

ERF Governance and Carbon Neutral Program  
Emission Reduction Fund Division  
Department of the Environment  
GPO Box 787  
CANBERRA ACT 2601

Via email: [NCOS@environment.gov.au](mailto:NCOS@environment.gov.au)

27 April 2015

Dear Sir or Madam

**RE: REVIEW OF THE NATIONAL CARBON OFFSET STANDARD AND  
CARBON NEUTRAL PROGRAM**

The Green Building Council of Australia (GBCA) welcomes the opportunity to provide comment on the National Carbon Offset Standard (NCOS) and Carbon Neutral Program.

Since its inception in 2002, the GBCA has worked towards developing a sustainable property and construction industry and driving the adoption of green building practices. The GBCA welcomes policies, initiatives and mechanisms which encourage these outcomes and accelerate the transition to a low-carbon built environment.

Australia's commercial and residential built environment accounts for over 20 per cent of our greenhouse gas emissions, but it also represents the biggest opportunities for reducing greenhouse gas emissions. If Australia is to meet and exceed its current and future emissions reduction targets, it will need an integrated suite of complementary measures, both voluntary and mandatory, and the NCOS and Carbon Neutral program will continue to be a vital part of a coordinated policy approach.

The GBCA refers to the NCOS within our Green Star rating tools. Green Star recognises carbon offsets as a legitimate way to reduce greenhouse gas emissions associated with a building. Carbon offsets eligible under the NCOS Carbon Neutral Program are recognised within the Greenhouse Gas Emissions credits of Green Star – Design & As-Built, Interiors and Performance. The continuation and consistency of the NCOS and the Carbon Neutral Program is important to maintaining stability and best practice outcomes in relation to the purchase and surrendered of carbon offsets by property industry stakeholders undergoing Green Star certification.

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Many of the GBCA's member organisations have made a strong commitment to certifying their products, services and part or all of their business operations as carbon neutral. These organisations include:

- Allens
- ANZ
- CBRE
- City of Melbourne
- City of Sydney
- City of Yarra
- DEXUS
- Moreland City Council
- NAB
- PwC
- Sustainable Living Fabrics
- The GPT Group
- Westpac

Other GBCA member organisations, such as Lend Lease, are committed to delivering projects such as Barangaroo South, which aims to both reduce overall carbon emissions and become Australia's first large scale carbon neutral community, pioneering a new era in sustainability and setting new benchmarks for others to follow.

These organisations and projects rely on a robust, consistent standard to assist them in achieving their low carbon and carbon neutral objectives. Please see responses below to a number of the questions set out in the Review of the NCOS and Carbon Neutral program consultation paper:

**2.1 (a) What role does an Australian Government developed standard have in supporting consumer confidence in the local voluntary carbon market?**

The value of a government-developed standard cannot be underestimated in the establishment of Australia's voluntary carbon market. NCOS is a trusted and reputable standard that reflects Australian conditions and context and this has given stakeholders confidence to invest in efforts to certify products, services and business operations.

**2.2 (b) Would your organisation support aligning the NCOS with the International Carbon Reduction and Offset Alliance (ICROA) approved offset standards? Would there be any exceptions or additions to the ICROA list?**

A key function of NCOS is to identify offset integrity principles and eligible offset units. The GBCA believes that NCOS should continue to evolve and expand where integrity can be maintained. Alignment with the International Carbon Reduction and Offset Alliance (ICROA) could open up a range of new offset options to Australian organisations while providing an acceptable level of quality assurance, but the GBCA urges a thorough investigation of this proposal to ensure that standards will not be compromised.

While the issue of mutual recognition of two established schemes could be complex, and care will be needed to ensure the respective standards and principles of schemes are not compromised, the GBCA believes that this is an important issue to explore further to ensure that Australia and the global community can continue to accelerate efforts to reduce carbon across geographic boundaries.

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**3.1 (a) Do you or your organisation have a preference for the Government (through the Department of Environment or another body) retaining administration of the Carbon Neutral Program? What are the benefits or costs of this approach?**

As mentioned previously, the leadership role that the Australian Government has taken in developing and administering the NCOS and Carbon Neutral Program has been a critical factor in the success of these initiatives. Government administration of these initiatives has provided a high level of assurance to stakeholders. While the GBCA is open to the option of exploring different administration models, we believe that the Australian Government must continue to play a role in the governance of the Carbon Neutral Program and provide ongoing assurance that standards and processes will be maintained at a consistent, high level. Should the Australian Government examine the possibility of devolving the administration of the Carbon Neutral Program to an external body, this body should be not-for-profit and must be able to satisfy all of the requirements of government, industry and the community for the ongoing stability of NCOS and the Carbon Neutral Program and provide an appropriate level of independence, expertise, rigour and transparency.

**4.3 (a) Feedback is sought on whether there is significant interest in certification for events and major projects.**

The GBCA does not offer comment on the certification of events, but would welcome further work on arrangements for certification of major projects. As mentioned previously, many GBCA members deliver buildings and precincts and community development projects. Industry would welcome the development of further guidelines, standards that will better encourage low carbon outcomes for such projects while ensuring that the reporting and auditing processes are as streamlined as possible.

**4.4.1 (a) Do you agree with the proposed approach to avoiding double counting? If not, how would you address the issue?**

The GBCA agrees that it is important to ensure that any single unit of emission reduction should only be credited and accounted for once.

The best possible pathway to reducing overall emissions in the economy is to reduce the carbon emissions associated with business operations, projects, services or products in the first instance, the next best option is to reduce Scope 1, 2, and 3 emissions through replacing high-emissions energy sources for renewable energy sources, then low-emissions energy sources. Any residual emissions should then be addressed with the purchase of approved offsets.

The Carbon Neutral Program states that any Renewable Energy Certificates (RECs) purchased from an entity that has claimed the associated emission reduction, for the Carbon Neutral Program, or another program, must not be used in a carbon neutral claim. This is a fair treatment of RECs to ensure that emissions reductions are not misrepresented or double-counted, but the existing rules surrounding RECs are also contributing to unintended negative outcomes in some situations.

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While developers of a major project, such as a building or precinct can deliver high-quality, low-carbon buildings and infrastructure, they are often unable to dictate energy supply requirements to tenants, including the purchase of accredited GreenPower. This makes the achievement of carbon neutral outcomes in operation difficult unless carbon offsets are procured on behalf of building owners and occupants. Currently, RECs are deemed to be a carbon neutral product purchase, as opposed to being able to be utilised as a carbon offset mechanism. Developers committed to delivering low carbon or carbon neutral projects would welcome the opportunity to use RECs to offset carbon emissions through the purchase and voluntary retirement of RECs. RECs are considered by many to be a very high form of carbon offset in that it achieves a dual aim of carbon neutrality and investment in new renewable energy. However, the current rules preclude them from being used to offset gas emissions for example.

In addition, the GBCA urges the Australian Government to provide greater clarity around the treatment of the Mandatory Renewable Energy Target (MRET) and how it is accounted for under the Carbon Neutral Program. Currently, it is unclear how renewable energy provided by electricity retailers under the MRET can be considered when utilising RECs as the method of carbon offsets for electricity purchases. This could potentially lead to a situation where a building is required to purchase 120% renewable energy through RECs to claim carbon neutrality.

In addition, the GreenPower scheme is highly valued by organisations and the community as a critical lever for reducing emissions. While the purchase of GreenPower is allowed under the Carbon Neutral Program to reduce a proponent's greenhouse gas emissions inventory, greater clarity is needed to ensure that proponents understand how it may be used and accounted for. A lack of explicit detail may cause confusion and lead to proponents opting for purchase of overseas offsets rather than GreenPower, as this may appear to be the simpler option. The Australian Government should consider how best to communicate the use of GreenPower under the program to further drive the uptake and subsequent positive outcomes of this scheme.

#### **Section 4**

While this submission does not respond to each question under Section 4 of the consultation paper, the GBCA notes that a number of the issues captured here, including materiality thresholds, simplifying Scope 3 reporting, double counting, partial certification and co-benefits, should all be considered in more detail to ensure that NCOS and the Carbon Neutral Program continue to encourage the best possible outcomes for emissions reduction across a range of project types and the economy as a whole.

Issues such as partial certification and co-benefits, can help to open the program up to a wider audience, and to drive better outcomes beyond just reducing emissions. The GBCA and its members are dedicated to creating more sustainable, healthy, liveable, resilient and productive places for people. Rating systems such as Green Star help to encourage, recognise and reward projects that meet best practice benchmarks across a range of categories that cover environmental, social and economic issues. NCOS and the Carbon Neutral Program must continue to evolve to meet the needs of those planning and ultimately delivering projects, such as precinct developments, to ensure the best outcomes possible can be delivered for the wider community.

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The GBCA looks forward to continuing to work with its members and the Australian Government towards a low-carbon future for Australia. Please do not hesitate to contact me via email at [katy.dean@gbca.org.au](mailto:katy.dean@gbca.org.au), or by phone at 02 8239 6200, should you require any further information or clarification on any of the points raised within this submission.

Yours faithfully

**Katy Dean**  
Director – Advocacy