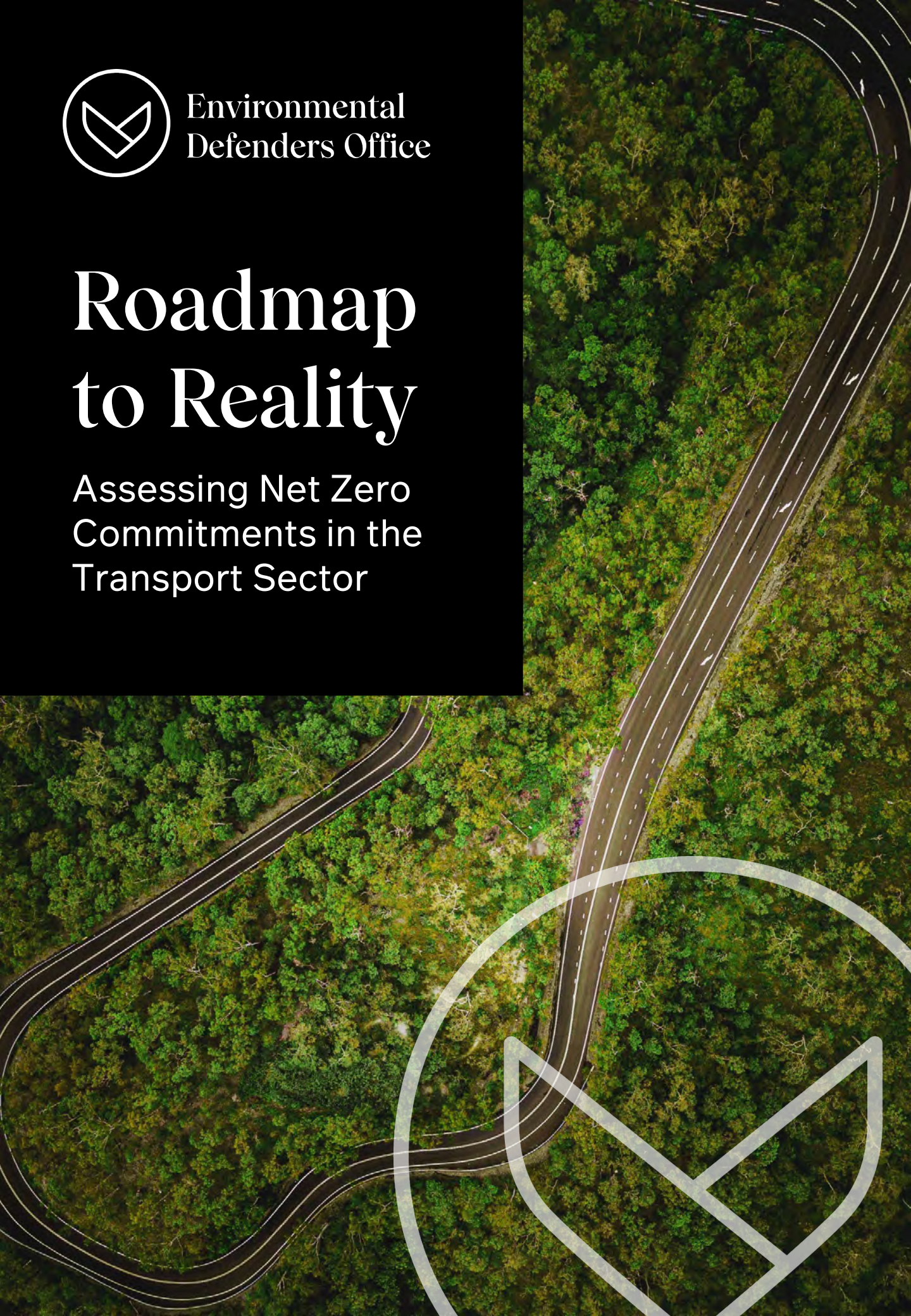




Environmental  
Defenders Office

# Roadmap to Reality

Assessing Net Zero  
Commitments in the  
Transport Sector



# About EDO

Environmental Defenders Office Ltd (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.

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

## Acknowledgement of Country

EDO recognises and pays respect to the First Nations Peoples of the lands, seas and rivers of Australia. We pay our respects to the First Nations Elders past, present and emerging, and aspire to learn from traditional knowledges and customs that exist from and within First Laws so that together, we can protect our environment and First Nations' cultural heritage through both First and Western laws. We recognise that First Nations' Countries were never ceded and express our remorse for the injustices and inequities that have been and continue to be endured by the First Nations of Australia and the Torres Strait Islands since the beginning of colonisation.





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## Scope of the report

This report reviews the Net Zero commitments and climate related claims of the transport sector in Australia. This sector encompasses four modes of transport: **road, rail, domestic aviation, and domestic shipping**.<sup>1</sup> By assessing the Net Zero commitments of a cross section of companies within this sector, the report aims to drive better understanding of climate claims and unpack some common claims to give consumers an informed choice as to the climate related impacts of the products they choose and the companies they invest in.

Climate related claims should incorporate consideration of the risks posed by a changing climate. While reporting on climate related risk is still evolving, directors of publicly listed companies must report on material risks to the business in the operating and financial review (OFR) component of their annual report. The Australian Government is introducing mandatory climate related financial disclosure requirements. Currently, there is international recognition of the Taskforce on Climate-related Financial Disclosure (TCFD) guidance which most companies use to report on potential climate related risks to the business.

Where a company has not reported on its climate-related physical risk it is arguable that there is potential for a claim of misleading and deceptive conduct under the relevant legislation. It is arguable that where a company should reasonably be aware of potential climate-related physical risk and does not include it in its annual report or prospectus, it is misleading the consumers who are relying on the information to make informed decisions.

Climate claims, Net Zero commitments and associated advertising which are misleading have the potential to delay action on climate change as consumers are unaware of the true environmental impacts of products. Australia's regulatory bodies are increasingly focused on corporate greenwashing to ensure consumers are afforded an informed choice and promote fair and transparent markets.<sup>2</sup>

The information in this report is accurate as of the time it was finalised in December 2023.

For more detail on Greenhouse Gas Emission types, including Scope 1, 2 and 3, and what constitutes Greenwashing, see **Appendix A and B**.



# Key themes and trends

The audit has identified the following key themes and trends in the **transport sector**:

- Most climate pledges and targets **do not cover the entire value chain**, with Scope 3 emissions or major emission sources excluded.
- Many Net Zero pledges **rely heavily on nature-based offsets**, without clarification or quantification, rather than absolute reduction of emissions to meet goals or targets. This is compounded by the credibility of these forms of offsets.
- There is **no commitment to phasing out fossil fuels**, rather there is a heavy reliance on unproven, or speculative technologies such as alternative fuel innovation, particularly by aviation companies' reliance on sustainable aviation fuels.
- There is a **lack of interim targets** over the short-term (2025) and medium-term (2030 – with a 50% reduction).
- There are a variety of terms used to describe net zero commitments and a **variety of methods for defining and reporting on an organisation's greenhouse gas emission boundaries**, which creates confusion and may result in significant differences in ultimate emission levels.
- Companies **rely on scenarios or pathways that result in greater than 1.5 degrees of warming**, some with significant overshoot.
- There is **limited ambition for renewable electricity and low procurement integrity**.
- Despite their stated climate positions, many companies have engaged in political advocacy or are members of industry associations that **engage in political advocacy against more effective emissions regulation**.
- Most companies include climate related physical risk disclosures, however there are varying degrees to which they are analysed in relation to actual and potential impacts on the respective companies.

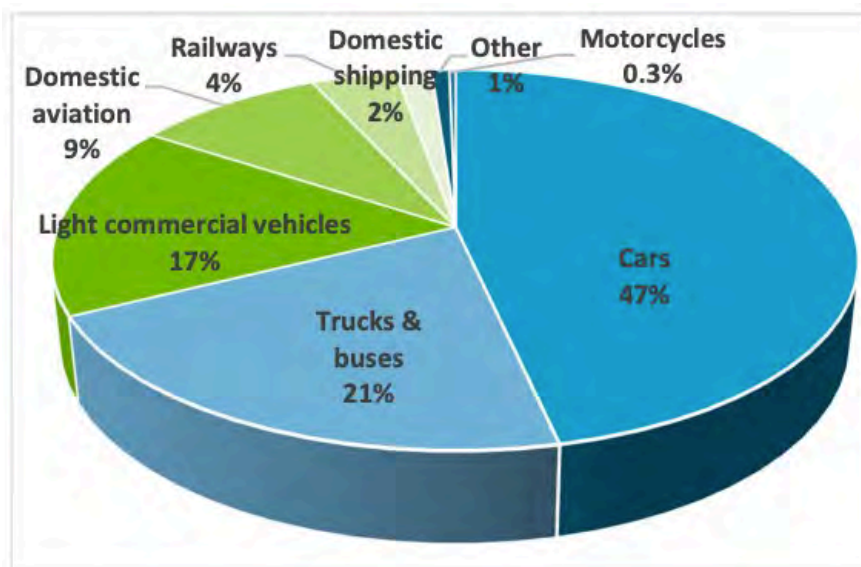
# > Background

The transport sector is Australia's third largest source of greenhouse gas emissions. It contributed 91.7 MtCO<sub>2</sub>e for the year to March 2022 and 97.5 MtCO<sub>2</sub>e for the year to March 2023, accounting for 18.7%<sup>4</sup> and 20.9%<sup>5</sup> of Australia's total emissions respectively.

Emissions are largely produced from fossil fuel combustion for mobility - in engines of light and heavy vehicles, trains, airplanes, and ships.<sup>6</sup> At 45% higher per capita than the OECD average, Australia does not compare well to other OECD countries in tackling these emissions.<sup>7</sup>

This was reflected in the American Council for Energy's 2022 International Energy Efficiency Scorecard for Energy Efficient Economy which ranked Australia third worst for transport energy efficiency. In fact, Australia's transportation sector scored a total of 2.5 out of 25 points, ahead of only Saudi Arabia and the U.A.E. as the joint lowest-scoring countries with 2 out of 25 points.<sup>8</sup> According to the ABS the sector contributes around 4.6% (\$77.4 billion) of Australia's GDP.<sup>9</sup>

## Transport sector emissions by type in 2020



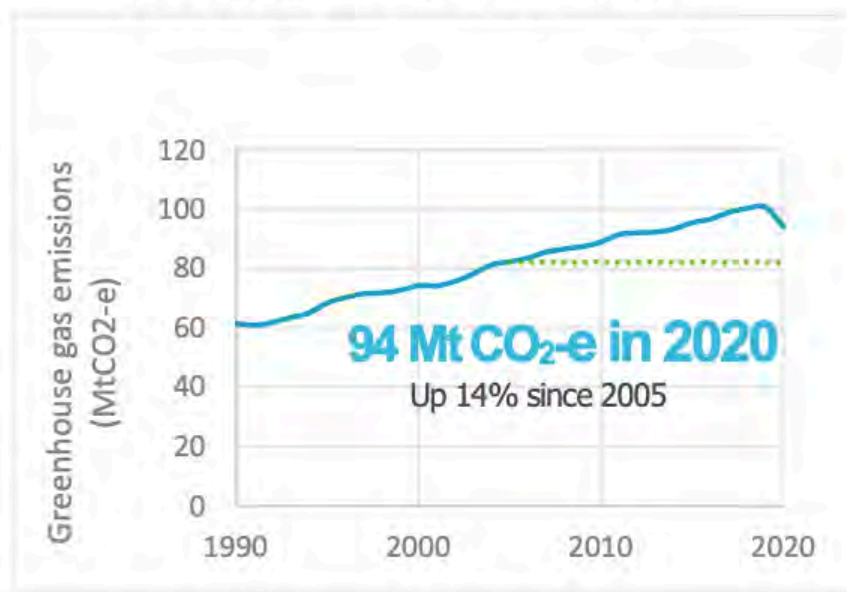
**Source:** Climate Change Authority, 2021 Transport Factsheet.



# Background

Transport emissions have been rising every year since 1990, excluding 2020 which can be attributed to COVID-19 restrictions.

## Australia's transport emissions



**Source:** Climate Change Authority, 2021 *Transport Factsheet*.

This report reviews **nine transport companies** representing a cross-section of the highest emitters across the four modes of the transport sector:

- **air** (Qantas, Virgin, Alliance Airlines);
- **road** (Toll and Linfox);
- **rail** (Pacific National, Aurizon, Qube); and
- Kelsian, covering a number of these modes, including **shipping**, being a multi-modal transport operator.

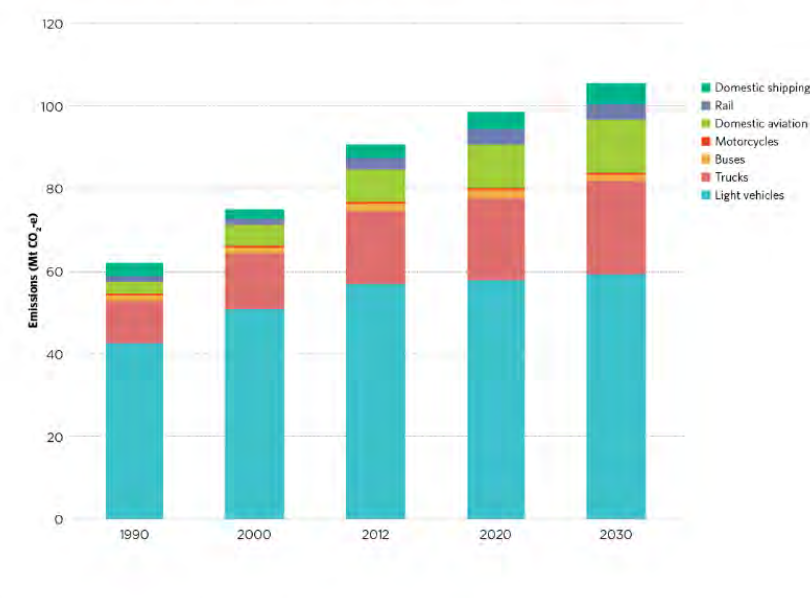
These companies are also either major players by market share or significant industry participants.<sup>10</sup>



## Trends in transportation GHG emissions

- Transportation emissions have been growing at the fastest rate of any sector, increasing nearly 60% between 1990 and 2017,<sup>11</sup> before a drop in 2019–2020, due to the impacts of the COVID pandemic.
- Greenhouse gas emissions from domestic aviation decreased most significantly during the COVID pandemic (falling from 11,429 gigagrams of CO<sub>2</sub> equivalent in 2018–19 to 6,046 gigagrams of CO<sub>2</sub> equivalent in 2020–21).<sup>12</sup>
- Since the COVID pandemic, emissions from transport increased 5.4% in actual terms compared with the previous year to March 2022.<sup>13, 14</sup> These large year-on-year increases reflect the ongoing recovery from COVID-related restrictions on movement. Nonetheless, transport sector emissions remain 3.6% below their peak at 2018, immediately before the COVID pandemic.
- Current projections show that, without a carbon price or any further policy action, transportation emissions will be the largest source of CO<sub>2</sub> emissions in Australia by 2030.<sup>15</sup>

**Figure 2.2: Transport emissions by mode of travel, selected years, 1990–2030**



**Note:** Future projections are based on a no carbon price scenario.

**Source:** Climate Change Authority calculations using results from Treasury and DIICSRTE 2013, and Reedman and Graham 2013a

**Source:** CCA Light Vehicle Emissions Standards for Australia Research Report 2014.<sup>16</sup>





# Net Zero Commitments

The Net Zero Commitment should be of sufficient scope and ambition, setting out concrete ways to reach net zero in line with the IPCC or IEA net zero GHG emissions modelled pathways that limit warming to 1.5 degrees with no or limited overshoot. At a minimum it should not be aspirational, a goal or ambition and should:

1. Include **all emissions**, particularly **Scope 3**
2. Prioritise deep reductions for rapid decarbonisation, **not relying on offsets** or include expansions
3. Include **all GHG gases**
4. Include **separate targets** for all material non-CO2 gases such as **methane**
5. Be assessed over **short-term** (2025) and **medium-term** (2030 – with a 50% reduction) and **long-term** (2050)
6. Rely on **credible sector pathways** to Net Zero (such as IPCC or IEA)
7. Include specific targets aimed at **ending the use of and/or support for fossil fuels**
8. Cannot allow for companies to undertake deforestation or other environmentally destructive activities
9. Cannot allow for companies to lobby to undermine ambitious government climate policies either directly or through associations or bodies

**Source:** UN High Level Expert Working Group on the Net Zero Emissions Commitments of Non-State Entities<sup>17</sup>

The UNHLEG findings are mirrored in the findings from the companies audited in this report. While many of the companies audited claim to make Net Zero commitments, an analysis of the substance of the claims shows that they are not credible.

The lack of a credible Net Zero Commitment undermines public trust. Consumers may be misled by bold claims that have no foundation. Without a credible Net Zero Commitment, companies cannot show how they will successfully deliver on their claims.

# Summary of audit findings on Net Zero commitments

Company	Do they purport to make a Net Zero Commitment?	Do the stated targets include all emissions (Scope 1, 2 and 3)?	Do they avoid relying on offsets?	Do they include all GHG gases (i.e.CO2e)?	Do they include separate targets for non-CO2 gases i.e. methane?	Are there stated targets for 2025; 50% reduction targets for 2030; and 2050 targets across all Scopes?	Do they rely on credible pathways to limit warming to 1.5 degrees with no or limited overshoot?	Are there targets aimed at ending use of fossil fuels (including fossil gas and blue/grey hydrogen)?	Do they commit to avoid deforestation and other environmentally destructive activities?	Do they avoid lobbying against climate policies?
<b>Qantas</b>	✓	✗ 18	✗	✓	✗	✗ 19	✗	✗	✗	✗ 20
<b>Pacific National</b>	✗	✗	✗	✓	✗	✗ 21	✗	✗	✗	✗
<b>Virgin Australia</b>	✓	✗	✗	✓	✗	✗	✗	✗ 22	✗	✗ 23
<b>Aurizon</b>	✓	✗	✗	✓	✗	✗ 24	✗	✗	✗	✗
<b>Toll</b>	✓	✗	✗	✓	✗	✗	✗	✗	✗	✗
<b>Qube</b>	✗	✗	✗	✓	✗	✗ 25	✗	✗ 26	✗	✗
<b>Alliance Airlines</b>	✗	✗	✗	✓ 27	✗	✗	✗	✗	✗	✗
<b>Kelsian<sup>28</sup></b>	✗	✗	✗	✓	✗	✓	✗	✗	✗	✗
<b>Linfox</b>	✗	✗	✗	✓	✗	✗	✗	✗	✗	✗



## Targets vs ambitions, aspirations, aims or goals

The use of the terms ambition, aspiration, aim or goal indicates a desire or hope rather than an ambitious, clearly identified and measurable plan to attain Net Zero by 2050.

Of the nine companies audited, seven companies: Qantas, Pacific National, Virgin, Aurizon, Toll, Qube, and Linfox make some form of Net Zero commitment with Alliance Airlines and Kelsian<sup>29</sup> failing to make any Net Zero commitment.

Of those seven companies Aurizon has a target,<sup>30</sup> Qube has an aspirational goal,<sup>31</sup> three (Qantas,<sup>32</sup> Virgin,<sup>33</sup> and Toll<sup>34</sup>) make a “commitment to targeting”, one is “striving towards” (Linfox)<sup>35</sup> and Pacific National is “working hard” on “understanding a path to” Net Zero.<sup>36</sup>

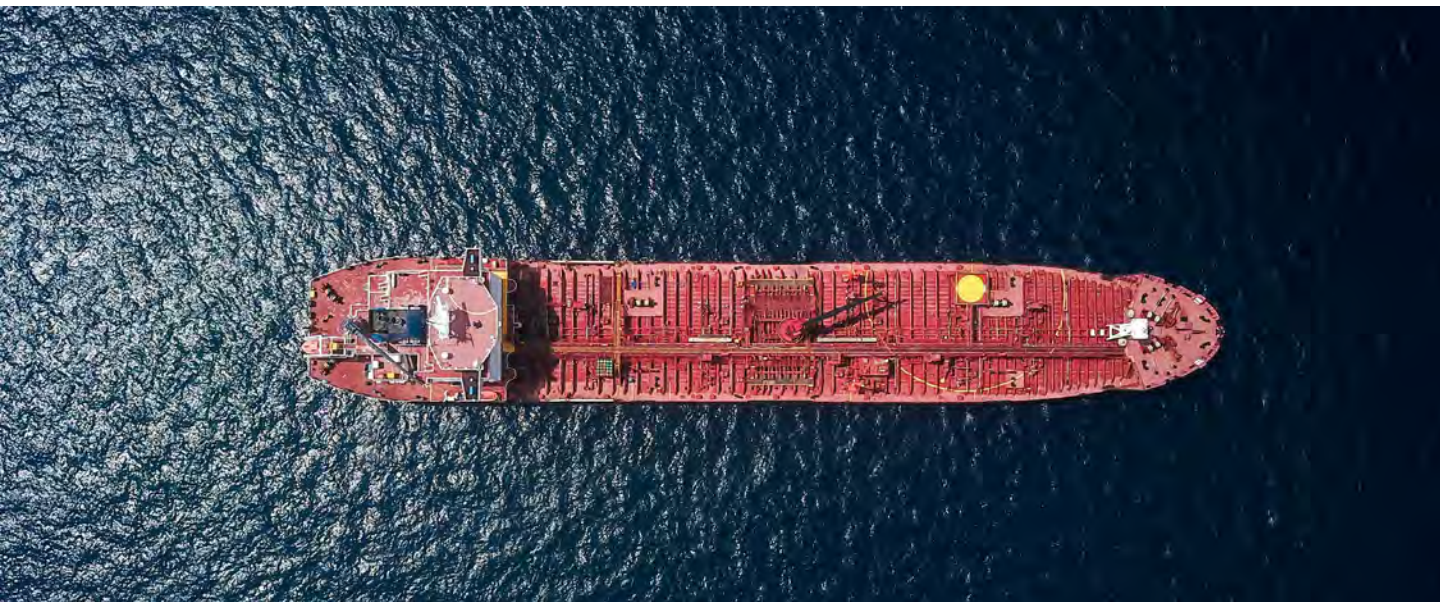
The strategic choice of non-committal or vague language intends to convey the appearance of a commitment to reaching net zero by 2050, however, the results of the net zero commitments audit show that the commitments are not of sufficient scope to meet the credibility criteria, and therefore have the potential to mislead consumers.



### Case study – Qube<sup>37</sup>

*We also have an aspirational goal – Net Carbon Zero by 2050. Net Carbon Zero describes our aspirational goal to reduce our Scope 1 emissions, intensity (tCO<sub>2</sub>-e/\$M revenue) to zero (compared to 2018 baseline). Our success to achieve our targets will be dependent on the emergence of technologies and the availability of alternative energy supplies and at commercial pricing.*

The concerns with the goal include: it is aspirational, relates only to Scope 1 emissions and is based on emissions intensity which will be discussed below.





## Scope 3 emissions and different accounting approaches

Scope 3 emissions make up approximately one third of total emissions in the transport sector.<sup>38</sup>

As there is no requirement to include Scope 3 in reporting, it is difficult to compare the environmental performance of companies within the transportation sector.

### Case study – Aurizon

Aurizon claims compliance with the GHG Protocol Corporate Value Chain (Scope 3) Standard in accounting for Scope 3 emissions.<sup>41</sup> However, Aurizon's Scope 3 emissions definition excludes "Scope 3 emissions from employee commuting," representing approximately 5% of their total reported Scope 3 emissions.<sup>42</sup>

While Aurizon claims its decision to exclude employee commuting emissions has received independent assurance from Deloitte, Deloitte's disclaimer states that the level of assurance obtained by Aurizon is a limited assurance. This is a lower level of assurance than what would have been obtained in a reasonable assurance engagement.<sup>43</sup>

Aurizon acknowledges the need to better understand Scope 3 emissions and is conducting an exercise over the coming year.<sup>44</sup> This is expected to expand Aurizon's Scope 3 reporting boundary and lead to increased reported emissions once the methodology is strengthened and formalised.<sup>45</sup>



### Case study – Qube

Qube's Net Zero commitment has the narrowest scope coverage of any company audited.

It is limited to Scope 1 emissions only.<sup>39</sup> Qube justifies that Scope 1 covers their main emission sources (i.e., diesel usage by plant and equipment) and, compared with Scope 2 emissions, are more within the Company's ability to influence.<sup>39</sup>

### Case study – Virgin

Virgin reported a three-fold increase in Scope 3 emissions from FY21 after expanding its Scope 3 boundary to include waste, catering, cleaning, crew accommodation and transport.<sup>46</sup>



## Reliance on carbon offsets rather than actual emissions reductions

Across the sector there is excessive reliance on carbon offsetting through removal and avoidance offsets.

**Reliance on credits or offsets undermines decarbonisation plans as it replaces concrete action to physically reduce absolute emissions which is the priority this decade.<sup>47</sup>**

Removal offsetting is the removal and sequestration of an equivalent quantity of greenhouse gas emissions already in the atmosphere for at least as long as the underlying emissions are expected to remain in the atmosphere.<sup>48</sup>

Avoidance offsetting includes actions taken to avoid emitting prospective greenhouse gas emissions, based on a theoretical counterfactual, the emissions that would have occurred had the avoidance action not been taken, the verification of which is highly subjective.<sup>49</sup>

Offsetting is achieved in a several ways; through the acquisition and retirement of carbon credits, predominantly Australian Carbon Credit Units (**ACCUs**) to offset actual emissions; through the direct investment in Nature Based Solutions (**NBS**) which avoid or reduce emissions by protecting or enhancing biodiversity; and through technology solutions such as low emission fuels which avoid greenhouse gas emissions. An excessive reliance on offsets undermines Net Zero commitments as it replaces concrete action to reduce absolute emissions which is the priority this decade.

There is concern about the veracity of the ACCUs, with claims that up to 80% of the carbon credits issued are flawed or devoid of integrity, achieving little in the way of abatement and additionality.<sup>50</sup> Often low-integrity credits are being used to offset emissions which allows real emission increases, rather than representing genuine and additional abatement.<sup>51</sup>

A recent investigation into a large supplier of carbon offsets found that more than 90% of the rainforest offset credits do not represent genuine offsets and were likely to be 'phantom credits'.<sup>52</sup>

The Corporate Climate Responsibility Monitor 2022 states:<sup>53</sup>

*The storage of carbon removed through nature-based solutions **cannot be guaranteed and is unlikely to be permanent.** Natural weather events or anthropogenic influences can at any point in the future cause the degradation or razing of forests, mangroves, soils, or savannas. When such damages occur, this leads to the re-release of captured carbon, potentially nullifying any accumulated emission removal impact that might have occurred through the protection or restoration of that land in the past. Carbon offset credits that are issued for the carbon captured by these projects in any given year do not fully take account of the fact that this impact may not be permanent, and that there is a reasonable likelihood some of the carbon is re-released into the atmosphere within the century.*

The Science Based Targets initiative's (SBTi) Corporate Net Zero Standard says that the use of carbon credits must not be counted as emission reductions toward the progress of companies' near-term or long-term science-based targets, and carbon credits may only be considered as an option for neutralising residual emissions or to finance additional climate mitigation beyond their science-based emission reduction targets.<sup>54</sup>

Five out of the nine companies audited (Qantas, Virgin, Aurizon, Toll, and Linfox) disclose dependence on carbon offsetting their emissions to achieve their climate pledges or targets.

The remainder of the companies do not disclose the quantity nor allocation of offsets they rely on for emission reduction.



## Case study – Qantas

Qantas heavily relies on carbon offsets, which are one of the three pillars in its Climate Action Plan and described as “critical” to reaching Net Zero.<sup>55</sup>

Qantas projects carbon offsets will account for 50-60 per cent of their total emissions reductions by 2030, decreasing marginally to 30-40 per cent by 2050.<sup>56</sup>

Qantas gives the example of a carbon offset project “Green Tier for Qantas Frequent Flyers” involving regeneration of native vegetation in partnership with the North Kimberley Fire Abatement Project.<sup>57</sup>

## Case study – Virgin

Virgin expects carbon offsets will be “require[d]” to achieve their Net Zero pledge.<sup>58</sup>

Virgin projects less reliance on offsetting to achieve net zero by 2050, with plans for offsetting to contribute 13% to their total emissions reduction out of all abatement measures.<sup>59</sup>

Virgin mentions offsets being sourced from nature-based projects including the Tasmanian Land Conservancy, Piccaninny Plains Sanctuary and Berangabah Human-Induced Regeneration Project.<sup>60</sup>

## Case study – Aurizon

Aurizon’s Climate Strategy and Action Plan (CSAP) plans usage of carbon offsets “where required” to meet the company’s Net Zero pledge and targets.<sup>61</sup>

Aurizon does not quantify the role of offsets but does limit usage to a medium-term timeframe and “hard-to-abate emissions”.<sup>62</sup>

Aurizon focuses on nature-based carbon offsetting and is conducting a “nature-based solutions pilot”, claiming that such projects deliver carbon sequestration and biodiversity improvement.<sup>63</sup>

## Case study – Toll

Toll plans to “offset 100% of its corporate travel-related emissions” as part of their Net Zero decarbonisation strategy.<sup>64</sup>

Toll only addresses the extent corporate travel by their employees is offset, which is 100%.<sup>65</sup>

Toll’s carbon offset projects are nature-based involving “protection of ancient rainforests and the native wildlife that depend on them”.<sup>66</sup>

## Case study – Linfox

Linfox gives an example of using carbon offsets to achieve its flagship Net Zero initiative of four net zero emission eCanters.<sup>67</sup>

Linfox provides no information on its carbon offsetting beyond their four flagship net zero emission eCanters.<sup>68</sup>

The lack of transparency and reporting around the quantity and quality of carbon credits relied on in Net Zero commitments makes it impossible for consumers to understand how companies intend to meet their Net Zero commitments.



## Use of different terminology to define boundaries for GHG reporting

While seemingly innocuous, the difference in the terminology can be significant.

Emission intensity is the volume of emissions produced against another relevant unit, such as emissions per unit of output or dollar generated. When relying on emission intensity, if production or dollars generated grows then so do emissions.

Absolute emissions reduction is the reduction of the physical amount of greenhouse gases emitted into the atmosphere over time.

Net emissions contemplate the balance between greenhouse gas emissions produced and greenhouse gas emissions taken out of the atmosphere.

Operational emissions are those emissions from sites operated by the relevant company. Where there are joint ventures, those emissions may be allocated between the respective companies.

Equity emissions are those emissions from operations and assets attributable to a company based on its share of equity of the operation. It is argued that this is perhaps the simplest and most straightforward accounting method.

Under the control approach, a company accounts for the emissions from operations over which it has control. This does not include emissions from operations it has a financial stake in but does not control.

The inconsistency of terminology makes it difficult to understand whether emissions are being reduced to meet Net Zero targets. It also makes it difficult for consumers to compare the environmental performance of different companies.

The UNHLEG Report<sup>69</sup> states:

*Non-state actors cannot focus on reducing the intensity of their emissions rather than their absolute emissions or tackling only a part of their emissions rather than their full value chain (scopes 1, 2 and 3).*

The audited companies use a variety of approaches to account for and define their emission boundaries. Only two companies have set Net Zero commitments based on absolute emissions.<sup>70</sup> Pacific National<sup>71</sup> and Qube<sup>72</sup> only set intensity-based emissions reduction targets. As explained above, Pacific National and Qube's use of intensity-based targets may hide an increasing carbon footprint, should their operational growth exceed the targeted reductions in emissions intensity.

### Case study – Qube

Qube's aspirational goal is to reduce its Scope 1 emissions intensity (tCO<sub>2</sub>-eq/\$M revenue) to zero (compared to 2018 baseline).

Qube outlines its planned continued growth of its freight industry<sup>73</sup> while simultaneously aiming to reduce carbon intensity by 8% in FY23 and Scope 1 emissions intensity by 50% come 2030.<sup>74</sup> As described above, when relying on emission intensity, if production or dollars generated grows then so do emissions.

Such inconsistency of emission boundary reporting approaches makes it difficult to understand whether emissions are being reduced to meet Net Zero targets. It also makes it difficult for consumers to compare the environmental performance of different companies, as has been shown.





## Alternative fuel innovation

Qantas,<sup>75</sup> Virgin,<sup>76</sup> Aurizon,<sup>77</sup> Toll,<sup>78</sup> and Qube<sup>79</sup> outline significant investments in developing and scaling up various alternative fuels, including sustainable aviation fuel, biodiesel, and eFuels.

While alternative fuels could lead to substantial emission reductions if rolled out at scale,<sup>80</sup> the UN Expert Group recommends transition plans be “actionable” and not heavily reliant on speculative innovation.<sup>81</sup>

Notably, most aviation companies audited rely on speculative innovation in Sustainable Aviation Fuels (**SAF**) technology.



### Case study – Qantas

Qantas describes SAF as “central” to achieving its interim targets and Net Zero by 2050. Its transition plan relies on alternative fuels, setting a target to replace 10% of fuel use with SAF by 2030, and approximately 60% by 2050.<sup>82</sup>

Qantas acknowledges reliance on SAF is a transition risk, noting Qantas’ climate targets might not be achievable if the SAF market supply develops slower than projected.<sup>83</sup> Nevertheless, Qantas claims SAF is “the only viable...decarbonisation option available” to continue all operations, including long-haul flights.<sup>84</sup>

### Case study – Virgin

Virgin projects that the proportionate contribution of SAF to achieving net zero 2050 will account for 53% of all measures.<sup>85</sup> However, it acknowledges that SAF is not yet commercially viable in Australia, costing as much as four to six times the local cost of traditional aviation fuel.<sup>86</sup>



## Limited ambition for renewable electricity and low procurement integrity

Despite the transport sector having relatively few Scope 2 emissions from electricity consumption, only Qantas, Toll, and Qube have site-specific targets for 100% renewable electricity by 2030 or earlier.

Qantas has achieved a 100 percent renewable electricity target in Qantas Group buildings.<sup>87</sup> Similarly, Toll's 100 percent renewable electricity target is limited to Toll properties,<sup>88</sup> and Qube's is limited to their company-owned offices and facilities.<sup>89</sup> Aurizon has a less ambitious site-specific target of 25% renewable electricity, from 2024 onwards, across Aurizon's Central Queensland Coal Rail Network.<sup>90</sup>

### Case study – Kelsian

Kelsian's flagship project at the Joondalup Depot (Swan Transit) features not just solar powered infrastructure, but also a large stationary battery storage arrangement.<sup>93</sup>

Kelsian stands out among companies audited for their understanding of maximising climate impact of renewable electricity through high-quality procurement and storage constructs. Kelsian's decarbonisation of facilities includes "exploring battery storage solution to provide grid services to the network and support the peak energy requirements of local community."<sup>94</sup>

### Case study – Linfox

Linfox is building renewable energy projects at their flagship Linfox Willawong, Queensland site to reduce purchases of grid-supplied renewable electricity.<sup>91</sup>

*Without renewable energy sources, the site would consume 2.1 million kWh annually from the grid. The previous 200kW solar PV system saw this annual usage drop to 1.9 million kWh, with the additional 550kW set to further reduce consumption to 1.2 million kWh.*

While this is a positive step, there is no information disclosed about battery storage, without which the PV systems fails to maximise emissions reductions.

According to the NewClimate Institute:<sup>92</sup>

*...actors that do not have on-site storage will still rely on the national grid when they do not generate sufficient energy themselves. Therefore, the emission reduction impact of this option is not as reliable as having on-site renewable electricity and storage technologies.*



## Lobbying and advocacy

Of the companies audited, none have an exemplary record when it comes to lobbying against climate action. This may not be through direct lobbying, rather memberships in industry associations with negative engagement on climate policy. This is incompatible with UNHLEG Recommendation 6 and is even more detrimental to companies' performance if not disclosed. Failure to publicly disclose trade association affiliations is also contrary to the UNHLEG Detailed Recommendations on Aligning Lobbying and Advocacy.

The public facing claims must align with the lobbying and advocacy that the companies either directly or indirectly participate in. The audit findings show that on the whole, this is not being achieved.

### Case study – Aurizon

Aurizon fails to disclose their lobbying activities or memberships in industry groups lobbying against climate action (e.g. QRC and WCA). Although Aurizon does not disclose QRC membership, the Council's website lists them as a service member. QRC is notorious for actively lobbying against ambitious reform to Australian climate policy, and continues to support a role for fossil fuels, including coal and gas, in the energy mix.<sup>96</sup> Several members, including Rio Tinto, have exited QRC on the basis of QRC's advocacy for coal "not [being] aligned with [their] climate and energy policy".<sup>97</sup>

**Non-state actors cannot lobby to undermine ambitious government climate policies either directly or through trade associations or other bodies. Instead, they must align their advocacy, as well as their governance and business strategies with their climate commitments. This includes aligning capital expenditures with net zero targets and meaningfully linking executive compensation to climate action and demonstrated results.<sup>95</sup>**

# > Physical risk to the business










In the Commonwealth Treasury’s consultation paper on climate-related financial disclosure, it observed that:

*Climate change is recognised internationally as a material risk to the global financial system – a risk which needs to be managed by capital markets, regulators and corporations. This includes both the physical risks of climate change and the transition risks associated with policy, regulatory and technological change brought on by efforts to mitigate climate change.<sup>114</sup>*

Physical risk resulting from climate change can present a material risk to a business. It includes both longer-term changes in climate (chronic risk) as well as changes to the frequency and magnitude of extreme weather events (acute risk), which cause direct damage to assets or property, changes to income and costs, and changes to the cost and availability of insurance.

Climate-related physical risks have financial implications for companies including reduced revenue from decreased production capacity due to interruptions in the supply chain or access to operations being cut, increased operating costs because of inadequate water supply and reduced revenue and higher costs from negative impacts on the workforce.

This table summarises whether the identified companies have included physical risk to the business in their reporting or prospectuses.

Company	Do they identify physical risks to the business from climate change?
<b>Qantas</b>	 99
<b>Pacific National</b>	 100
<b>Virgin</b>	 101
<b>Aurizon</b>	 102
<b>Toll</b>	 103
<b>Qube</b>	 104
<b>Alliance Aviation</b>	
<b>Kelsian (formerly Sealink Travel)</b>	 105
<b>Linfox</b>	



## Analysis of the audit findings – physical risk to the business

Alliance Airlines and Linfox do not have any reference to physical risk to business resulting from climate change. Alliance Airlines is a listed company and as such ASIC considers that disclosing and managing climate-related risk is a “key director responsibility,”<sup>106</sup> and that “directors and officers of listed companies need to understand and continually reassess existing and emerging risks that may be applicable to the company’s business, including physical and transitional climate risk.”<sup>107</sup> Linfox is not obliged to disclose climate-related risk as a privately owned company.<sup>108</sup>

While the remaining seven companies audited all reference the TCFD recommendations, climate-related risk disclosures vary in detail.

Qantas,<sup>109</sup> Aurizon,<sup>110</sup> and Toll<sup>111</sup> each provide detailed assessment of climate-related risk in alignment with TCFD recommendations. Pacific National,<sup>112</sup> Virgin,<sup>113</sup> Qube,<sup>114</sup> and Kelsian<sup>115</sup> have disclosures which lack detail and only partially align with TCFD framework.

Virgin, Qube, and Kelsian acknowledge this with all companies stating an intention to achieve full alignment with the TCFD framework. Virgin has “developed a roadmap to enhance alignment with TCFD recommendations”<sup>116</sup> while Qube<sup>117</sup> and Kelsian<sup>118</sup> are already working on improving physical (and transition) risk disclosures against TCFD recommendations over the next financial year.

For those companies which provide a detailed analysis of physical risks to business, extreme weather events are the most frequently identified,<sup>119</sup> followed by temperature rises<sup>120</sup> with sea level rise being another commonly identified physical risk.<sup>121</sup>

Pacific National and Aurizon disclose how the physical risks of climate change are already impacting their operations. Both companies reference the 2022 floods. Pacific National mention that adverse weather events, such as these floods and ensuing landslides, resulted in rail closures which impacted Pacific National’s operations to the extent that changes can be observed in their FY22 GHG emissions profile – decline in Scope 1 and 2 emissions, and increase in emissions intensity from reduced operational efficiency.<sup>122</sup> Aurizon describes in detail a derailment near Traveston in South-East QLD and consequent 2-week interruption in operations on the Queensland Rail track in February 2022, caused by the 2022 Queensland floods.<sup>123</sup>

Further work needs to be done to ensure consumers and investors are aware of the potential climate-related risks to the companies they are investing in.



# Potential greenwashing in environmental statements, claims and use of terms

To determine whether the identified companies may have made claims that could be considered greenwashing, a sweep of their websites, social media, prospectus, product disclosure statements and market statements was undertaken. Case studies have been used to discuss examples found during the sweep.



## Case study – Qantas

Statement from Qantas' March 2022 Climate Action Plan at page 17:<sup>124</sup>

*Our Australian Carbon Credit Units (ACCUs) are certified by the Clean Energy Regulator and Climate Active, while international projects are certified under the UNFCCC's Clean Development Mechanism.*

Ongoing annual reporting is required for Climate-Active certification which is due 30 April for calendar year reports and 31 October for financial year reports.<sup>125</sup>

Qantas' certificate status appeared as "pending" at Climate Active because their reports were overdue by more than 60 days following the end of their 2020-2021 reportable period.

It is arguable that this claim made by Qantas is misleading within the meaning of the ACCC Draft Guidance as Qantas does not qualify that certification of its Australian Carbon Credit Units (ACCUs) was pending. Qantas representing that these ACCUs are certified while they do not yet meet the criteria for certification is contrary to Principle 2 of the Draft Guidance which requires companies "ensure...[their] claims accurately reflect what [they] have been certified for", and Principle 7 which provides in relation to "Third-party labels and certifications" that "businesses that ... fail to meet the criteria for certification, and represent that they are certified risk misleading consumers". Qantas' representation may mislead consumers as to the integrity of their ACCUs.



## Case study – Virgin

Statement from 2022 Sustainability Report at page 24:<sup>129</sup>

*Since 2014, we have been a proud partner of the Tasmanian Land Conservancy (TLC) through our Fly Carbon Neutral program. Virgin Australia guests offsetting their flights are directly supporting the New Leaf Project, which is preserving Tasmania’s native forests while also contributing to the protection of important species and ecosystems.*

The Clean Energy Regulator shows that the New Leaf Carbon Project has not provided any carbon offsetting in 2014/2015 and 2016/2017.<sup>130</sup> Assuming that carbon offsets for Virgin’s Fly Carbon Neutral program during those years were sourced elsewhere,<sup>131</sup> this may mislead consumers by hiding the integrity of the carbon offsets Virgin uses. This is contrary to Principle 8 of the ACCC’s Draft Guidance which requires companies “be direct and open about [their] sustainability transition.”<sup>132</sup>





## Case study – Toll

# Greenhouse gas emissions

FY22 Australian energy consumption and Scope 1 and 2 GHG emissions (tCO<sub>2</sub>-e)

Category	Fuel and energy consumption (GJ)	Emissions (tCO <sub>2</sub> -e)
<b>Facilities</b>		
Scope 1: City gas/Natural gas	717	37
Scope 2: Electric power	87,604	20,540
<b>Fleet</b>		
Scope 1: Aviation gasoline	81,549	5,518
Scope 1: Diesel/Gas oil	2,698,650	184,107
Scope 1: Motor gasoline	2,080	125
Scope 1: Aviation kerosene (AvTur/Jet A1)	4,452	311
Scope 1: Heavy fuel oil (used in ships)	250,330	6,532
<b>Total energy consumed</b>	<b>3,134,382</b>	
<b>Total Scope 1 emissions</b>		<b>196,629</b>
<b>Total Scope 2 emissions</b>		<b>20,540</b>

Disclosure in Toll Group 2022 Sustainability Report at page 50:<sup>135</sup>

## Greenhouse and energy information by controlling corporation 2021-22

Information as at 28 February 2023.

Downloadable version of the data table

Greenhouse and energy information by registered corporation 2021-22

Show 25 entries

Search: Toll

Disclosure in NGER:<sup>136</sup>

Organisation name	Identifying details	Total scope 1 emissions (t CO <sub>2</sub> -e)	Total scope 2 emissions (t CO <sub>2</sub> -e)	Net energy consumed (GJ)	Important notes
TOLL HOLDINGS PTY LIMITED	25 006 592 089	235,380	27,838	3,460,144	-

Showing 1 to 1 of 1 entries (filtered from 417 total entries)

Previous 1 Next

There is a clear inconsistency between the Scope 2 data disclosed in Toll’s 2022 Sustainability Report (20,540 t CO<sub>2</sub>-eq) and Toll’s mandatory disclosure to NGER (27, 838 t CO<sub>2</sub>-eq). Toll reports an almost 30% lower number of Scope 2 emissions in their main public communication than under NGER.

While Toll may give a complete overview of their Scope 2 emissions in their significantly higher disclosure under NGER, information disclosed under NGER is not easily accessible without technical knowledge. Therefore, inconsistency in Toll’s emissions reporting across publications could mislead consumers.

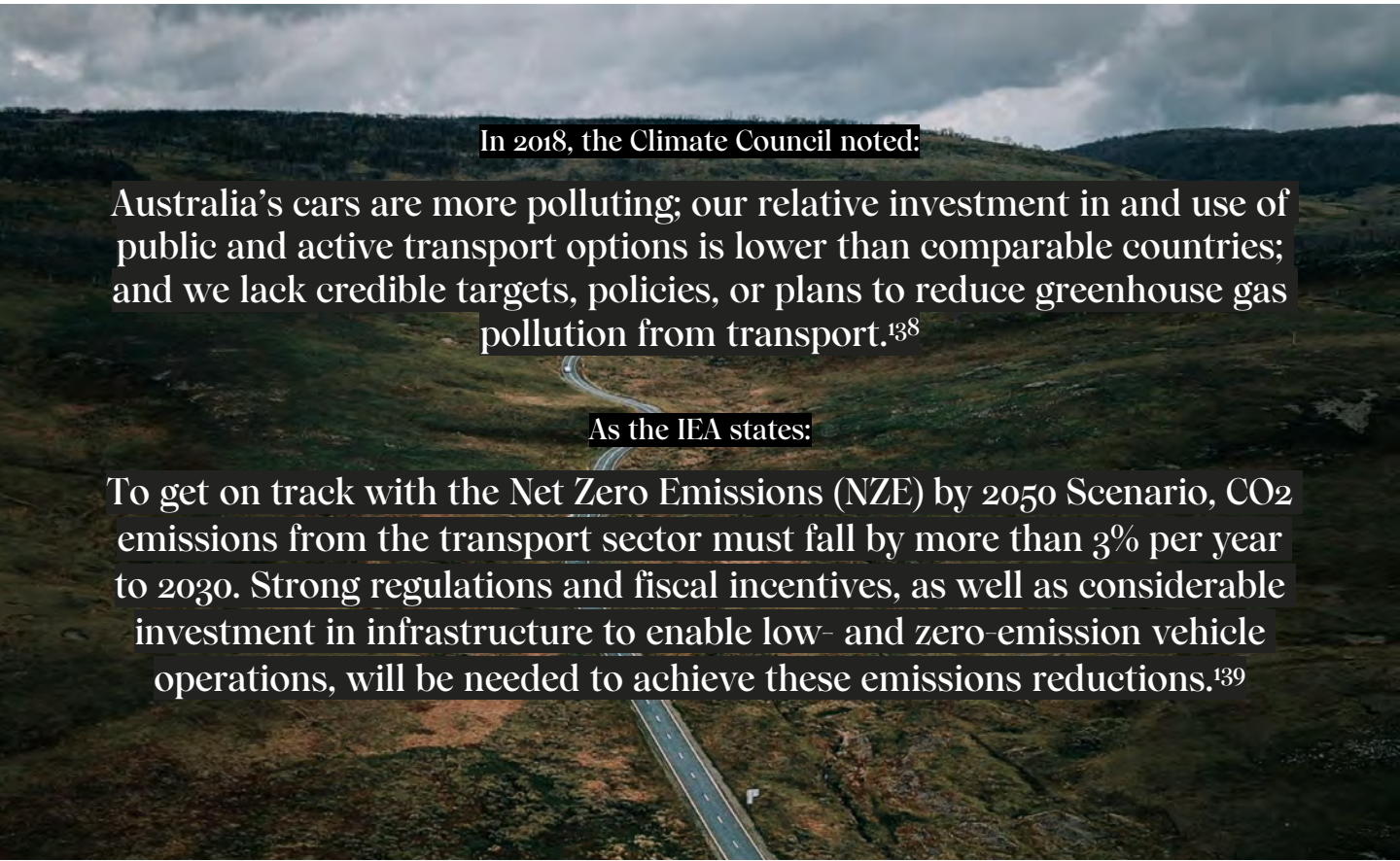


# > Conclusion

In Australia's race to Net Zero, more needs to be done to cut the transport sector's upward-trending emissions.<sup>137</sup>

Reliance on carbon offsets is not being transparently disclosed alongside Net Zero commitments, or with insufficient detail. Transport companies must start limiting carbon offset usage to hard-to-abate residual emissions and stop relying on non-permanent nature-based offsets. The over-reliance on alternative fuels of uncertain viability, particularly on SAF by aviation companies needs to be addressed.

In order for consumers to fully understand companies' climate ambitions and performance, messaging on scope coverage and carbon offsets needs to be more transparent with necessary qualifications included.



**In 2018, the Climate Council noted:**

**Australia's cars are more polluting; our relative investment in and use of public and active transport options is lower than comparable countries; and we lack credible targets, policies, or plans to reduce greenhouse gas pollution from transport.<sup>138</sup>**

**As the IEA states:**

**To get on track with the Net Zero Emissions (NZE) by 2050 Scenario, CO<sub>2</sub> emissions from the transport sector must fall by more than 3% per year to 2030. Strong regulations and fiscal incentives, as well as considerable investment in infrastructure to enable low- and zero-emission vehicle operations, will be needed to achieve these emissions reductions.<sup>139</sup>**

# > Appendix A

## What is a credible Net Zero plan?

Achieving “Net Zero” is the process in which greenhouse gas emissions are cut as close to zero as possible and any remaining emissions are re-absorbed from the atmosphere to ensure that anthropogenic emissions produced do not exceed emissions taken out of the atmosphere.<sup>140</sup> The Net Zero by 2050 target was set with an aim of limiting global warming to below 1.5°C and then maintaining that temperature so as to avoid wide-scale, irreversible environmental harm. As of 2022, Net Zero pledges cover over 91% of the global economy, an increase from 68% in 2021.<sup>141</sup>

A recent report by the United Nations High Level Expert Group on the Net Zero Commitments of Non-State Entities (**UNHLEG Report**) was developed with the specific aim of preventing the concept of “Net Zero” from being undermined by false claims, ambiguity and greenwashing.<sup>142</sup> It outlines specific recommendations for providing a credible Net Zero plan, sometimes referred to as a transition plan. The report suggests that Net Zero claims should address the full lifecycle of a product or process, that is scope 1, 2 and 3 emissions. It also recommends that companies should have short term science-based targets to support the long-term pledges. Plans should also show how the company intends to transition away from fossil fuels and should align their external policy and engagement efforts with their goals.

We have used this report to assess the credibility of Net Zero claims within the energy industry, and to highlight where they may be potentially misleading under the Australian Consumer Law or the *Corporations Act*.<sup>143</sup>

## Scope 1, 2 and 3 emissions

The Australian Government Clean Energy Regulator defines Scope 1, 2 and 3 emissions as follows:<sup>144</sup>

- **Scope 1:** Emissions released into the atmosphere as a direct result of an activity or series of activities at a facility level. They are sometimes referred to as direct emissions.
- **Scope 2:** Emissions released to the atmosphere from the indirect consumption of an energy commodity. These are sometimes referred to as ‘indirect emissions’ which come from the use of electricity produced by the burning of fossil fuels in another facility.
- **Scope 3:** These are indirect emissions, other than Scope 2, that are generated in the wider economy. They result from the activities of a facility but from sources not owned or controlled by that facility’s business.

# > Appendix B

## What is greenwashing?

The increased awareness of the impacts of greenhouse gas emissions on climate change is leading to a global transition to a Net Zero economy. Consumers are increasingly interested in purchasing sustainable or environmentally friendly products which will assist in the reduction of greenhouse gas emissions.

Companies, in an endeavour to increase their market share in this space, are publishing environmental and sustainability claims in relation to their business and products. Claims may be product specific, where they appear on websites, advertisements or social media; company-wide claims, appearing on websites or in reporting documents or corporate social responsibility documents; or claims using logos and symbols (such as certification trademarks) which can appear on websites or advertising.

Concerns arise where the claims made by businesses may be false, misleading, or have no reasonable basis. This is often known as 'greenwashing'.<sup>145</sup> Misleading climate claims, or greenwashing, is subject to the laws of misleading or deceptive conduct.<sup>146</sup>

## Greenwashing and environmental claims

The ACCC, in its draft guidance, has identified eight principles to help companies comply with their obligations under the Australian Consumer Law in relation to environmental and sustainability claims.<sup>147</sup> These include: make accurate and truthful claims; have evidence to back up the claims; don't leave out or hide important information; explain any conditions or qualifications on the claims;

avoid broad and unqualified claims; use clear and easy-to-understand language; visual elements should not give the wrong impression; and be direct and open about your sustainability transition.<sup>148</sup>

One of ASIC's priorities for 2024 includes enforcement action on greenwashing.<sup>149</sup> ASIC are increasingly taking regulatory action on company's misleading statements to promote fair and transparent markets.<sup>150</sup> ASIC wants to ensure that retail investors and financial consumers are well informed and not misled about the 'green credentials' of investments and listed companies.<sup>151</sup> ASIC is focusing on Net Zero statements and targets and claims of decarbonisation that do not appear to have a reasonable basis or are factually incorrect.<sup>152</sup> Further, the use of terms such as 'carbon neutral', 'clean' or 'green' have been reviewed to ensure there is a reasonable basis for the claim. These statements, targets, claims and terms were used across prospectuses, websites, product disclosure statements, and market announcements.<sup>153</sup>

In recognition of the increased use of environmental claims in advertising, the Australian Association of National Advertisers and Ad Standards have adopted the Environmental Claims Code (**the Code**). The Code assists advertisers to fulfil their obligation to be truthful in their claims and not mislead or deceive consumers about the environmental benefits of their products and services. The Code sets out the three key elements advertising must meet as a truthful, factual presentation; a genuine benefit to the environment; and must be able to be substantiated and verifiable.<sup>154</sup>

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