks on trade unions, including those that represent fossil fuel industry workers.¹⁹⁴
- The absence of secure funding for universities and scientific research can make scientists reluctant to communicate their expertise.¹⁹⁵

Integrity of climate policy broadly, and regulation of net zero commitments more narrowly, are a function of how well other aspects of public and private sector governance are working. Australia's failure to ensure the integrity and effectiveness of net zero claims illustrates the need for strong integrity in governance and transparency measures within national and non-state bodies.

¹⁹² InfluenceMap (n.d.) *Australia*, <https://australia.influencemap.org/>

¹⁹³ Slezak (2017) *Mining industry body retreats from hardline stance on charities*, <https://www.theguardian.com/business/2017/nov/28/mining-industry-body-retreats-hardline-stance-charities>

¹⁹⁴ Karp (2019) *Ensuring integrity bill: officials contradict Christian Porter on union deregistration*, <https://www.theguardian.com/australia-news/2019/sep/25/ensuring-integrity-bill-officials-contradict-christian-porter-on-union-deregistration>

¹⁹⁵ Morton (2022) *CSIRO has become 'extravagant consulting company', one of its former top climate scientists says*, <https://www.theguardian.com/australia-news/2022/may/02/csiro-has-become-extravagant-consulting-company-one-of-its-former-top-climate-scientist-says>

It is no coincidence that Australia's recent national election saw the election of candidates that were committed to both integrity measures and climate policy.¹⁹⁶ Australia's existing integrity bodies have already exposed corruption between the coal industry and government.¹⁹⁷ The recently elected Labor Government brought the promise of a federal integrity commission to the election—and given the controversy that surrounds Australia's offset system, it would be prudent of the government to include the carbon industry in future corruption inquiries.

Transparency and involvement by climate experts and civil society are therefore crucial to ensuring net-zero targets are meaningful and achieved.

¹⁹⁶ Wahlquist (2022) *Teal independents: who are they and how did they upend Australia's election?*, <https://www.theguardian.com/australia-news/2022/may/23/teal-independents-who-are-they-how-did-they-upend-australia-election>

¹⁹⁷ Whitbourn (2013) *ICAC: Obeid, Maitland coal licences must be torn up, profits confiscated*, <https://www.smh.com.au/national/nsw/icac-obeid-maitland-coal-licences-must-be-torn-up-profits-confiscated-20131218-2zkb6.html>

Conclusion

Greenwashing is a false economy

While this paper has acknowledged and described how the current net zero ‘economy of appearances’ serves both non-state and state actors, it is important to understand that ultimately, this situation affects both participants detrimentally.

The Australian Government is relying overwhelmingly on non-state actors to take the climate action required for Australia to meet its national climate target.¹⁹⁸ Designing climate policy to cater entirely to a small but powerful industry is arguably a false economy, as it ultimately disincentivises and obstructs other sectors from doing any more than the bare minimum in reducing their emissions.

While greenwashing fossil fuels has received bipartisan support in Australia, greenwashing actually takes significant effort. It is labour-intensive, economically inefficient, and ultimately convinces no one. Research has suggested that government would be better placed putting its efforts behind legitimate industrial policies that are less politically polarising and that actually reduce emissions.¹⁹⁹

Policies that entrench fossil fuels in the Australian economy make it almost impossible for the rest of the private sector to decarbonise. As we have seen, this in turn compels businesses to set targets or make claims that look adequate at face value, but that do not actually achieve anything. The end result is a ‘race to the bottom’ by business.

Similarly, continuing to provide billions of dollars in subsidies to fossil fuels diverts funding that could go to renewable energy, electrification or research and development in legitimately hard-to-abate sectors. This, in turn, deters private investment in these areas—a phenomenon demonstrated effectively by Australia’s current lack of electric transport,

¹⁹⁸ Rae (2022) *Emissions shift may reduce taxpayer burden*,
<https://www.canberratimes.com.au/story/7835792/emissions-shift-may-reduce-taxpayer-burden/>

¹⁹⁹ Uden & Greig (2022) *Why direct action technology, not taxes, is a better climate bet*,
<https://www.afr.com/policy/energy-and-climate/why-direct-action-technology-not-taxes-is-a-better-climate-bet-20220818-p5batb>

thanks to government offering significant subsidies for the purchase of large twin-cab utes while dragging its feet on introducing fuel efficiency and emissions standards.^{200 201 202 203}

Most importantly, government support for net zero targets that conceal a lack of real emissions reductions will invariably be exposed in official international climate accounting and will be laid bare in Australia's national inventory for the international community and trading partners to see. For a country hoping to host a United Nations climate conference in the future, Australia should be mindful that its climate ambition will be under enhanced scrutiny.²⁰⁴

For non-state actors with legitimate climate ambition, the net zero economy of appearances rewards greenwashing while credible claims are unrecognised and unrewarded. Many businesses and entities certified by Climate Active may indeed be credibly reducing their emissions in areas of their business, but the trademark promotes fossil fuel companies and legitimate organisations as having the same level of ambition.

In an economy under pressure to reduce its emissions, governed by regulators fighting the reality of a finite carbon budget, non-state actors in non-fossil fuel industry sectors will be expected to do the heavy lifting on climate. It is likely that, as the Australian Government continues to approve gas and coal projects, other sectors will be expected to compensate for new emissions—even though it might be harder for them to do so given the lack of investment in their sectors as mentioned above.

Ultimately, there are very few beneficiaries from net zero pledges as currently defined and practiced in Australia. The exceptions are a handful of fossil fuel executives and their political associates. It is in the interests of everyone, and also everyone's responsibility, to recognise that net zero is failing—and the consequences of that failure will be borne by everyone.

To avoid climate catastrophe, we need to move away from rewarding performative inaction toward a new ecosystem of climate policies and regulation, governed by an overarching

²⁰⁰ Mazengarb (2022) "Australia is falling behind:" Clean energy investment shackled by outdated rules, <https://reneweconomy.com.au/australia-is-falling-behind-clean-energy-investment-shackled-by-outdated-rules/>

²⁰¹ Denniss, Saunders, & Richardson (2021) *Bending the Trend: The role of policy, prices and pamphlets in driving emissions reductions*, <https://australiainstitute.org.au/report/bending-the-trend/>

²⁰² Quicke (2022) *Fuelling efficiency: Introducing fuel efficiency standards for the Australian vehicle fleet*, <https://australiainstitute.org.au/report/fuelling-efficiency/>

²⁰³ Denniss & Saunders (2022) *One tonne of jobs and growth*, <https://australiainstitute.org.au/report/one-tonne-of-jobs-and-growth/>

²⁰⁴ Merzian, Verschuer, Parrott (2022) *COP29 in Australia: How hosting an international climate conference could revive Australia's regional and global reputation*, <https://australiainstitute.org.au/report/cop29-in-australia/>

mandate of integrity and transparency, that rewards absolute reductions in emissions—and exposes obfuscation.

Appendix

Woodside Energy and net zero

Woodside Energy is an Australian oil and gas company. It is one of the world's largest energy companies and was responsible for five per cent of the world's total Liquefied Natural Gas (LNG) supply in 2021.^{205 206}

Woodside has a history of opposing climate policy and engaging in questionable conduct on a number of fronts.²⁰⁷ The company's prolonged and aggressive lobbying has been credited with the Western Australian Environmental Protection Authority abandoning guidelines designed to offer enhanced environmental protection.^{208 209}

Woodside has exploration, development and operating activities in Australia and a number of international regions. It also has ambitious plans for expansion through its Scarborough gas field and North West Shelf expansion. The expected direct emissions from these developments are estimated to be 133 million tonnes and 385 million tonnes of CO₂-e, respectively, over the lives of the projects.^{210 211} When the indirect emissions from the projects are factored in, total emissions are estimated to be 1.6 billion tonnes and 4.3 billion tonnes of CO₂-e respectively. The North West Shelf expansion would be one of Australia's most polluting projects and would produce gas until 2070.

²⁰⁵ Lannin, Weber (2021) *BHP and Woodside Petroleum merger to create a global oil and gas giant in \$40 billion mega deal*, <https://www.abc.net.au/news/2021-08-17/bhp-woodside-merger-oil-energy-company/100385084>

²⁰⁶ Woodside Energy (2022) *Operations*, <https://www.woodside.com/what-we-do/operations>

²⁰⁷ Kehoe (2022) *Gas, money and spies: Time running out for Timor-Woodside deal*, <https://www.afr.com/companies/energy/gas-money-and-spies-time-running-out-for-timor-woodside-deal-20220808-p5b85o>

²⁰⁸ Thompson (2019) *Oil and gas lobby returns fire to WA's EPA on emissions claims*, <https://www.afr.com/companies/energy/oil-and-gas-lobby-returns-fire-to-wa-s-epa-on-emissions-claims-20190613-p51xi7>

²⁰⁹ Latimer, Hastie (2019) *'Brain explosion': Woodside, Canavan pile on WA government to dump EPA guidelines*, <https://www.smh.com.au/business/the-economy/brain-explosion-woodside-canavan-pile-on-wa-government-to-dump-epa-guidelines-20190313-p513r9.html>

²¹⁰ Conservation Council of Western Australia, The Australia Institute (2021) *Why the Scarborough LNG development cannot proceed*, <https://australiainstitute.org.au/report/why-the-scarborough-lng-development-cannot-proceed/>

²¹¹ Western Australia Environmental Protection Authority (2022) *EPA Report 1727 – North West Shelf Extension Project – assessment report*, <https://www.epa.wa.gov.au/proposals/north-west-shelf-project-extension>

Despite all this, Woodside’s 2020 Net Zero Strategy states, “We support the Paris Agreement, and our natural gas can help reduce global emissions. We aim to be net zero by 2050, and we’re challenging ourselves to do better in how we operate today’s projects and develop tomorrow’s opportunities.”²¹²

Woodside is effectively claiming that it will be able to meet its net zero target while also increasing emissions.

The details of Woodside’s net zero plan are outlined on Woodside’s website.²¹³ The company’s “aspiration of net zero by 2050 or sooner” is accompanied by interim targets including a 15 per cent reduction in net equity scope 1 and 2 emissions by 2025 and a 30 per cent reduction in net equity scope 1 and 2 emissions by 2030. There are no targets for scope 3 emissions – by far the company’s biggest source of emissions (90 per cent of emissions)²¹⁴ – beyond a commitment to invest US\$5 billion in “new energy products and lower-carbon services by 2030”.

At face value, Woodside’s climate targets are not straightforward. They become even less so when one reads the conditions written in a small font at the bottom of their website:

Target is for net equity Scope 1 and 2 greenhouse gas emissions, relative to a starting base of the gross annual average equity Scope 1 and 2 greenhouse gas emissions over 2016-2020 and may be adjusted (up or down) for potential equity changes in producing or sanctioned assets with an FID prior to 2021. Post-completion of the Woodside and BHP petroleum merger (which remains subject to conditions including regulatory approvals), the starting base will be adjusted for the then combined Woodside and BHP petroleum portfolio.

This paragraph alone illustrates how impenetrable corporate climate targets can be. Effectively Woodside is saying it will be *partly* net zero for *some* of its emissions. While the conclusions of climate scientists are simple—the world needs to rapidly reduce the actual amount of greenhouse gasses being released into the atmosphere—the accounting frameworks used by large polluters are largely incomprehensible. The clearest message such commitments convey is that large polluters like Woodside that have committed to net zero reserve the right to increase their actual greenhouse gas emissions and change the baselines against which their ‘reductions’ are measured.

²¹² Woodside (2020) *Better is a lower-carbon future*, [https://www.woodside.com.au/docs/default-source/sustainability-documents/climate-change/part-of-a-lower-carbon-future-\(november-2020\).pdf](https://www.woodside.com.au/docs/default-source/sustainability-documents/climate-change/part-of-a-lower-carbon-future-(november-2020).pdf)

²¹³ Woodside Energy (2022) *Climate Policy (February 2022)*, <https://www.woodside.com/sustainability/climate-change>

²¹⁴ Australasian Centre for Corporate Responsibility (2022) *Woodside Petroleum Ltd: Assessment of 2021 Climate Report*, <https://www.accr.org.au/research/woodside-petroleum-ltd-assessment-of-2021-climate-report/>

Accounting only for the operational “net equity share” emissions means that Woodside only counts the scope 1 and 2 emissions for the percentage share of the project it claims it officially owns. Despite being the legal operator—and thus technically liable—for projects such as Pluto and North West Shelf LNG, Woodside takes no responsibility for the operational emissions for the rest of the projects. However, the converse is not necessarily true. Many of Woodside’s investment partners do not accept responsibility for their equity portion of Woodside’s emissions, as they are not legally responsible for this pollution. This leaves the majority of Woodside’s emissions unaccounted for.

A report by the Conservation Council of Western Australia and the Australia Institute found that if the total operational emissions for which Woodside is responsible as the legal operator were counted instead of equity share emissions, the 15 per cent reduction by 2025 and 30 per cent reduction by 2030 targets would be significantly lower.²¹⁵

Woodside’s plan for reducing emissions is through the deployment of undefined “lower-emission technologies”, increased efficiency, and the use of offsets. Investments in “new energy products and lower carbon services” for customers are intended to reduce the emissions that result from Woodside’s products.²¹⁶ These technologies are listed as hydrogen, ammonia, solar and carbon capture and storage; however it is unclear exactly how and by how much they would reduce absolute emissions, especially if a majority of the hydrogen is fossil-fuel derived.²¹⁷ Carbon capture and storage (CCS) requires high energy input and involves significant greenhouse gas leakage. Projected levels of CCS are also highly optimistic and rarely achieved, and the process is also commonly used for enhanced oil recovery (often referred to as carbon capture, use and storage or CCUS), resulting in even more emissions.²¹⁸

Although Woodside’s climate plans are dominated by reliance on carbon offsets, the company does not disclose the quantities of offsets it retires. The company itself concedes that “there are important conditions on the use of offsets, such as the emissions reduction hierarchy that prioritises avoiding and reducing emissions before offsetting them”²¹⁹ despite using offsets as a justification for entirely new projects.

²¹⁵ Conservation Council of Western Australia, The Australia Institute (2021) *Why the Scarborough LNG development cannot proceed*, <https://australiainstitute.org.au/report/why-the-scarborough-lng-development-cannot-proceed/>

²¹⁶ Woodside Energy (2022) *Climate Policy (February 2022)*, <https://www.woodside.com/sustainability/climate-change>

²¹⁷ Ogge (2022) *Brown Coal, Greenwash*, <https://australiainstitute.org.au/report/brown-coal-greenwash/>

²¹⁸ Longden, Beck, Jotzo, Andrews, Prasad (2021) *‘Clean’ hydrogen? – Comparing the emissions and costs of fossil fuel versus renewable electricity based hydrogen*, <https://crawford.anu.edu.au/publication/ccep-working-paper/18648/clean-hydrogen-analysis-emissions-and-costs-fossil-fuel-based>

²¹⁹ Woodside (2022) Submission to the Climate Change Authority review of international offsets, <https://www.climatechangeauthority.gov.au/consultations/previous-consultations/review-international-offsets>

While Woodside also plans to make its operations more efficient, it also plans to expand their scale—something that may well still lead to an overall rise in emissions. Given its current operations and planned expansions, Woodside will be relying heavily on offsets to make up for continued emissions and growth.

The exact pathway for Woodside to reach its net zero and interim targets is left undescribed in its strategy documents and reports. Woodside has effectively defined—or not defined—net zero to serve its existing business model.

Telstra and net zero

Telstra is a major Australian telecommunications company. It has recently entered the energy market as an energy retailer.²²⁰

Telstra has committed to an absolute reduction in its scope 1, 2 and 3 emissions by over 50 per cent by 2030. It has also committed to ‘enabling’ renewable energy generation equivalent to 100 per cent of [its own] consumption by 2025 through underwriting renewable energy projects.²²¹

Telstra claims to have already achieved net zero for some the company’s emissions by implementing energy efficiency measures and offsetting. However, it is important to note that it is meaningless for companies to claim to be ‘net zero’ for *part* of their operations as some parts of some operations may have low, zero or negative emissions in the first place.

Telstra also launched a retail fossil gas and electricity product in 2022, which is not mentioned in the company’s 2022 sustainability report.^{222 223}

Telstra makes voluntary, comprehensive reports on the sources of its emissions, which means that, unlike in the case of many corporate net zero claims, it was relatively easy to ascertain that the company’s total emissions for 2022 were close to 3 million tonnes of CO₂-e. There is some ambiguity in the ways in which the company accounts for its scope 3 emissions, with some being counted in the company’s ‘carbon neutral organisation’ claim and others omitted.

Telstra relies heavily on carbon offsets to underpin its progress claims. The company claims to have purchased 6.22 million carbon offsets over the last three years, predominantly from

²²⁰ Wrigley (2021) *Telstra Energy: Say watt? Telco giant set to dial into energy*, <https://www.canstarblue.com.au/electricity/telstra-energy-launch-2021/>

²²¹ Telstra (n.d.) *Environmental action*, <https://www.telstra.com.au/aboutus/community-environment/environment>

²²² Telstra (n.d.) *Telstra Energy*, <https://www.telstra.com.au/electricity-and-gas>

²²³ Telstra (2022) *Bigger Picture: 2022 Sustainability Report*, <https://exchange.telstra.com.au/sustainability-2022/>

international projects (the integrity of which is discussed briefly earlier in this report).^{224 225} In 2020, Telstra purchased 2 million offsets as part of its carbon neutral claim. Most of these were from cheaper international projects despite the company claiming they are “focused on investments in First Nations led projects in savannah burning, as well as reforestation projects with biodiversity outcomes”. In fact, in 2020 the company only purchased 11,000 of these credits, accounting for a minority of their offset portfolio that year.²²⁶

Telstra has made progress on reducing absolute emissions, but what is striking is the efforts that the company makes to inflate its climate ambition, particularly through offsetting and natural carbon sinks. Significant marketing has gone into Telstra’s announcement that it will be trialling a tree-planting project that is expected to store only around 160,000 tonnes of carbon dioxide over the next 25 years.²²⁷ Telstra has also recently released a report emphasising the ways in which it “enables” emissions reductions, claiming to have enabled customers using Telstra’s digital technologies to avoid 2.4 tonnes of CO₂-e for every 1 tonne the organisation emitted in Australia. We have not assessed the specific credibility of this figure, but we exercise caution in regard to corporate claims that may deflect from the achievements of the organisation itself.²²⁸

Telstra has also joined the “Race to Zero” UN 1.5°C pledge commitment.²²⁹ Race to Zero is an initiative requiring specific actions by its signatories, including ‘leadership practices’. Such practices are listed as prioritising reducing emissions and a clear outline of how the ‘neutralisation’ through offsets must transition to permanent removals by the time Net Zero is achieved. The purchase of carbon credits, or investment in natural sinks without using them to make a carbon neutralisation claim is also encouraged.²³⁰

²²⁴ Telstra (2022) *Bigger Picture: 2022 Sustainability Report*, <https://exchange.telstra.com.au/sustainability-2022/>

²²⁵ A purchase of 6.2 million offsets over the last three years averages around two million tonnes of offsets a year – if the company were reducing its emissions significantly this number should drop each year even in this short timeframe.

²²⁶ Climate Active (2020) *Public Disclosure Statement: Telstra Corporation Limited – Organisation Certification CY2020*, <https://www.climateactive.org.au/buy-climate-active/certified-members/telstra>

²²⁷ Telstra (2022) *E-I-E-I-O: Why we’re creating a forest using experimental tech*, <https://exchange.telstra.com.au/why-were-creating-a-forest-using-experimental-tech/>

²²⁸ Deloitte Access Economics (2022) *Enabling positive climate action: The impact of Telstra’s digital technologies*, <https://exchange.telstra.com.au/how-were-using-tech-to-help-customers-reduce-emissions-and-meet-australias-climate-goals/>

²²⁹ United Nations (n.d.) *Who’s in Race to Zero?* <https://newsroom.unfccc.int/climate-action/race-to-zero/who-s-in-race-to-zero>

²³⁰ UNFCCC (n.d.) *Minimum criteria required for participation in the Race to Zero campaign: Starting Line and Leadership Practices 2.0 - In force from 1 June 2021*, <https://unfccc.int/climate-action/race-to-zero-campaign#eq-3>

Telstra has publicly committed to reducing their emissions on an absolute basis, and “leading by example”, holding themselves “accountable” for meeting their targets and contributing to the broader discussion on climate.²³¹ In an assessment of Telstra’s engagement with government on climate, InfluenceMap has noted “Telstra appears to be reluctant to engage with climate-related policy regulations beyond its internal climate targets”. Indicating that the company may not be as willing to lead or contribute to the broader discussion on climate as it suggests, particularly if doing so may threaten its profitability.²³²

Telstra Energy, Telstra’s energy retail brand, has been granted approval to sell fossil gas, renewable electricity, and fossil fuel electricity to customers in Victoria (with Victoria’s Essential Services Commission indicating it would be paying close attention to Telstra’s operations given its “extensive history of non-compliance in the telecommunications sector”).²³³ Telstra intends to expand its retail energy offering to New South Wales, South Australia and South East Queensland, offsetting the emissions from all its products.²³⁴

For consumers, offsetting and claims of carbon neutrality may make it harder for customers to distinguish between a 100% renewable retailer and a gas and coal electricity retailer using offsets.

It is difficult to see how expanding into energy retailing is reconcilable with being a company that is “passionate about tackling climate change now and in the future”. Even if Telstra’s expectation is that Australia’s electricity grid eventually decarbonises, meaning that it would then sell only renewable energy to its customers, the company appears to be prepared to allow significant emissions in the meantime.²³⁵ The risk is that Telstra’s carbon neutral and net zero commitments may continue to rely on offsets rather than reducing real emissions at present and in the near future.

Ampol and net zero

Ampol is an Australian petroleum company. It has two business divisions, one of which imports crude oil and refined fossil fuel products from the global market to Australia and New Zealand. Oil is refined at Ampol’s refinery in Lytton, Queensland into petrol, biofuel,

²³¹ Climate Active (2021) *Public Disclosure Statement: Telstra Energy (Retail) Pty Ltd – Product Certifications FY2021-22 (projected)*, <https://www.climateactive.org.au/buy-climate-active/certified-members/telstra>

²³² InfluenceMap (2021) *Telstra*, <https://lobbymax.org/company/TELSTRA-862779ee786d0b73ccb34200b4b7b59f>

²³³ Essential Services Commissions (2021) *Telstra Energy must provide special protections for consumers as part of Victorian energy licences*, <https://www.esc.vic.gov.au/media-centre/telstra-energy-must-provide-special-protections-consumers-part-victorian-energy-licences>

²³⁴ Telstra (n.d.) *Telstra Energy*, <https://www.telstra.com.au/electricity-and-gas>

²³⁵ Telstra (n.d.) *Telstra Energy*, <https://www.telstra.com.au/electricity-and-gas>

diesel, jet fuel and other specialty products such as liquid petroleum gas (LPG). Fuels are then distributed to wholesale customers. Last year Ampol sold 20.1 billion litres of fuel.

The other side of the business is Ampol's convenience retail division. This division has a network of 1,881 service stations (with 684 retail sites being Ampol-controlled) selling fuel, automotive products, groceries, fast foods and other goods.

As a member of the Climate Leaders Coalition, “a group of cross-sectoral Australian corporate CEOs supporting the Paris Agreement commitments and setting public decarbonisation targets”²³⁶, Ampol clearly recognises the need to be *seen* to be acting on climate:

As business leaders we must step up and be part of the solution to climate change. This will ensure future generations have the opportunities we have had and more. I want to look back and be proud that I was part of a generation that transformed the world into a better place with a sustainable future, rather than one that acted too late and too slowly to make a real difference.²³⁷

However, the company's stated ambition is not matched with actions to achieve it. Ampol leans heavily on its 'net zero' target and 'carbon neutral' claims but provides no evidence on how the vast majority of its emissions will be managed.

Ampol has a net zero target across its operations by 2040 and targets to reduce operational emissions in the interim. This will be done by reducing the intensity of emissions for 2025 and 2030, via reducing emissions intensity in the fuels and infrastructure division and reducing absolute emissions in the convenience retail division. Ampol claims to have started taking action to reduce operational emissions with the installation of solar and batteries at retail outlets.²³⁸

In 2021 Ampol's operational emissions were around 1 million tonnes CO₂-e: two per cent of the company's total emissions. This means the net zero target does not cover 98 per cent of its emissions. Ampol's total emissions in 2021—including operational emissions, emissions from fuel distribution and combustion of its products—were 54 MT CO₂e.²³⁹

²³⁶ Climate Leaders Coalition (n.d.) *Climate Leaders Coalition*, <https://www.climateleaders.org.au/>

²³⁷ Ampol (2021) *Ampol Welcomes Release of Climate Leaders Coalition's Roadmap to 2030*, <https://www.ampol.com.au/about-ampol/news-and-media/climate-roadmap>

²³⁸ Carbon Market Institute (2022) *Webinar: Corporate Transition – Drivers, Strategies, carbon market & renewable energy approaches*, <https://carbonmarketinstitute.org/2022/09/02/september-2-webinar-corporate-transition-drivers-strategies-carbon-market-renewable-energy-approaches/>

²³⁹ Ampol (2021) *Future Energy and Decarbonisation Strategy*, <https://www.ampol.com.au/about-ampol/sustainability/future-energy>

Despite the vast majority of Ampol's emissions coming from the combustion of its fossil fuel products, Ampol has no climate target for its scope 3 emissions. Instead, it has 'goals' which it claims will reduce emissions from its products. These include:

- Helping customers to reduce their emissions from using Ampol's products by offering 'carbon neutral' fuel to customers and rolling out EV charging stations;
- Increasing investments in lower-carbon energy by investing in future energy and decarbonisation, and staffing a multidisciplinary "Future Energy" team; and
- Collaborating with supply chains to set net zero goals.

It is entirely unclear how these measures will result in significant emissions reductions. Ampol's use of offsets and 'carbon neutral' petrol and diesel is discussed earlier in this report.

Ampol also has plans to transition its entire business from a 'traditional' fuel company²⁴⁰ to a "Future Energy" provider. However, somewhat contradictorily, the company also claims that "the energy transition for the transport sector is likely to be slower in Australia compared to some other countries" and that "analysis shows customer demand for transport fuels remaining robust until at least 2030".²⁴¹

Ampol appears to be suggesting that it will still be relying on fossil fuels in its business model for the next eight years at least even though the International Energy Agency has a 1.5°C pathway requiring no sales of petrol and diesel cars by 2023.²⁴² Ampol also suggests that fossil jet fuel demand will remain robust post-2040 and that "substitution with sustainable aviation fuel and technology changes are only likely to be material after this period".²⁴³

To achieve its transition to a future energy provider Ampol plans to move into the electricity market (having already applied for licences to retail electricity and gas), create hydrogen "solutions", and develop "new products and offerings" such as gas and biofuels.²⁴⁴ Ampol has allocated a minimum of \$100m capital expenditure through to 2025 to support the

²⁴⁰ Carbon Market Institute (2022) *Webinar: Corporate Transition – Drivers, Strategies, carbon market & renewable energy approaches*, <https://carbonmarketinstitute.org/2022/09/02/september-2-webinar-corporate-transition-drivers-strategies-carbon-market-renewable-energy-approaches/>

²⁴¹ Ampol (2021) *Ampol launches future energy and decarbonisation strategy, including commitment to reach operational net zero emissions by 2040*, <https://www.listcorp.com/asx/ald/ampol-limited/news/ampol-launches-future-energy-and-decarbonisation-strategy-2543504.html>

²⁴² International Energy Agency (2022) *Fossil-fuel cars ban from 2030*, <https://www.iea.org/policies/14451-fossil-fuel-cars-ban-from-2030>

²⁴³ Ampol (2021) *Ampol launches future energy and decarbonisation strategy, including commitment to reach operational net zero emissions by 2040*, <https://www.listcorp.com/asx/ald/ampol-limited/news/ampol-launches-future-energy-and-decarbonisation-strategy-2543504.html>

²⁴⁴ Parkinson (2022) *Ampol reveals strategy and team to lead its push into energy retailing*, <https://reneweconomy.com.au/ampol-reveals-strategy-and-team-to-lead-its-push-into-energy-retailing/>

development of its future energy solutions. The company has received partial funding from the Australian Renewable Energy Agency (ARENA) to establish a network of fast electric vehicle charging stations. Even with supplementary government support, \$100 million would appear to be inadequate (even in the short term) for the transition Ampol claims it will achieve.

In 2021 Ampol's replacement cost of sales (RCOP) earnings before interest and tax (EBIT) (Ampol's preferred reporting metric) for its fuels and infrastructure division was \$417.6 million, an increase of 170 per cent on the prior year (thanks largely to the global energy crisis). Its retail division delivered a RCOP EBIT of \$253.7 million, a decline on the previous year.

Throughout 2022 fuel and infrastructure income have continued to rise while the convenience arm declined slightly further.²⁴⁵ While Ampol's income from its refinery and fossil fuels has been somewhat precarious over the last several years, if a majority of Ampol's income is coming from its fossil fuel products and this income continues to be strong, then it is unclear where the incentive to decarbonise lies.

²⁴⁵ Ampol (2022) *2022 Half Year Results Presentation*, <https://www.ampol.com.au/about-ampol/investor-centre/asx-announcements>