

# Water Industry Act 1994

## STATEMENT OF OBLIGATIONS (EMISSION REDUCTION)

I, Lisa Neville, Minister for Water, as Minister administering Part 1A of the **Water Industry Act 1994**, pursuant to Section 4I(2) of the **Water Industry Act 1994**, make and issue the attached Statement of Obligations (Emission Reduction) to Victorian water corporations:

- Barwon Region Water Corporation;
- Central Gippsland Region Water Corporation;
- Central Highlands Region Water Corporation;
- Coliban Region Water Corporation;
- East Gippsland Region Water Corporation;
- Gippsland and Southern Rural Water Corporation;
- Goulburn-Murray Rural Water Corporation;
- Goulburn Valley Region Water Corporation;
- Grampians Wimmera Mallee Water Corporation;
- Greater Western Water Corporation;
- Lower Murray Urban and Rural Water Corporation;
- Melbourne Water Corporation;
- North East Region Water Corporation;
- South East Water Corporation;
- South Gippsland Region Water Corporation;
- Wannon Region Water Corporation;
- Westernport Region Water Corporation; and
- Yarra Valley Water Corporation.



**Minister for Water**

**Dated: 23/05/2022**

# STATEMENT OF OBLIGATIONS (EMISSION REDUCTION)

## PART 1 PRELIMINARY

### 1-1 Authorising Provision

The Minister responsible for administering the *Water Industry Act 1994* (the Act) makes and issues this *Statement of Obligations (Emission Reduction)* (Statement) to all regulated entities under Section 4I of the Act.

Effective from the date on which this Statement commences, the Minister revokes the previous Statement issued to Victorian water corporations (Corporations) under Section 4I of the Act.

### 1-2 Commencement and Term

This Statement commences on the date it is issued by the Minister and remains in effect until revoked.

### 1-3 Purpose

The purpose of this Statement is to establish and specify the greenhouse gas emissions (herein referred to as emissions) reduction and renewable electricity use obligations of Corporations.

This Statement imposes obligations on Corporations additional to those specified in the *Statement of Obligations (General)*.

### 1-4 Interpretation

The definitions of the terms contained in Schedule A apply in this Statement. Unless defined in this Statement, terms defined in the *Water Act 1989* and the Act have the same meaning in this Statement.

### 1-5 Availability of Statement

Each Corporation must make this Statement available to the public on its website.

## PART 2 VICTORIAN POLICY CONTEXT

### 2-1 Climate and renewable energy policy

In 2017 the Parliament of Victoria recognised that the international community has, in the *Paris Agreement* in 2015, agreed to hold the global average temperature increase to well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels.

The Parliament of Victoria has legislated in the *Climate Change Act 2017* that Victoria shall achieve a long-term emissions reduction target for the State of net-zero emissions by the year 2050. The Parliament of Victoria has also legislated strong renewable energy targets to be achieved by 2025 and 2030 in the *Renewable Energy (Jobs and Investment) Act 2017*.

Under the state's water plan *Water for Victoria*, the Victorian water sector "will be a leader in the state's climate change mitigation and adaptation actions". *Water for Victoria* also recognises the State's commitment to achieve net-zero emissions by 2050 as flowing through to the water sector and commits Corporations to demonstrating a pathway to net-zero emissions.

Released in May 2021, the *Whole of Victorian Government emissions reduction pledge* contains a range of actions to reduce emissions from Victorian government operations. Central to the pledge is a commitment for electricity used in government operations to be 100 percent renewable by 2025. This Statement recognises that commitment as flowing through to Corporations.

An amendment to the Victorian *Environmental Protection Act 2017* (EP Act) came into effect from July 2021 establishing the General Environmental Duty (GED). The GED requires all Victorians engaging in an activity that may give rise to risks of harm to human health or the environment from pollution or waste to minimise those risks, so far as reasonably practicable. The definition of waste in the EP Act includes greenhouse gas substances. Greenhouse gas substances are also defined in the EP Act.

## **PART 3 PRIORITIES**

### **3-1 Emission Reduction Priorities**

In reducing their emissions, Corporations shall:

- (a) prioritise the implementation of actions that avoid or reduce emissions resulting from the Corporations' operations; and
- (b) achieve emission reductions efficiently, making full use of the time available to do so.

Corporations may take customer preferences and feedback on emissions reduction opportunities and strategies into consideration where possible, particularly for initiatives relating to carbon offsetting.

### **3-2 Affordability Priorities**

In reducing their emissions, Corporations shall also:

- (a) pursue actions and targets at the lowest possible cost, seeking to minimise any impact on water customer bills; and
- (b) have particular regard to any price impacts on their vulnerable customers.

## **PART 4 EMISSION REDUCTIONS BASELINES**

### **4-1 Emissions Baselines**

A Corporation's emissions baseline is the average annual emissions for the five-year period from 1 July 2011 to 30 July 2016 calculated in tonnes of carbon dioxide equivalent emissions (t CO<sub>2</sub>-e). That is, the Corporation's total scope 1 and scope 2 emissions during that period divided by five. The Water Industry's emissions baseline is the sum of all Corporations' baselines.

A Corporation's emissions baseline cannot be adjusted unless agreed in consultation with the Department and, in the case of (b), also following consultation with the Water Industry. An adjustment to a Corporation's emissions baseline may only be sought where:

- (a) A calculation error can be evidenced; and/or
- (b) the methodology used by Corporations to calculate emissions baselines has been amended to incorporate the most up to date science on emissions estimations, improving the accuracy of a Corporation's baseline. If an amendment was sought on this basis, it would result in all Corporations' baselines being re-calculated to ensure baseline consistency and comparability.

Each Corporation must make its emissions baseline publicly available in its annual report.

## **PART 5 CORPORATION TARGETS AND COMMITMENTS**

### **5-1 Emission Reduction Targets**

Each Corporation must achieve five-yearly financial year (FY) emissions reduction targets on the pathway to net-zero. Each Corporation's targets have been developed with full consideration of the unique emissions reduction challenges and opportunities facing that Corporation.

Each Corporation must reduce its annual reportable emissions to or below the levels indicated in the following table by 1 July 2025, 1 July 2030, and 1 July 2035 respectively.

Victorian Water Corporation	Annual reportable emissions (in t CO <sub>2</sub> -e) in:		
	2024/25 FY	2029/30 FY	2034/35 FY
Barwon Region Water Corporation	15,926	0	0
Central Gippsland Region Water Corporation	32,080	0	0
Central Highlands Region Water Corporation	14,738	3,667	0
Coliban Region Water Corporation	29,304	0	0
East Gippsland Region Water Corporation	6,496	1,290	0
Gippsland and Southern Rural Water Corporation	0	0	0
Goulburn-Murray Rural Water Corporation	10,399	721	0
Goulburn Valley Region Water Corporation	37,416	29,933	0
Grampians Wimmera Mallee Water Corporation	16,244	1,875	0
Greater Western Water Corporation	27,586	0	0
Lower Murray Urban and Rural Water Corporation	24,708	9,272	0
Melbourne Water Corporation	204,380	0	0
North East Region Water Corporation	19,817	3,967	0
South East Water Corporation	23,016	0	0
South Gippsland Region Water Corporation	6,480	3,471	0
Wannon Region Water Corporation	18,976	0	0
Westernport Region Water Corporation	5,598	606	0
Yarra Valley Water Corporation	11,664	0	0
<b>Water Industry Annual Emissions Total</b>	<b>504,828</b>	<b>54,872</b>	<b>Net-zero</b>

Corporation **2024/25 FY** targets represent a 371,601 t CO<sub>2</sub>-e, or **42.4 percent**, reduction in the Water Industry's annual reportable emissions compared to its annual emissions baseline of 876,428 t CO<sub>2</sub>-e.

Corporation **2029/30 FY** targets represent a 821,557 t CO<sub>2</sub>-e, or **93.7 percent**, reduction in the Water Industry's annual reportable emissions compared to its annual emissions baseline of 876,428 t CO<sub>2</sub>-e.

Corporation **2034/35 FY** targets represent a 876,428 t CO<sub>2</sub>-e, or **100 percent**, reduction in the Water Industry's annual reportable emissions and the **achievement of net-zero emissions**.

## 5-2 Renewable Electricity Targets

In accordance with the *Whole of Victorian Government emissions reduction pledge* released in May 2021, Corporations must source 100 percent of their electricity from renewable sources by 2025.

Achievement of this will be evidenced by Corporations reducing their annual FY reportable scope 2 emissions to zero (calculated according to the rules outlined in this Statement).

## 5-3 Requirement to Maintain Emissions Reductions and Renewable Electricity Commitments Once Achieved

### 5-3.1 Emissions Reductions

A Corporation which has committed to achieving an annual emissions target in a target year (e.g. by 1 July 2030) has subsequently committed to ensuring they keep their emissions at or below that level in all subsequent years leading up to their next five-yearly emissions target (e.g. 1 July 2035).

### 5-3.2 Renewable electricity

To ensure continued compliance with the renewable electricity target outlined in Part 5-2 of this Statement, Corporations are required to continue to source 100 percent of their electricity from renewable sources in all years following the 2025 target year.

## PART 6 RULES FOR CALCULATING EMISSIONS (UNTIL 1 JULY 2025)

Corporations must meet the requirements of the *National Greenhouse and Energy Reporting Act 2007 (Commonwealth)* (NGER) when calculating their emissions.

### 6-1 Clarifying emissions reduction calculation rules under NGER

#### 6-1.1 For the generation and consumption of renewable electricity on-site

Corporations can reduce their scope 2 emissions by generating and consuming renewable electricity on-site (behind the meter).

In line with NGER, renewable electricity generated and consumed behind the meter results in zero reportable scope 2 emissions regardless of whether Renewable Energy Certificates (RECs) associated with that electricity are sold, traded, or retired<sup>1, 2</sup>.

### 6-2 After calculating emissions under NGER Corporations shall apply the following adjustments

#### 6-2.1 For the generation and export of renewable electricity

Corporations can reduce their scope 2 emissions by generating and exporting renewable electricity to the electricity grid.

If any RECs are created as a result of the generation and export of that renewable electricity, those RECs (or an equivalent number) must be retired for that renewable electricity to result in a reduction in that Corporation's scope 2 emissions.

Renewable electricity that is exported to the electricity grid is considered exported electricity, regardless of whether the entity generating and consuming the electricity is the same entity.

#### 6-2.2 For the purchase of renewable electricity

Corporations can reduce their scope 2 emissions by purchasing renewable electricity.

If any RECs are created as a result of the generation of that purchased renewable electricity, those RECs (or an equivalent number) must be retired for the purchase of that renewable electricity to result in a reduction in scope 2 emissions.

#### 6-2.3 For the retirement of RECs (other)

This Section refers to all RECs other than those created under the circumstances outlined in Sections 6-1.1, 6-2.1 or 6-2.2 of this Statement. This includes purchased RECs.

Corporations can reduce their reportable scope 2 emissions by retiring these RECs, or having these RECs retired on their behalf.

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<sup>1</sup> If any RECs associated with the consumption of renewable electricity generated behind the meter by a Corporation are retired by that Corporation, there is no *additional* reduction in that Corporation's reportable emissions. This avoids the emissions reductions being counted twice: once when the electricity is consumed (reported as zero emissions electricity) and again when the REC is retired.

<sup>2</sup> RECs associated with the consumption of renewable electricity generated behind the meter by a Corporation will not result in a reduction in reportable emissions if they are traded/sold to, and then subsequently retired by, another Corporation. This avoids the emissions reductions being counted twice: once by the Corporation consuming the electricity (reported as zero emissions electricity) and again when the certificate is retired by the purchasing Corporation. Only the Corporation which generated and consumed the electricity can claim the associated emissions reductions.

Such RECs retired to reduce a Corporation's reportable scope 2 emissions for the 2024/25 FY must have resulted from the generation of renewable electricity in Victoria.

#### **6-2.4 For the retirement of self-generated carbon offsets**

All Corporations can reduce their scope 1 emissions by retiring self-generated<sup>3</sup> *Climate Active Carbon Neutral Standard (Commonwealth)* (Climate Active) eligible carbon offset units.

If the self-generated offset is an eligible Australian Carbon Credit Unit (ACCU) from a project registered by a Corporation under the Emissions Reduction Fund (ERF), then that ACCU is considered retired once it is transferred into the Commonwealth holding account in the Australian National Registry of Emissions Units (ANREU) specified by the Commonwealth Clean Energy Regulator (CER).

Corporations and catchment management authorities are encouraged to work together where possible to ensure self-generated offset projects deliver multiple benefits.

#### **6-2.5 For the retirement of non self-generated carbon offsets**

Eligible Corporations can reduce their scope 1 emissions by retiring non self-generated Climate Active eligible carbon offset units for the emissions reduction target period to 1 July 2025. This includes purchased offset units.

A Corporation is considered eligible if a significant proportion of its total emissions result from wastewater treatment<sup>4</sup>. A Corporation is considered eligible if it has:

- (a) wastewater treatment service delivery responsibilities;
- (b) baseline annual scope 1 emissions  $\geq 25,000$  t CO<sub>2</sub>-e; and
- (c) baseline scope 1 emissions  $\geq 45$  percent of its total baseline emissions.

Corporations which meet the eligibility criteria and have baseline scope 1 emissions  $< 100,000$  t CO<sub>2</sub>-e may only retire non self-generated Climate Active eligible offset units to reduce reportable scope 1 emissions for the 2024/25 FY. These offset units must have resulted from projects undertaken in Victoria.

Corporations which meet the eligibility criteria and have baseline scope 1 emissions  $\geq 100,000$  t CO<sub>2</sub>-e may retire any non self-generated Climate Active eligible offset units to reduce reportable scope 1 emissions for any FY. Such Corporations are encouraged to source offset units which have resulted from projects undertaken in Victoria where possible.

### **6-3 REC and carbon offset unit eligibility requirements**

#### **6-3.1 REC eligibility requirements**

In addition to any other REC requirements outlined in Part 6 of this Statement, a REC must meet any REC unit vintage year and expiry date requirements of Climate Active to be considered eligible to reduce scope 2 emissions under this Statement.<sup>5</sup>

#### **6-3.2 Carbon offset unit eligibility requirements**

In addition to any other carbon offsetting requirements outlined in Part 6 of this Statement, a carbon offset unit must be listed as an eligible offset unit in, and meet any carbon offset unit vintage year and expiry date requirements of, Climate Active to be considered eligible to reduce scope 1 emissions under this Statement.

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<sup>3</sup> Also see Schedule A of this Statement for more information on what constitutes a self-generated offset under this Statement.

<sup>4</sup> The treatment of wastewater can result in the release of a large amount of potent greenhouse gas emissions such as methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O). There are sometimes limited opportunities to reduce scope 1 emissions from wastewater treatment operations at the source and thus alternative emission reduction activities, such as using offsets, may be necessary.

<sup>5</sup> Also see Schedule A below for a broader definition of what constitutes a REC under this Statement.

Corporations must undertake their own due diligence to ensure the credibility, integrity and effectiveness of any offset units obtained to reduce scope 1 emissions under this Statement.

Under the Commonwealth Government's Safeguard Mechanism, safeguard obligated entities can retire ACCUs to meet their safeguard obligations. Any eligible ACCUs retired by a Corporation for the purposes of meeting Commonwealth safeguard obligations are also considered retired under, and result in a reduction in that Corporation's reportable emissions under, this Statement.

## **PART 7 RULES FOR CALCULATING EMISSIONS (FROM 1 JULY 2025)**

Corporations must calculate their emissions in line with the scope 1 and scope 2 requirements of, and market-based carbon accounting principles outlined in, Climate Active.

Corporations must adhere to any additional emissions reporting guidelines or requirements issued to Corporations to ensure calculation and reporting compliance against this requirement. This includes guidelines or requirements issued under the Act or *Financial Management Act 1994*.

### **7-1 Carbon Offsetting rules under this Statement in line with Climate Active**

#### **7-1.1 For the retirement of self-generated carbon offsets**

All Corporations can reduce their scope 1 emissions by retiring self-generated<sup>6</sup> Climate Active eligible carbon offset units.

If the self-generated offset is an eligible ACCU from a project registered by a Corporation under the ERF, then that ACCU is considered retired once it is transferred into the Commonwealth holding account in the ANREU specified by the CER.

Corporations and catchment management authorities are encouraged to work together where possible to ensure self-generated offset projects deliver multiple benefits.

#### **7-1.2 For the retirement of non self-generated carbon offsets**

All Corporations can reduce their scope 1 emissions by retiring non self-generated Climate Active eligible carbon offset units. This includes purchased offset units.

Corporations with baseline annual scope 1 emissions < 100,000 t CO<sub>2</sub>-e may retire Climate Active eligible offset units from projects undertaken in Victoria to reduce reportable scope 1 emissions.

Corporations with baseline annual scope 1 emissions ≥ 100,000 t CO<sub>2</sub>-e may retire any non self-generated Climate Active eligible offset units to reduce reportable scope 1 emissions. Such Corporations are encouraged to source offset units which have resulted from projects undertaken in Victoria where possible.

### **7-2 Clarifying REC and carbon offset unit eligibility requirements**

#### **7-2.1 REC eligibility requirements**

A REC must meet any REC unit vintage year and expiry date requirements of Climate Active to be considered eligible to reduce scope 2 emissions under this Statement.<sup>7</sup>

#### **7-2.2 Carbon offset unit eligibility requirements**

A carbon offset unit must be listed as an eligible offset unit in, and meet any carbon offset unit vintage year and expiry date requirements of, Climate Active to be considered eligible to reduce scope 1 emissions under this Statement.

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<sup>6</sup> Also see Schedule A of this Statement for more information on what constitutes a self-generated offset under this Statement.

<sup>7</sup> Also see Schedule A below for a broader definition of what constitutes a REC under this Statement.

Corporations must undertake their own due diligence to ensure the credibility, integrity and effectiveness of any offset units obtained to reduce scope 1 emissions under this Statement.

Under the Commonwealth Government's Safeguard Mechanism, safeguard obligated entities can retire ACCUs to meet their safeguard obligations. Any eligible ACCUs retired by a Corporation for the purposes of meeting Commonwealth safeguard obligations are also considered retired under, and result in a reduction in that Corporation's reportable emissions under, this Statement.

## **PART 8 COMPLIANCE**

As per the Act, a regulated entity must comply with a Statement of Obligations which applies to the regulated entity. Corporations must adhere to all rules and requirements as outlined in this Statement.

Corporations must also adhere to any rules and requirements issued to Corporations by, or on behalf of, the Minister in any additional guidance or supplemental addendums to this Statement.

### **8-1 Reporting**

When requested by, or on behalf of, the Minister, a Corporation must report on its progress against its obligations as outlined in this Statement.

Annual reportable emissions and electricity use totals are calculated and reported for financial years. That is, total reportable emissions during a financial year starting 1 July and ending 30 June.

A Corporation must, when requested by the Minister or Department, report on the origin of, and/or its generation, sale or retirement of, eligible RECs and Climate Active carbon offset units.

### **8-2 Failure to Comply**

If the Corporation becomes aware of a material failure to comply with its obligations under this Statement, the Corporation must:

- (a) provide the Minister a written report within 30 days of becoming aware of the failure that includes the nature of and reason for the failure and a proposed plan of action to rectify it
- (b) make any amendment to the plan of action referred to in Section 8-2(a) of this Statement if requested in writing by, and following consultation with, the Department;
- (c) implement the plan of action referred to in Section 8-2(a) of this Statement; and
- (d) report its progress in implementing the plan in annual reports, and directly to the Department and/or Minister upon request.

### **8-3 Other Audits and Reviews**

A Corporation must, when requested by the Minister, arrange for an audit or review of any matter specified by the Minister in relation to the performance of its obligations under this Statement.

#### **8-3.1 Commitment to review Statement: carbon offsetting and Victorian offsets**

Unless otherwise instructed by the Minister, the Department will undertake a review in collaboration with Corporations and other key stakeholders on Corporations' access to Victorian, interstate and international Climate Active eligible offset units in the future.

At a minimum, the review would consider the feasibility of tightening or removing Corporation access to interstate and international Climate Active Carbon offset units in the future.

The review is to be completed no later than 1 July 2026.

Any adjustments to Statement rules as a result of this review which place additional restrictions on Corporations access to carbon offset units would not come into force until after 1 July 2030.

# SCHEDULE A

## Definitions

**“Annual reportable emissions”** means a Corporation’s scope 1 and scope 2 emissions less the retirement of any eligible RECS and carbon offsets calculated according to the rules in this Statement.

**“Carbon dioxide equivalent”** has the same meaning as provided for “carbon dioxide equivalence” in the *National Greenhouse and Energy Reporting Act 2007 (Commonwealth)*.

**“Catchment Management Authority”** means an Authority within the meaning of the *Catchment and Land Protection Act 1994*.

**“Carbon Offset”** means a unit equivalent to a tonne of emissions removed from the atmosphere.

**“Corporation”** means a regulated entity, which has the meaning as provided in Section 4A of the Act.

**“Department”** means the Victorian Department of Environment, Land, Water and Planning.

**“Minister”** means the Minister responsible for administering the Act.

**“Net-zero”** for the purposes of this Statement means an annual reportable emissions total of zero calculated according to the rules outlined in this Statement.

**“Renewable Energy Certificate (REC)”** means a certificate issued by a relevant regulator/authority for the generation of renewable electricity by an accredited renewable energy power station in Australia. Please note under this Statement this includes Large-scale Generation Certificates (LGCs) but excludes Small-scale Technology Certificates (STCs) as defined in the *Renewable Energy (Electricity) Act 2000 (Commonwealth)* as electricity from small-scale systems can be treated as zero emissions regardless of the creation, sale, or transfer of STCs.

**“Self-generated offset”** means an offset unit that is created<sup>8</sup> by, or on behalf of, any Victorian Corporation or catchment management authority. A self-generated offset unit can be sold or traded to, and then subsequently retired by, another Corporation or catchment management authority without losing its status under this Statement as “self-generated”.<sup>9</sup> A self-generated offset unit may be generated inside or outside of the organisational boundary of the Corporation or catchment management authority it is being created by or on behalf of, as long as it is generated in Victoria. Examples of initiatives which may create a self-generated offset include, but are not limited to:

- (a) a Corporation working directly with a project partner to deliver a new carbon offset project on its own land; and/or
- (b) Corporations collectively invest in a new carbon offsets project in Victoria through an offtake agreement – providing the funds necessary for the project to proceed.

**“Statement”** means this *Statement of Obligations (Emission Reduction)*.

**“Tonnes of carbon dioxide equivalent greenhouse gas emissions (t CO<sub>2</sub>-e)”** means a standardised unit of greenhouse gases as converted to represent the amount of emissions which would have occurred if all reportable emissions released were emitted as carbon dioxide.

**“Water Industry”** means the regulated Victorian water industry, which has the same meaning as provided in the Act.

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<sup>8</sup> The key differentiation that defines a self-generated offset is that the self-generating entity’s involvement has resulted in the creation of an offset unit. This is different from a non self-generated offset unit – an already existing offset unit which a Corporation, for example, purchases and retires.

<sup>9</sup> For example, a Corporation undertakes a project and self-generates a Climate Active eligible carbon offset unit. That corporation sells the unit to another Corporation. This second Corporation then retires that offset unit to reduce its emissions. That offset unit is still considered “self-generated”.