

30 January 2026

Greenhouse Gas Protocol

Submitted via email



GHG Protocol Consultations- Scope 2

The Australian Financial Markets Association (AFMA) is responding to the GHG Protocol Scope 2 consultation.

AFMA is the leading industry association representing Australia's financial markets - including the capital, credit, derivatives, foreign exchange, and other specialist markets such as gas, carbon, electricity and environmental products. We have more than 140 members, from Australian and international banks, leading brokers, securities companies, and government treasury corporations to fund managers, energy firms, and industry service providers.

AFMA appreciates that the GHG protocol is an international standard and designed accordingly. Our submission highlights issues where some of the proposed amendments would pose particular challenges or barriers for the Australian market specifically, and areas which we believe require further consideration in the Australian context.

Key Points

- Australian specific considerations are required and should be aligned with domestic policy
 - Proposed deliverability market boundaries for Australia are inappropriate
 - The SSS guidance should be clarified to explicitly not capture government owned enterprises, operating under competitive neutrality.
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1. Hourly matching

In Australia, the Government recently established a voluntary, nascent tradable certificate scheme to enable certification of renewable electricity. While the certificate scheme provides for temporal matching of certificates it does not mandate any particular matching period with companies free to determine how they will time match their certificates from hourly to yearly. We believe that for the Protocol's to be relevant in Australia, the settings must be consistent with a domestic policy and as such, a voluntary approach to hourly temporal matching is most appropriate for Australia.

Since the market is currently immature and participants hold differing views as to the most appropriate policy settings, the intention of the Australian scheme is that the market will determine how to implement temporal matching. A voluntary approach will allow us to:

- better assess which settings are fit for purpose;
- observe how the market evolves
- understand where demand lies;
- limit costs that could serve as barriers to implementation and greater participation; and
- identify any practical or liquidity challenges posed.

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2. Deliverability market boundaries

AFMA understands the intention to pursue amendments to ensure reporting accurately reflects business operations and, can credibly represent the impact of actions across a sector, country, or international commitment. However, the assumption that co-locating generation and consumption better reflects how the underlying market operates is erroneous. The grid does not differentiate between electrons on a locational basis and while congestion may impact the supply of renewable generation, this can occur within distribution and transmission networks, not just between zones. The rapid growth of interconnection reflects the material benefits associated with sharing generation between regions, and even nations.

There are also material risks associated with imposing excessive fragmentation that ignores the homogenous nature of the underlying product. For example, in Australia, a retailer in New South Wales could contract renewable generation from South Australia to supply a consumer in Victoria.

AFMA appreciates the rationale for the proposed deliverability market boundaries, but the approach is inappropriate for Australia because it is inconsistent with the realities of electricity deliverability in Australia. This is because the proposed deliverability market boundaries is based on the premise that electrons in different parts of the grid have fundamentally different impacts on consumption which we do not support. The Australian east coast states markets are interconnected through the National Electricity Market (NEM), where electricity flows freely. Electrons do not literally follow commercial schedules or contractual arrangements. As such, a state-based approach would be unworkable and inappropriate. A state-based approach risks undermining synergies and market efficiency. The rapid growth of interconnection within and between distribution and transmission networks will greatly improve the ability to share generation between regions, and even nations. The need to differentiate between zones as a result of congestion, will continue to reduce as major interconnection projects across the NEM commences operation in the coming years.

The proposed deliverability requirements could also decrease investment incentives for locations with abundant renewable resources but limited local demand and distort investment signals or negatively affect cross-border Power Purchase Agreements (PPAs). PPAs play an important role domestically in unlocking investment and facilitate risk sharing and could distort investment signals. Requiring additional, unnecessary duplication of generation investment will increase the cost and complexity of replacing ageing coal generation and transitioning the grid towards net zero.

As such, AFMA recommends that interconnection be recognised and reflected appropriately. We suggest this could be achieved by nominating either the overall NEM or Australia as a whole, as opposed to fragmented regions AFMA considers this an important policy question and encourages the Protocol to move away from a state-based approach.

3. Standard Supply Service guidance

AFMA cautions that the proposed treatment could impact on legal and property rights conferred under legislation and commercial contracting arrangements. Australian renewable development is largely being underwritten by government policy. However, not all policies have the same impact on consumers and the market. For example, the mandatory renewable power percentage is a requirement imposed on all retailers to invest in additional new generation which is funded through consumer bills. Other government policies, such as financial support at the margins through contracts for difference under programs such as the Capacity Investment Scheme or the new voluntary renewable generation certification scheme referenced above place less firm obligations on

retailers and will not be directly reflected in consumer bills. It is important therefore that the definition of the standard supply service (SSS) is appropriately nuanced.

At the same time, the energy market contains a mix of privately owned and government-owned assets. Some of the largest renewable assets are owned by government-owned entities, but they operate commercially, and AFMA considers that they should be treated equivalently to private assets. Therefore, we request that the revised guidance be clarified to explicitly exclude government-owned entities operating under competitive neutrality, as well as commercially operated government-funded projects under the revised Standard Supply Service guidance.

Additionally, to avoid ambiguity on page 26, we suggest the following drafting clarifications:

- There should be explicit clarification that reference to ‘allocation’ in ‘Suppliers should allocate SSS electricity supply and related EACs for energy used to serve customers’ means ‘making available for sale on commercial terms’
- ‘Should’ should be replaced by ‘may’

AFMA Recommendations

- i. Hourly temporal matching should be voluntary
- ii. Define the deliverability market boundary as a larger region as the grid does not differentiate between electrons
- iii. Explicitly clarify that government-owned enterprises are not captured under the SSS guidance to ensure it is fit for purpose

AFMA would welcome the opportunity to discuss this submission further and would be pleased to provide further information or clarity as required. Please contact Monica Young via myoung@afma.com.au or 02 9776 7917.

Yours sincerely,

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