

Carbon reporting in Australia

In 2021, the International Financial Reporting Standards (IFRS) Foundation established the International Sustainability Standards Board (ISSB). This board has crafted global standards for climate disclosure and sustainability reporting, and these standards were released in June 2023. Their goal is to ensure that businesses integrate sustainability-related information alongside financial statements, aligned with established financial and carbon accounting practices.

The [Clean Energy Regulator](#) is a government body responsible for accelerating carbon abatement for Australia through the administration of the [National Greenhouse and Energy Reporting scheme](#) ("NGER"), Renewable Energy Target, and the Emissions Reduction Fund. The [Australian National Registry of Emissions Units](#) ("ANREU") is a secure electronic system designed to track the location and ownership of Australian Carbon Credit Units ("ACCU"s) issued under the [ACCU Scheme](#) and emission units issued under the Kyoto Protocol.

NGER is a single national framework for reporting and disseminating company information about Greenhouse Gas ("GHG") emissions, energy production, energy consumption and other information specified under NGER legislation. Important to note, pressure from legislators will progressively require businesses to report climate related activity, such as:

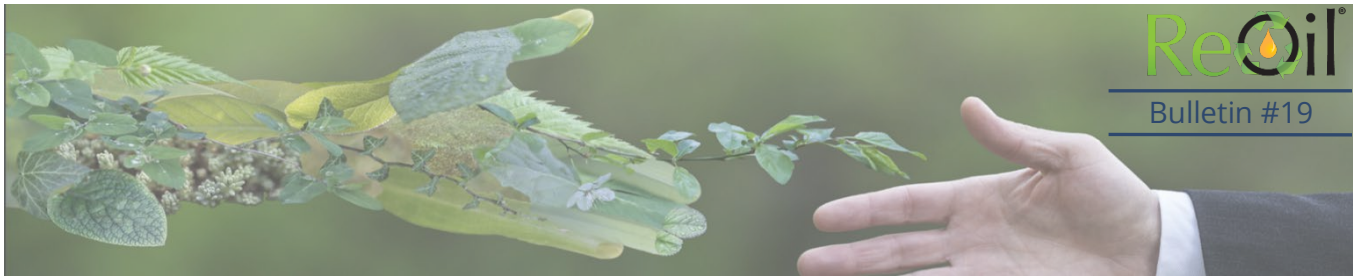
- **Current:** Businesses under [The Safeguard Mechanism](#) applies to facilities with direct Scope 1 emissions of >100,000 tonnes of CO₂-e per year (including electricity generation, mining, oil & gas, manufacturing, transport, construction and waste).
- **FY25:** Australia's largest listed and unlisted companies, as well as financial institutions. Revenues over \$500m & assets over \$1b.
- **FY27:** More than 250 employees, \$200m revenue \$500m assets.
- **FY28:** More than 100 employees, \$50m revenue, \$25m assets.

Whilst the legislation will primarily be directed towards the larger end of town, the flow on effect will see corporates push these requirements onto their suppliers. Smaller operators will potentially need to have a basic understanding of their baseline carbon footprint, have developed a plan that demonstrates their approach to emissions reduction, and report in a format that meets reporting compliance. A step further will likely see procurement adopt these requirements into the supply function.

Recapping GHG emissions by Scope:

- **Scope 1:** Direct GHG emissions from sources the company owns or controls.
- **Scope 2:** Indirect GHG emissions incurred during the generation of purchased electricity.
- **Scope 3:** Indirect GHG emissions occurring in the value chain, including upstream and downstream.

For baseline carbon emissions measurement and help with developing your emissions reduction plans there are a number of different services available. **Carbonhalo** is a local Australian business that provides a range of these services tailored to small – medium and larger corporates. If you need advice or have questions on how to start your journey you can contact them on info@carbonhalo.com.



Greenwashing

Greenwashing is an attempt to make people believe that your business is doing more to protect the environment than it actually is. It starts with deceptive marketing that overstates or makes false claims about the business' climate activity, environmental credentials, or products. One example is if carbon credits are used to offset greenhouse gases and yet the business or individual buying the carbon credits does nothing to reduce their emissions. Other examples include advertising your business as being Eco Friendly, or Green without having substantiated proof as to how these claims are made.

To limit the instances of this the ACCC has published a guide for Australian businesses when "[Making environmental claims](#)", these cover off 8 principles to consider when talking about climate related claims your business may have.

Carbon offset vs Carbon credit

The terms carbon offset and carbon credit (or simply "offset credit") are used interchangeably, though they can mean slightly different things.

A **carbon offset** broadly refers to a reduction in GHG, or an increase in carbon storage (e.g. through land restoration or the planting of trees), used to compensate for GHG emissions that occur elsewhere.

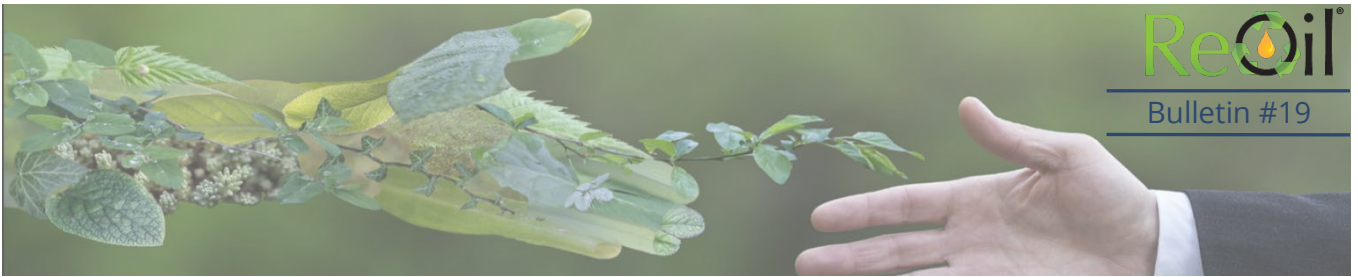
A **carbon credit** is a transferable instrument certified by governments or independent certification bodies to represent an emission reduction of one metric tonne of carbon dioxide (CO₂), or an equivalent amount of other greenhouse gases. The purchaser of a carbon credit can "retire" it to claim the underlying reduction towards their own carbon footprint or sell carbon credits it no longer needs. Each carbon credit permanently offsets the equivalent amount of GHG emissions from the atmosphere by funding emissions reductions projects around the world. These carbon projects include preventing deforestation, renewable energy, supporting research into accelerating carbon abatement technologies, and replanting forests.

Financing carbon

As part of the reporting requirements and safeguard mechanism financiers are increasingly seeking to de-risk their financed emissions. This is becoming more and more common as business seek to raise capital or investment. The application for funds will require your business to demonstrate its emission reduction strategy as part of your ESG plan.

Carbon Credit vs Carbon Reduction / Avoidance

Purchasing Carbon credits should be the last option. Let's face it, purchasing a credit is a business cost, where reduction of emissions is a cost saving. Increasingly businesses are realising that participating in emissions reduction programs often nets a better bottom line, and just makes good business sense.



Let's use the following example:

Let's assume a customer's tender is worth 500mt/annum of lubricant. The customer now requires the supplier to provide evidence that they have measured their operational carbon footprint and demonstrate implementation through an emissions reduction plan. The customer is interested in how the supplier can help them reduce Scope 3 emissions.

As a supplier you have a few options

1. You can ignore the customer request in the tender and risk losing the business.
2. Have your operational emissions measured and provide this within the tender using existing products you supply.
3. Have your operational emissions measured and provide a low carbon alternative product that will increase your value to the customer and provide the customer with potential savings.

Under Option 1 – the customer would potentially mark your submission as non-conforming and you risk losing business.

Under Option 2 – Your submission maybe a conforming bid, however the customer would look to mitigate embodied emissions from the products it purchases, using Carbon Credits to offset these emissions:

Purchasing carbon credits / offsets is an expense to the customer

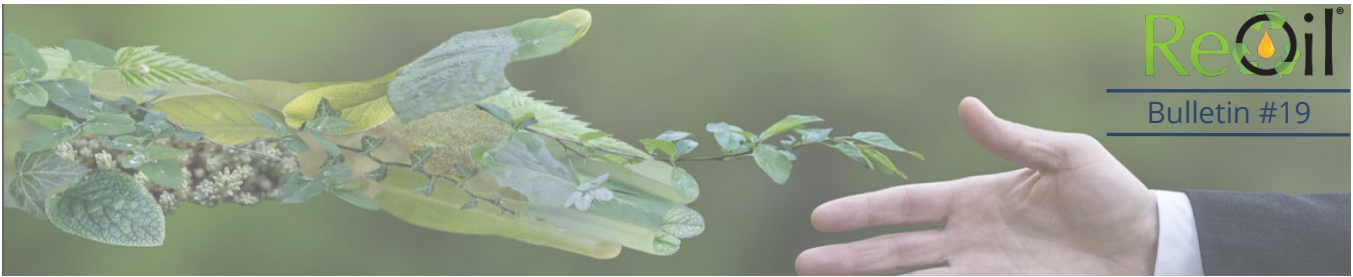
- a. ACCU value currently ranges between A\$31.00 (wholesale spot) to A\$65.00 (retail).
- b. International carbon credits currently range between US\$12 to US\$25.
- c. FYI - the [Australian Carbon Exchange](#) is in development and is anticipated for launch between late 2024 to early 2025.
- d. Eg 500mt CO₂-e @ average Australian carbon credit value of A\$48.00 per mt = A\$24k.**

Under Option 3 – Your submission tender bid is conforming, and you have provided a lower emission product alternative that reduces the customers Scope 3 emissions and saves the customer potential offset costs.

Providing an alternative product with a lower embodied carbon within the lubricant will be seen as a saving to the customer (and supplier). This hypothetical example assumes 100% of the base oil is replaced:

- e. Refer to the table below:
 - i. The lubricants can be separated by base oil requirement / application.
 - ii. Re-Refined Base Oil ("RRBO") and/or Sustainable Synthetic Base Oil ("SSBO") vs virgin base oil offers the customer a lower embodied carbon value or Scope 3 for the lubricant. In this example a CO₂-e savings of 592.5mt is realised.
 - iii. The value of this saved embodied carbon is worth approximately A\$28.44k to the customer.**

This excludes suggesting more synthetic lubricant options which will last longer and therefore reduce the maintenance CO₂-e footprint. This option will increase the embodied carbon saving further due to the use of higher API Group base oils with better environmental credentials.



Calculations for worked example as reference:

Alternative Video example - click [here](#) and then click on video clip.

Lubricant blends	API Base Oil grade	*Carbon footprint (kg CO ₂ -e/kg oil)		CO ₂ -e Saving (mt)	CO ₂ -e Saving (A\$) (carbon credit = A\$48)
25% (125mt)	Virgin Group I	0.83	0.53 saving	125 x 0.53 = 66.25mt	66.25 x A\$48.00 = A\$3.18k
	RRBO - Group I	0.30			
50% (250mt)	Virgin Group II	1.08	0.77 saving	250 x 0.77 = 192.5mt	192.5 x A\$48.00 = A\$9.24k
	Virgin Group III	1.08			
	RRBO - Group II / III	0.31			
25% (125mt)	Virgin Group IV	2.16	2.67 saving	125 x 2.67 = 333.75mt	333.75 x A\$48.00 = A\$16.02k
	SSBO	-0.51			
500mt	Total			592.5mt	A\$28.44k

*Calculated from LCA's supplied by GEIR (click [here](#)) and other industry / manufacturer documentation.

As the lubricants industry is brought into this changing landscape, it will be those that think outside the box by being creative to offer solutions that will address climate related legislation, the customer needs to meet these new requirements and deliver on cost savings that will gain the market share.