



Environmental  
Defenders Office

## Submission to the UN High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities

**31 August 2022**

### About EDO

EDO is a community legal centre specialising in public interest environmental law. We help people who want to protect the environment through law. Our reputation is built on:

**Successful environmental outcomes using the law.** With over 30 years' experience in environmental law, EDO has a proven track record in achieving positive environmental outcomes for the community.

**Broad environmental expertise.** EDO is the acknowledged expert when it comes to the law and how it applies to the environment. We help the community to solve environmental issues by providing legal and scientific advice, community legal education and proposals for better laws.

**Independent and accessible services.** As a non-government and not-for-profit legal centre, our services are provided without fear or favour. Anyone can contact us to get free initial legal advice about an environmental problem, with many of our services targeted at rural and regional communities.

Environmental Defenders Office is a legal centre dedicated to protecting the environment.

### For further information on this submission, please contact:

Kirsty Ruddock/Anna Gudkov

Managing Lawyer/Senior Solicitor- Safe Climate (Corporate and Commercial)

T: 02 2 7229 0031

E: [kirsty.ruddock@edo.org.au](mailto:kirsty.ruddock@edo.org.au); [edo.org.au](http://edo.org.au)

T +61 2 9262 6989

E [sydney@edo.org.au](mailto:sydney@edo.org.au)

F +61 2 9264 2414

W [edo.org.au](http://edo.org.au)

Suite 8.02, Level 8, 6 O'Connell Street Sydney, NSW 2000

ABN: 72002 880 864

## EXECUTIVE SUMMARY

---

1. The Environmental Defenders Office (**EDO**) welcomes the UN High-level Expert Group on Net-Zero Emissions Commitments of Non-State Entities (**HLEG**) and supports the need for certainty and standardisation of standards and definitions for net zero targets, and transition plans for non-state actors.
2. As part of a national community legal centre specialising in public interest environmental law, the work of the EDO Safe Climate (Corporate and Commercial) lawyers includes highlighting cases where an organisation's net zero or emissions reduction plans contradict the organisation's actual business practices. Many organisations represent themselves as being leaders on climate action, whilst simultaneously continuing to either invest in/insure/finance or engage in activities that contribute to the climate problem. Key trends we have seen include:
  - a. organisations representing they are net-zero and Paris-aligned whilst simultaneously scaling up fossil fuel production;
  - b. organisations saying they are net-zero and Paris-aligned but limiting this to Scope 1 and 2 emissions only i.e. ignoring scope 3 emissions entirely. This is particularly common in respect of gas producers where 75-90% of emissions are in fact, Scope 3;
  - c. organisations relying almost entirely on carbon offsets to meet emissions-reduction and net-zero targets;
  - d. organisations relying on Carbon Capture and Storage (**CCS**), Carbon Capture and Utilisation (**CCU**) and grey or blue hydrogen as part of their net zero plans;
  - e. organisations with clear climate risk (such as fossil fuel companies) concluding that their organisation is climate resilient on the basis of a climate plan that includes any/all of (a) to (d) above;
  - f. organisations with clear climate risk (such as fossil fuel companies) failing to account for climate risk in their financial reports; and
  - g. organisations using "well below 2 degrees" scenarios in their transition plans and saying that these are "science-based."
3. In order to hold companies accountable for representations made about net zero and transition plans, **we request that the HLEG's guidance cover the following:**
  - a. **define key terms** commonly used by companies when setting a transition plan or net zero target, including, but not limited to **Paris-aligned, science-based, carbon-neutral, green energy, clean energy** (see [paragraphs 5 to 17](#) below);
  - b. how and when **scope 3 emissions** should be included in net zero/emissions reduction plans (see [paragraphs 18 to 22](#) below);
  - c. whether **emissions from exploration activities** should be included in any emissions reduction or net zero plans (see [paragraphs 23 to 25](#) below);

- d. how and when **offsets** can be used within the context of a net zero plan (see paragraphs 26 to 35 below);
- e. **set out clear requirements for “net zero compliant” decarbonisation pathways** (see paragraphs 36 to 40 below) including:
  - i. **the trajectory for decarbonisation**, including whether organisations can increase emissions in the short-term and then rely on steep carbon reductions or offsets to enable them to get to a net zero target;
  - ii. whether **expansion of fossil fuels**, including investment in new fossil fuel projects or expansion of existing projects, is net zero compliant; and
  - iii. **to what extent companies can rely on technologies not yet developed or of limited scale or viability to date**, such as CCS or CCU, in their net zero plans.

4. We set out **below** our recommendations on each of the issues identified.

## **DEFINING KEY TERMS**

---

5. Due to the lack of clear guidance, the following terms have been subject to greenwashing:
- a. “Paris-aligned”;
  - b. “science-based”;
  - c. “carbon-neutral”; and
  - d. “clean energy.”

### **“Paris-aligned”**

#### The Problem

6. There is no single authoritative source which provides detail on what a “Paris aligned” transition plan is. Further, many standards fail to specify the precise methodology required to be deemed “Paris-aligned.” The majority of standards simply state that any transition plans (including net zero plans) must align either with Article 2 of the Paris Agreement, being the commitment *to “hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels,”* or the “goals” or “objective” of the Paris Agreement (which arguably requires an alignment with the more ambitious 1.5-degree target rather than the ‘well below 2 degrees’ target).
7. Both approaches leave the target-setter to fill in the detail, including critically, the decarbonisation mechanism and rate, including whether entities are allowed to increase emissions in the short to medium term before projecting a steep decrease in emissions, measurement metrics (such as whether absolute or emissions intensity reduction is required), and ability to rely on negative emissions technologies which are currently undeveloped or unviable (such as CCS). As a result of the lack of consistency in defining a “Paris-aligned” net

zero or emissions reduction methodology, many companies' "Paris-aligned" transition pathways effectively amount to greenwashing.

### Current definitions

8. The below sets out some definitions of "Paris-aligned" which the HLEG may wish to consider when finalising its detailed definition and methodology.
9. **EU Paris-Aligned Benchmark:** an emission pathway which is consistent with 1.5°C with no or limited overshoot (IPCC SR15 scenario). An entity's emissions reduction plan must include Scope 3 emissions.
10. **Science-based Targets Initiative (SBTi):** a 1.5°C aligned pathway which stays within the 500 GT carbon budget. This requires a 42% reduction in emissions by 2030 from 2020 level and 90% by 2050 from 2020 levels before considering the impact of Co2 removals.<sup>1</sup> An entity's emissions reduction plan must include Scope 3 emissions. The Sbti offers a cross-sector pathway and a sector-specific pathway for target-setting. Under the cross-sector pathway, companies are required to decarbonise at a linear annual rate of 4.2% to get to a 50% reduction by 2030 relative to 2018 levels. The Sbti requires that any companies in the power generation sector use the sector-specific pathways. The Sbti is currently developing its sector-specific methodology for the oil and gas sector and therefore is not accepting any requests for target validation from that sector.
11. **Transition Pathway Initiative (TPI):** uses 2 different scenarios which it considers are "Paris-aligned", which includes a 1.5 degrees scenario (with a 50% probability) and a "well-below 2 degrees" scenario which seeks to limit global mean temperature rise to 1.65 degrees (with a 50% probability).<sup>2</sup> IEA modelling provides key inputs into the scenarios in respect of energy supply, economic and population growth.<sup>3</sup> The TPI recognises that "the vast majority of oil and gas lifecycle emissions stem from the use of companies' sold products" and therefore either rely on reported Scope 3 emissions, or estimate Scope 3 emissions.<sup>4</sup>
12. **International Energy Agency (IEA)'s Net Zero Roadmap (NZE):** relies on achieving net-zero Co2 emissions from the energy sector by 2050 being consistent with around a 50% change of limiting long-term average global temperature rise to 1.5°C with no temperature overshoot. Critically, the NZE states that to achieve net zero by 2050, no new oil and gas fields can be "approved for development" after 2021. The IEA has clarified that the statement "approved for development" means the point in time when a Final Investment Decision (FID) is made by a company to develop a new oil and gas field.

---

<sup>1</sup> <https://sciencebasedtargets.org/resources/files/Pathway-to-Net-Zero.pdf>

<sup>2</sup> See <https://www.transitionpathwayinitiative.org/publications/90.pdf?type=Publication>

<sup>3</sup> See page 5 of <https://www.transitionpathwayinitiative.org/publications/99.pdf?type=Publication>

<sup>4</sup> See <https://www.transitionpathwayinitiative.org/publications/90.pdf?type=Publication>

## “Science-based”

### The Problem

13. Companies such as Woodside and Santos have come under criticism for claiming that their net zero plans, which do not include Scope 3 emissions, are “science-based.”<sup>5</sup> There are serious concerns around claims that any transition plan or emissions reduction plan that does not include 75-90% of total emissions can be “science-based.”

### Current definitions

14. **SBTi:** a target is “science-based” if it is in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement.<sup>6</sup> The SBTi’s definition of “Paris-based” requires the inclusion of Scope 3 emissions.

## “Carbon-neutral”

15. “Carbon neutral” means that any CO<sub>2</sub> released into the atmosphere from a company's activities is balanced by an equivalent amount being removed. There are concerns that ordinary consumers and investors do not understand that carbon neutrality relies on offsets rather than reductions in emissions. There are concerns with many of the standards to which Carbon neutrality is certified, such as the Climate Active trademark/standard in Australia, are not rigorous and rely entirely on offsets<sup>7</sup>, some of which are not effective at reducing emissions as discussed below at paragraphs 26 to 32 .

## “Clean energy”

16. Some fossil fuel companies claim that (in particular) gas is “clean energy” (other permutations include “clean fuel”, “clean gas” or “green energy”). For example, in various representations to investors and to the public including in its 2020 Annual Report, Santos stated that the natural gas it produces was a “clean fuel” and that it provides “clean energy.” Santos also claimed that it could, in future, deliver “zero-emissions hydrogen,” “clean hydrogen,” and “hydrogen with no emissions in its production” in reference to blue hydrogen. Such representations are currently the subject of legal proceedings in the Federal Court.<sup>8</sup>

## Our recommendation

17. In light of the above, **we request that the HLEG issue guidance** which provides clear and detailed definitions of each of the above terms, with a focus on clarifying:

---

<sup>5</sup> See the EDO’s letter to HESTA available at: <https://www.edo.org.au/2022/08/10/hesta-fossil-fuel-investments-may-amount-to-a-breach-of-the-law/> which refers to HESTA’s investment in Woodside. Woodside’s Climate Policy ([https://www.woodside.com.au/docs/default-source/investor-documents/major-reports-\(static-pdfs\)/2021-climate-report/climate-report-2021.pdf](https://www.woodside.com.au/docs/default-source/investor-documents/major-reports-(static-pdfs)/2021-climate-report/climate-report-2021.pdf), see page 7) claims that Woodside sets “science-based” targets notwithstanding that it does not include Scope 3 emissions in these targets.

<sup>6</sup> See <https://sciencebasedtargets.org/how-it-works>

<sup>7</sup> Greenpeace, “Hero to Zero”, [https://www.greenpeace.org.au/wp/wp-content/uploads/2021/09/Hero\\_to\\_Zero2021\\_FF\\_Digital.pdf](https://www.greenpeace.org.au/wp/wp-content/uploads/2021/09/Hero_to_Zero2021_FF_Digital.pdf), pg 14. <https://thefifthestate.com.au/columns/spinifex/climate-active-a-little-more-action-please/>

<sup>8</sup> <https://www.edo.org.au/2021/08/26/world-first-federal-court-case-over-santos-clean-energy-net-zero-claims/>

- a. whether Paris-alignment requires a 1.5 degree or “well below 2 degrees” scenario;
- b. the emissions reduction trajectory required for companies claiming to be “Paris-aligned,” through, for example, the imposition of annual linear emissions reductions. In particular, guidance should clarify:
  - i. whether companies are allowed to increase emissions in the short to medium-term, including entering into new fossil fuel projects, and then relying on steep carbon reductions or offsets to enable them to remain within a particular carbon budget; and
  - ii. the extent to which companies can rely on technologies not yet developed or of limited scale or viability to date, such as CCS, to achieve targets;
- c. the relationship between “Paris-aligned” and “science-based”; and
- d. the extent to which phrases such as “carbon-neutral,” “clean energy” and “green energy” can rely on technologies not yet developed or of limited scale or viability to date, such as CCS, or technologies with controversial emission reduction credentials, such as blue hydrogen.

## **SCOPE 3 EMISSIONS**

---

### The problem

18. Scope 3 emissions account for 75 – 90% of the total emissions of fossil fuel companies. By way of example in the Australian context, Santos’ and Oil Search’s Scope 3 emissions represented 86.8% of their total 2021 emissions.
19. Notwithstanding this, many of the highest-emitting companies do not include Scope 3 emissions reduction targets in their climate plans. For example, Santos has only committed to setting Scope 1 and 2 emissions, with its Scope 3 emissions target expressed ambiguously as *“reduc[ing] customers’ Scope 1 and 2 emissions by at least 1.5 million tonnes per annum of Co2 emission by 2030 through the supply of ‘clean fuels.’”* Woodside has fared even worse, expressing no Scope 3 emissions reduction target. Instead, it merely promises to invest US\$5 billion in new energy products and lower carbon services by 2030. Woodside defines “new energy products” as including hydrogen and ammonia, and “lower carbon services” as including Carbon Capture, Utilisation and Storage (CCUS). The issues with relying on CCUS as a form of carbon abatement is discussed at paragraphs 30 to 31 below.
20. Further, many disclosure frameworks including the Task Force for Climate Related Financial Disclosures (TCFD) and the draft US Securities and Exchange Commission (SEC) climate-disclosure requirements<sup>9</sup> only require/propose requiring the disclosure of Scope 3 emission where “material.” Definitions of materiality differ across jurisdictions, with most focusing the inquiry on what the primary users of general purpose financial statements would “reasonably

---

<sup>9</sup> See page 42, 56 and 63 to 67: <https://www.sec.gov/rules/proposed/2022/33-11042.pdf>

expect” and whether omission of relevant material would influence decisions of the said “reasonable investor.”<sup>10</sup> Ultimately, in our view, it is difficult to imagine a scenario where emissions which amount to 75-90% of a company’s total emission are not deemed to be “material.”

### Our recommendation

21. In our view, **Scope 3 emissions targets must be included in all net zero/transition plans which are said to be Paris-aligned or science-based**. The requirements to include scope 3 emissions was recognised by the Hague District Court in *Milieudefensie v Royal Dutch Shell*, who held that for Royal Dutch Shell to be “Paris-aligned” it must implement an emissions target of 45% in Co2 Scope 1, 2 and 3 emissions by 2030 relative to 2010.
22. In light of the above, **we request that the HLEG’s guidance:**
  - a. as a mandatory first step, require that all companies include scope 3 emissions in their reduction targets; and
  - b. provide guidance as to how scope 3 emissions can be reduced in a “Paris-aligned” manner. From a legal perspective, a specified annual scope 3 emissions reduction requirement would create the least ambiguity.

## **EMISSIONS FROM EXPLORATION ACTIVITIES**

---

23. In our experience, some fossil fuel companies refuse to include, in their climate plans, estimates of Co2 and methane emissions arising from the potential development of basins which are currently subject to exploration. These companies allege that this refusal arises from uncertainty of outcomes of exploration at these sites.
24. Given the capability of companies to model scenarios based on potential (i.e. uncertain) outcomes, it is unclear why these emissions cannot or should not be included in projections of climate impact.
25. In light of the above, **we request that the HLEG’s guidance include** recommendations as to the inclusion of scenarios estimating potential emissions that are likely to arise in the event that sites the subject of current exploration are fully developed.

---

<sup>10</sup> The International Accounting Standards Board (IASB) for instance, defines something as material where, “*if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.*” See: <https://www.ifrs.org/news-and-events/news/2018/10/iasb-clarifies-its-definition-of-material/#:~:text=New%20definition%3A%20Information%20is%20material,about%20a%20specific%20reporting%20entity>. We note that the Australian Accounting Standards Board and the Auditing and Assurance Standards Board issued guidance in April 2018 setting out how companies can assess the materiality of climate-related risks in the context of their financial reporting requirements. See [https://www.aasb.gov.au/admin/file/content102/c3/AASB\\_AUASB\\_Joint\\_Bulletin\\_Finished.pdf](https://www.aasb.gov.au/admin/file/content102/c3/AASB_AUASB_Joint_Bulletin_Finished.pdf)

## OFFSETS

---

26. As you are undoubtedly aware, offsets can include both **technological offsets**, such as CCU and CCS, and **nature-based offsets**, defined as “*conservation, restoration and improved land management actions that increase carbon storage and/or avoid greenhouse gas emissions.*”<sup>11</sup> The simplest (and one of the most widely used) form of nature-based offset is offsetting emissions through the planting of trees.
27. We wish to highlight **three main issues with the use of offsets**.
28. **First, there are concerns that companies are relying almost entirely on offsets to meet their emissions reduction targets.** For example, in respect of the Woodside, analysis by the Australian Centre for Corporate Responsibility (**ACCSR**) concluded that 85% of the 369 ktCo<sub>2</sub>-e reduction alleged to have been done by Woodside in 2021 were made by way of offsets.<sup>12</sup> In fact, ACCSR concluded that absent reliance on offsets, Woodsides Scope 1 and 2 emissions would actually increase to 2030 as a result of its plans for scaling up of gas projects.<sup>13</sup>
29. As you are no doubt aware, under the Net Zero Corporate Standard, the Science-based Targets initiative does not accept the use of offsets to contribute towards near-term emissions reduction targets, with credits only being accepted in relation to the neutralisation of residual emissions or to finance additional climate mitigation beyond absolute reduction targets.<sup>14</sup> Similarly, the IGCC states that “*over-reliance on offsets and nature-based solutions potentially delays efforts to abate emissions within a company’s value chain and may not account for the limited land and space available to host additional tree coverage or overestimates carbon storage potential.*”<sup>15</sup> The Climate Action 100+ Net Zero Company Benchmark similarly states that “*the use of offsetting or carbon credits should be avoided and limited if at all applied*” in its scoring methodology for the decarbonisation strategy indicator.
30. **Second, there are concerns about the climate credentials of technological offsets.** The claim that CCS is “low emissions” or carbon-neutral is robustly contested. A 2021 study found that the greenhouse gas footprint for blue hydrogen was more than 20% greater than burning natural gas or coal for heat,<sup>15</sup> without even factoring in methane emissions associated with producing blue hydrogen or the Co<sub>2</sub> and methane generated from the combustion of natural gas when ultimately used by the end-user. This study even adopted a generous capture efficiency of 85% - that is, that the plant has the ability to capture 85% of the Co<sub>2</sub> emissions generated during the steam methane reforming process (**SMR**), being the process of using heat and pressure to convert methane in natural gas into hydrogen and Co<sub>2</sub>. Actual data from one of only 2 commercially operating blue hydrogen facilities shows a mean capture efficiency of only 78.8%, with daily rates varying from 53% to 90%. The world’s largest CCS facility – the Gorgon facility in Western Australia – missed its 80% capture efficiency rate by approximately 50%

---

<sup>11</sup> [https://www3.weforum.org/docs/WEF\\_Consultation\\_Nature\\_and\\_Net\\_Zero\\_2021.pdf](https://www3.weforum.org/docs/WEF_Consultation_Nature_and_Net_Zero_2021.pdf)

<sup>12</sup> <https://www.accr.org.au/research/woodside-petroleum-ltd-assessment-of-2021-climate-report/>

<sup>13</sup> Ibid.

<sup>14</sup> Science Based Targets initiative. (2021, October). SBTi criteria and recommendation s. (TWG-INF-002) (Version 5.0)[Online]. Available: <https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf>

<sup>15</sup> Robert W. Howarth, Mark Z. Jacobson. How green is blue hydrogen? Energy Science & Engineering, 2021; DOI: 10.1002/ese3.956.



during its first 5 years of operation.<sup>16</sup> Even the “gold standard” of capture efficiency – 90% – would mean that every tonne of blue hydrogen would still produce a ton of Co2.<sup>17</sup> Again, neither of these efficiency rates include capturing GHG emission from end use of the natural gas.

31. Further, the cost of blue hydrogen production and CCS has made it commercially unviable – currently the costs remain higher than US 50tCo2.<sup>18</sup> The cost of just the Co2 injection system for the Gorgon CCS facility was \$3.1 billion to the mid-2020s, without including the cost to capture the Co2 itself.<sup>19</sup> As noted above, there are currently only 2 commercial blue hydrogen plants, and neither of these plants capture the Co2 produced from burning the natural gas in the SMR process.<sup>20</sup> Expanding out more broadly to all CCS facilities, the 28 existing facilities capture only 0.1% of Co2 emissions annually.<sup>21</sup> Of that 0.1% captured, the vast majority is captured to produce more fossil fuels (a process known as Carbon Capture and Use, or CCU). Even “pure” CCS has significant geological and engineering limitations.<sup>22</sup>
32. **Third, there are concerns about the misleading way in which companies rely on nature-based offsets in their net-zero plans.** Companies often rely on tree-planting as a way of using nature-based offsets to comply with their net zero plans without taking into account or disclosing the amount of time required for effective carbon sequestration to occur. By way of example, in 2008, V8 Supercars Australia Pty Ltd (**V8 Cars**) were subject to a ACCC Undertaking<sup>23</sup> after their “Racing Green” Program, which alleged that 2,500 tonnes per annum carbon emissions would be “fully” offset through the planting of 10,000 native trees, was found to be misleading by the ACCC. The ACCC noted that V8 Cars failed to inform consumers that a number of factors affect the rate at which trees absorb carbon, including rainfall, erosion, natural attribution, and that V8 Cars should have made clear that the absorption of carbon would take place over the entire lifetime of the planted trees, rather than immediately at the time of planting. The ACCC found that V8 Cars’ representation that the emissions would be fully absorbed by the mere planting of seedlings was likely to be misleading.
33. There are also other concerns regarding nature-based offsets, including the risk of afforestation projects promoting monoculture and leading to a loss in biodiversity.<sup>24</sup>

---

<sup>16</sup> Robertson and Mousavian, Institute for Energy Economics and Financial Analysis, ‘Gorgon Capture and Storage: The Sting in the Tail.’ Available at: [https://ieefa.org/wp-content/uploads/2022/03/Gorgon-Carbon-Capture-and-Storage\\_The-Sting-in-the-Tail\\_April-2022.pdf](https://ieefa.org/wp-content/uploads/2022/03/Gorgon-Carbon-Capture-and-Storage_The-Sting-in-the-Tail_April-2022.pdf) at page 7.

<sup>17</sup> <https://www.forbes.com/sites/jamesmorris/2021/09/25/is-carbon-capture-another-fossil-fuel-industry-con/?sh=70aef7e65ef3>

<sup>18</sup> Intergovernmental Panel on Climate Change (IPCC), Climate Change 2022 Mitigation of Climate Change (Report) WG111 at 6-38. <[https://report.ipcc.ch/ar6wg3/pdf/IPCC\\_AR6\\_WGIII\\_FinalDraft\\_FullReport.pdf](https://report.ipcc.ch/ar6wg3/pdf/IPCC_AR6_WGIII_FinalDraft_FullReport.pdf)>.

<sup>19</sup> <https://www.smh.com.au/environment/climate-change/chevron-s-five-years-of-gorgon-carbon-storage-failure-could-cost-230-million-20211110-p597uf.html>

<sup>20</sup> Robertson and Mousavia, at 1677,

<sup>21</sup> Centre for International Environmental Law (CIEL), 2021, ‘Confronting the myth of carbon-free fossil fuels: Why carbon capture is not a climate solution.’ Available at: <https://www.ciel.org/wp-content/uploads/2021/07/Confronting-the-Myth-of-Carbon-Free-Fossil-Fuels.pdf>

<sup>22</sup> IPCC WGIII report, Chapter 6, at 6-36.

<sup>23</sup> See <https://www.accc.gov.au/system/files/public-registers/undertaking/844138-1-Undertaking.pdf>

<sup>24</sup> See, for example, Seddon, N., Smith, A., Smith, P., Key, I., Chausson, A., Girardin, C., House, J., Srivastava, S., Turner, B., Getting the message right on nature-based solutions to climate change, 2021, Glob Chang Biol. 2021 Apr;27(8):1518-1546, op.cit.

34. The bottom line is that the inappropriate use of offsets undermines real action on emissions reduction by justifying continued use of fossil fuels by high emitting industries.
35. In light of the above, **we request that the HLEG’s guidance:**
- a. clearly specify to what extent carbon offsets can be used in respect of a Paris-aligned or science-based transition plan; and
  - b. provide clear requirements as to the use of technological and nature-based offsets.

## **REQUIREMENTS FOR “NET-ZERO COMPLIANT” DECARBONISATION PATHWAYS**

---

36. One of the key trends we have observed, is the adoption of net zero plans by companies which are simultaneously committing to expanding their fossil fuel business such as to substantially increase emissions in the short to medium term.
37. For example, whilst Woodside has made a public commitments in respect of its Scope 1 and 2 emissions,<sup>25</sup> it is also developing the Scarborough gas field. These expansion plans include construction of a new LNG processing plant (**Pluto 2**), expanding the capacity of an existing LNG processing Plant (**Pluto 1**) and installing a 430km pipeline connecting the new Scarborough gas field to two existing LNG processing plants (**Scarborough to Pluto Train 2 Project**). Scarborough is expected to start exporting gas by 2026. Analysis by Climate Analytics has estimated that total cumulative Scope 1 and 3 emissions from the Scarborough project will be 1.37 billion tonnes of GHG from 2021-2055, which is equivalent to 18 and 3.6 years respectively of Western Australia’s 2005 emissions.<sup>26</sup> Climate Analytics also estimates Scope 1 emissions will account for approximately 2.7% of 2005 WA 2020 emissions, rising to 5% from 2026 (an increase in emissions equivalent to around 2.3% of 2005 WA emissions, and that in 2030, if unabated, the Pluto project Scope 1 emissions would be 80% above 2020 levels.
38. Similarly, notwithstanding its own emissions reduction targets,<sup>27</sup> Santos has announced that it will be spending US\$1.15billion to \$1.3billion on new oil and gas projects,<sup>28</sup> including the Narrabri Gas coal seam project, Barossa gas project and Beetaloo Basin exploration. According

---

<sup>25</sup> Being to achieve a 15% reduction in net equity Scope 1 and 2 emission by 2025 to the baseline gross annual average equity scope 2 and 3 GHG emissions over 2016-2020 (Woodside Baseline); achieve a 30% reduction in net equity Scope 1 and 2 emissions by 2030 relative to the Woodside Baseline; “Aspire” towards a net zero for net equity Scope 1 and 2 emissions by 2050, if not sooner, and target investment of US\$5 billion in new energy products and lower carbon services by 2030 (allegedly in an effort to reduce Scope 3 emissions).

<sup>26</sup> Hare et al (2021) Climate Analytics, ‘Warming Western Australia: How Woodside’s Scarborough and Pluto Project undermines the Paris Agreement.’ Available at: <https://climateanalytics.org/publications/2021/warming-western-australia-how-woodsides-scarborough-and-pluto-project-undermines-the-paris-agreement/#:~:text=The%20project%20would%20result%20in,emissions%20increases%2C%20rather%20than%20decreases>, at page 1.

<sup>27</sup> Which include a 30% reduction in absolute Scope 1 and 2 emissions by 2030 compared to the Santos and Oil Search combined 2019-20 equity Scope 1 and 2 baseline of 5.9 MtCO<sub>2</sub>e (Santos Baseline), a 40% reduction in the intensity of Scope 1 and 2 emissions by 2030, the use of CCS technology to accelerate the economic feasibility of hydrogen and deliver a step change in emissions reduction, the reduction of ‘customers’ Scope 1 and 2 emissions by at least 1.5 million tonnes per annum of CO<sub>2</sub> emissions by 2030 through the supply of ‘clean fuels’ (apparent Scope 3 emissions reduction target), and the achievement of net-zero Scope 1 and 2 emissions by 2030.

<sup>28</sup> IEEFA, ‘Santos 2022 Climate Change Report- A Reality Check’, [https://ieefa.org/wp-content/uploads/2022/04/Santos-2022-Climate-Change-Report-A-Reality-Check\\_April-2022.pdf](https://ieefa.org/wp-content/uploads/2022/04/Santos-2022-Climate-Change-Report-A-Reality-Check_April-2022.pdf)

to Market Forces, on a conservative estimate, Santos' increasing oil and gas production plans would lead to an over 20% increase in annual emissions to 2029 above a 2020 baseline that combines Santos and Oil Search production that year.<sup>29</sup>

39. It is deeply concerning that such companies are representing that they are “Paris-aligned” whilst simultaneously engaging in significant fossil fuel expansion.
40. In light of the above, **we request that the HLEG’s guidance** set out clear requirements for “net zero compliant” and/or “Paris-compliant” decarbonisation pathways including:
  - a. **the trajectory for decarbonisation**, including whether organisations can increase emissions in the short-term and then rely on steep carbon reductions or offsets to enable them to get to a net zero target;
  - b. whether **expansion of fossil fuels**, including investment in new fossil fuel projects or expansion of existing projects, is net zero compliant; and
  - c. **to what extent companies can rely on technologies not yet developed or of limited scale or viability to date**, such as CCS, in their net zero plans.

---

<sup>29</sup> noting merger between the two companies was implemented on 17 December 2021. See <https://www.marketforces.org.au/investor-demands-for-santos-to-wind-down-oil-and-gas-production-increase-to-15/>