

Submission by Telstra Corporation Ltd
National Greenhouse and Energy Reporting System
Regulations Policy Paper
27 February 2008

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Telstra Corporation Ltd (**Telstra**) welcomes this opportunity to make a submission in relation to the proposals contained in the National Greenhouse and Energy Reporting System Regulations Policy Paper (**Regulations Policy Paper**).

Telstra is Australia's largest telecommunications carrier and one of Australia's largest companies. Telstra has developed pro-active strategies for managing its environmental impacts, including those impacts associated with its greenhouse gas emissions and its energy consumption and production. Telstra supports the development of a national, uniform regime for the reporting of greenhouse gas emissions and energy consumption and production.

Telstra's submissions with respect to the issues raised in the Regulations Policy Paper concerning the development of Regulations under the *National Greenhouse and Energy Reporting Act 2007* (Cth) (**Act**), are set out below.

1. The definition of "facility"

The definition of "facility" that is proposed by the Regulations Discussion Paper requires that the activity or series of activities that comprise the facility be attributable to a single physical location.

Telstra's national telecommunications network is a single continuous piece of infrastructure that is not readily attributable to a single physical location, although it does contain elements, such as exchange buildings and mobile phone towers, that possess some of the characteristics of a "facility". In Telstra's view, the Regulations must provide clarity with respect to the treatment of "network" facilities such as telecommunication networks, that have "wide but shallow" footprints. Telstra's view is that the proposed definition of facility does not currently deal adequately with network infrastructure of this type.

A requirement to report at a high level of disaggregation would give rise to very significant compliance costs for Telstra without an equivalent information benefit. Telstra's network comprises 14,400 individual sites and thousands of kilometers of copper wire and optic fibre. It would be impossible for Telstra to report on the basis that each of these sites comprises an individual facility. In a similar way, Telstra's different product streams (for example, mobile, fixed line and broadband) are each operated over common (or at least partly common) infrastructure and so emissions and energy production and consumption data for each can not be split out.

The Regulations Policy Paper notes that pipelines will be regarded as single facility, although the Regulations Policy Paper does not make it clear whether a pipeline will meet the definition of facility by reason of a deeming provision in the Regulations, or because it is Government's view that a pipeline would meet the proposed definition of facility.

To address the uncertainty in relation to network infrastructure, the Regulations should provide that integrated network infrastructure is to be treated as a single facility.

The Regulations should also clarify that the commercial buildings and the field vehicle fleets of operators of network infrastructure are to be regarded as an ancillary activity attributable to the operation of the network facility.

The Regulations (or alternatively, a Guideline) should clarify that salary sacrifice or novated lease vehicles are not within the operational control of the relevant corporation, and consequently are not a facility for purposes of the Act.

Recommendation 1: The Regulations should provide that network infrastructure such as that operated by Telstra are to be regarded as a single facility.

Recommendation 2: The Regulations should clarify that the commercial buildings and the field vehicle fleets of operators of network infrastructure are to be regarded as an ancillary activity attributable to the operation of the network facility.

Recommendation 3: The Regulations (or alternatively, a guideline) should clarify that salary sacrifice or novated lease vehicles are not within the operational control of the relevant employees' employer and consequently are not a facility for purposes of the Act.

2. The definition of "emissions"

The Regulations Policy Paper indicates that the definition of "emissions" in the Regulations will include both scope 1 emissions and scope 2 emissions. Conflating scope 1 and scope 2 emissions into a single reporting category means that the scope 2 emissions in the economy will be counted twice – first as the scope 1 emissions of the relevant electricity generator and second as the scope 2 emissions of the person that consumes that electricity. This will introduce double-counting into the National Greenhouse and Energy Reporting System. The policy rationale for this approach is not clear to Telstra.

Telstra is also concerned that conflating scope 1 and scope 2 emissions increases the likelihood that Telstra will be liable under a future Australian Emissions Trading Scheme (AETS) to hold permits to match its scope 2 emissions. Telstra does not support an AETS design that would require it to hold permits to match its scope 2 emissions. In Telstra's submission, the liability to hold permits should create an incentive for the person that is responsible for the emitting activity to reduce or eliminate those emissions. In relation to electricity generation this can be achieved at least cost by imposing permit liability on the electricity generator rather than the electricity consumer.

A consumer of electricity will still have an incentive to reduce its electricity consumption by reason of the electricity price increase pass through from electricity generators. For many companies, including Telstra, schemes such as the *Energy Efficiency Opportunities Act 2006*, will also provide an incentive to be more energy efficient.

Recommendation 4: The definition of "emissions" should distinguish between scope 1 and scope 2 emissions.

3. Production of "off-grid" energy

The Act requires that corporations report on their production of energy. The Act and the Regulations Policy Paper do not draw a distinction between on-grid and off-grid energy production. Telstra operates about 11,400 off-grid electricity generating facilities, powered either by solar (about 10,000 sites) or diesel (about 1400 sites). Telstra's solar sites are in remote locations and are unmetered. The majority of these sites generate very small quantities of energy, indeed, the entire installed capacity of Telstra's 10,000 solar sites is a modest 3.4MW. Telstra's actual energy production at these sites would be less than this figure.

Many of these remote sites are in locations that are serviced by Telstra pursuant to its statutory Universal Service Obligation, and the cost to Telstra of providing these services is subsidized by Government, the telecommunications industry (through the Universal Service Levy) and by the rest of Telstra's customer base. The cost of installing and reading a meter on each of these sites would be very substantial. Telstra's estimates that the cost installing a meter on each site would be approximately \$700 per site, plus significant ongoing annual expense in accessing the data produced by these meters. These costs would increase the cost of

providing services to these locations. Given the small amount of energy produced at these sites, excluding these sites would make no material difference to the quality of the data collected under the Act.

Telstra's combined installed capacity across its 1400 diesel sites is approximately 250MW. Most of these facilities are located in metropolitan locations and provide back up power in the event of mains power failure. As these facilities are currently only operated as a back up power supply, the actual generation from these facilities would be substantially less than the installed capacity. These diesel sites are mostly unmetered and are not connected to the grid.

Recommendation 5: The Regulations should provide that off-grid energy production (at least below a certain threshold) is not required to be reported under the Act.

Recommendation 6: As an alternative to a blanket exemption of the type contained in Recommendation 5, where a corporation has a number of small energy generating facilities that are uneconomic to meter, the Regulations could provide for a corporation to report its installed generating capacity rather than its actual generation.

Please also note our comments in relation to the materiality threshold, in section 5 of this submission, below.

4. Reporting obligation

Telstra is the controlling corporation of a corporate group that includes a large number of subsidiary companies, with operations in a number of countries. The Act requires that Telstra report to the Greenhouse and Energy Data Officer in respect of the greenhouse gas emissions, energy production and energy consumption of the members of this corporate group.

Telstra assumes that this reporting obligation will be limited to the emissions and energy consumption and production associated with facilities that are under the operational control of members of this corporate group that are located within Australia. While this assumption is consistent with the objectives of the National Greenhouse and Energy Reporting System, Telstra notes that neither the Act or the Regulations Discussion Paper make this point explicitly.

In Telstra's view, some care is needed in developing the requirement that a corporation report activities that are attributable to different ANZSIC divisions as if these are a separate facility. For an integrated telecommunications and media company such as Telstra, the different product streams of its various businesses are provided to the market over common (or partly common) infrastructure and so emissions and energy production and consumption data for each can not be split out. If Telstra is regarded as operating across multiple ANZSIC classifications, it will not be possible for Telstra to comply with its reporting obligations under the Act.

As a consequence it is essential that the Regulations provide that integrated telecommunications and media companies, such as Telstra, are treated as belonging to a single industry classification for the purposes of the Act.

Telstra also notes that it is proposed that facilities with on-site generation identify the quantity of generation consumed on-site and the quantity exported. We note our comments in section 3 of this submission regarding the expense and inconvenience that would be experienced by Telstra in the event that it had to report on the on-site generation associated with its 10,000 remote solar sites.

Recommendation 7: The Regulations should clarify that a corporation is only required to report under the Act in respect of the greenhouse gas emissions and energy consumption and production from that occurs at facilities within its operational control that are located within Australia.

Recommendation 8: Integrated telecommunications and media companies such as Telstra are treated as coming within a single industry classification for the purposes of the Act.

5. Materiality

The Regulations Policy Paper proposes that the reporting obligation under the Act be limited with reference to a materiality threshold that would enable corporations to disregard certain very small facilities entirely in the preparation of their reports under the Act. The materiality threshold proposed in the Regulations Policy Paper will enable a facility to be disregarded where the greenhouse gas emissions or energy production or consumption from the facility are below certain thresholds and the total of all facilities excluded on the basis of materiality could not be estimated to make up more than 5% of the corporation's total emissions or energy consumption or production.

As noted in section 3 of this submission, Telstra operates about 11,400 remote energy generating facilities. Of these approximately 10,000 sites involve solar generation facilities with a combined installed capacity of 3.4MW. Telstra's diesel generation capacity is also very low. Most, if not all of these remote generation facilities, in any given year, would generate an amount of energy that would qualify them for exclusion on the basis of materiality. However, despite that fact that the sum total of the greenhouse footprint of all of these remote generating facilities is a tiny fraction of Telstra's total greenhouse inventory, and an even tinier fraction of all reportable energy produced in the economy, the proposed materiality threshold would limit Telstra to excluding only 5% of the energy production from these facilities.

In order to avoid the absurd result where Telstra is required to calculate the energy generation from each of these 11,400 currently unmetered sites, the definition of materiality should incorporate additional flexibility to enable all of the greenhouse gas emitting and energy producing or consuming facilities of a corporation to be excluded where the contribution of the excluded facilities to the total greenhouse inventory of the corporation is below a particular threshold.

Recommendation 9: The definition of materiality should be amended to link the aggregated total of emissions or energy production or consumption excluded on the basis of materiality to a proportion of the total greenhouse gas inventory of the corporation.

Recommendation 10: The term "inventory" used in point 1(a) of the proposed definition of materiality should be defined. Consistently with Telstra's Recommendation 9, inventory should be defined as the aggregate of a corporation's greenhouse gas emissions, and energy and production or consumption.

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