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bp Australia response to the Agriculture, land and emissions discussion paper

bp welcomes the opportunity to respond to the Agriculture, land and emissions discussion paper. The agriculture and land sectors will continue to play an important role in Australia's economy as it transitions to net-zero. Reducing the sectors greenhouse gas emissions and enhancing removals will be an important part of achieving Australia's emission reduction goals.

About bp

bp's purpose is to reimagine energy for people and our planet. Our ambition is to become a net zero company by 2050 or sooner; and to help the world get there too. Globally, bp aims to be net zero across our operations (scope 1 & 2), in our oil and gas production (scope 3) and in the energy products we sell (life-cycle emissions intensity). For each of these we have also set short-term (2025) and medium-term targets (2030). You can read more about our net zero plans and progress in our Net zero ambition report released earlier this year.

Globally, we're aiming to be a different company by 2030. We've always said that the energy transition needs to be orderly. In three years, the capital we've invested in our transition growth engines has increased from 3% to 30%. We are:

- Reducing our oil and gas production by 25-30% (from 2019 levels) by 2030 and lowering emissions while keeping up cash flow by high grading our hydrocarbon portfolio and growing bioenergy.
- Investing in low-carbon energy to rapidly scale up in solar and offshore wind and develop new opportunities in carbon capture and clean hydrogen.
- Installing 100,000 EV charging points and opening more than 1,000 new strategic convenience sites worldwide.
- Progressing five transition growth businesses: bioenergy, convenience, EV charging, renewables, and hydrogen by 2025.

In Australia, we are developing projects consistent with this global strategy:

- We've assumed operatorship of the Australian Renewable Energy Hub (AREH) in the Pilbara, which is planned to provide green electrons and green hydrogen to help decarbonise local customers and to provide hydrogen for export.
- We're transitioning our Kwinana refinery site into a clean energy hub: we're in front-end engineering design (known as FEED) on the Kwinana Renewable Fuels project and exploring hydrogen production as part of H2Kwinana.
- We are working on a further hydrogen project – GERI at Oakajee in the Mid-west.

- We own Lightsource bp, an independently operated global business with a significant renewable generation portfolio here in Australia.
- And are rolling out electric vehicle charge points through our bp pulse, and we're exploring options with partners to decarbonise heavy transport, including hydrogen refueling.
- We're working with partners exploring the possibility of a Carbon Capture and Storage (CCS) hub, Angel, off the coast of WA.
- We've substantial gas interests in Western Australia as part of the Northwest Shelf Joint Venture and are developing the Browse project with our joint venture partners. We are working on ways to decarbonise these operations in order to provide domestic and export natural gas as we move through the energy transition.

bp has been operating in Australia for over 100 years. We employ some 5,200 employees and long-term contractors with operations in every state and territory. Our customers and partners are varied with different emissions profiles and roles to play in Australia's transition to net-zero. These include customers and partners in the agriculture and land sector. For example, bp is a trusted supplier of liquid fuels to farmers and agricultural transportation more generally, is working with landholders on integrating renewable energy generation and use within their business, is partnering with fertilizer manufactures to reduce the emissions in its production and is an active trader in the Australian Carbon Credit Unit market.

bp is also working with Australian feedstock providers in developing our Kwinana Renewable Fuels project. It is based in Western Australia and is currently in front end engineering design (FEED), approaching a final investment decision (FID) in 2024. KRF is part of our planned multi-billion-dollar investment to develop low carbon energy at the site. The project will leverage existing infrastructure and assets from the former Kwinana oil refinery to produce some ten thousand barrels per day (in aggregate) of Sustainable Aviation Fuel (SAF), Hydrotreated Vegetable Oil (HVO and a diesel substitute), and bio-Naptha. If sanctioned, KRF would be the largest planned bio refinery plant in Australia and would provide a domestic market for Australia's substantial bio-feedstock industry.

Agriculture and land sectors role in achieve Australia's emission reduction goals

The world's carbon budget is finite and running out. The world needs to rapidly transition to net zero emissions. Despite the marked increase in Government ambitions globally, greenhouse gas emissions have continued to increase. The longer the delay in taking action to reduce emissions on a sustained basis, the greater the likely economic and social costs of doing so.

At bp, we encourage Australia, and other nations, to accelerate national climate ambitions through their Nationally Determined Contributions (NDC) and the implementation of policy to achieve these. We support the Paris Agreement goals, including efforts to limit temperature rise to 1.5°C above pre-industrial levels.

For Australia to meet its emission reduction goals and transition its economy to net zero, all sectors will need to contribute and be subject to some form of emissions reduction policy. The decision for policy makers is not whether to adopt an emission reduction policy for a particular sector, but rather what is the best policy to implement. We commend the Australian government for committing to the six priority sector decarbonisation plans, including for the Agriculture and Land sector.

Like in other sectors of the economy, many of the abatement options in the agriculture and land sector come with a green premium and will likely only be deployed at the pace and scale required when farmers and producers face an incentive to make the investments needed.

bp considers economy-wide carbon pricing as the most effective and efficient way to reduce emissions but understands that the Australian government intends to take a more sectoral approach. Given this, we believe that market-based policies that provide an explicit or implicit price on emissions should be considered within each sector decarbonization plan. We encourage the Australian Government to leverage the experience and success of these sorts of policies in other countries when determining the policies for Australia. For example, the New Zealand agriculture industry has been working with its government on carbon pricing policy proposals to drive investment in emissions reductions across its sector. The land sector has already benefited from incentives provided by the ACCU market, and we have seen similar success in other jurisdictions through incentives provided from compliance and voluntary carbon markets.

A role for biofuels and other decarbonized liquid fuels

Australia's agriculture sector is a material user of liquid fuel. While there may be some opportunities to electrify this demand over time, the sector will likely need access to liquid fuels for decades to come. Decarbonized liquid fuels provide a pathway to reduce these emissions. Renewable diesel for example, has potential to reduce greenhouse gas emissions over the lifecycle of the fuel by up to 80% compared to fossil diesel. It is available today and is a drop-in fuel that can be used as a direct substitute for diesel in today's machinery and vehicles.

Policy is urgently needed to drive the uptake of these decarbonized liquid fuels, for agriculture as well as other liquid fuel users across the economy. We encourage the government to adopt a market-based policy that would drive down the carbon intensity of fuels used in Australia. Australia can leverage the experience of other markets for example the Low Carbon Fuels Standards (LCFS) implemented in California and British Columbia, the Renewable Energy Directive in the EU, and the Renewable Transport Fuel Obligation in the UK.

Australia's agriculture sector is already a major feedstock provider to these foreign biofuels markets. For example some 1.8 million tonnes of Australian canola is shipped to the European Union for use in the European biodiesel market[1]. A domestic policy has potential to:

- Underpin investments to develop and scale a domestic feedstock and refining industry. In particular, regional Australia will benefit via additional agricultural opportunities.
- Value-add to Australia's existing agricultural output.
- Enhance Australia's overall fuel security by providing a renewable and domestically grown feedstock with a sovereign production capability.
- Ensure Australia has access to the value chain created through the production, refining, distribution and supply of decarbonized liquid fuels.

Importantly for the agriculture and land decarbonization pathway, these policies measure the carbon intensity of different fuels based on the life-cycle emissions and provide incentives to reduce emissions right along the supply chain. An Australian LCFS would reward Australian

[1] https://www.csiro.au/en/news/all/news/2023/september/greenhouse-credentials-of-canola-industry-recognised-by-european-commission

feedstock providers for the adoption of farm practices that reduce the carbon intensity of their production contributing to the emissions reductions of the sector.

Providing incentives to invest

bp agrees the ACCU scheme has an ongoing role to play in the decarbonization of the agriculture and land sector as well as other sectors of the economy. The agriculture and land sector has already benefited from investments in emission reductions and removals via the ACCU scheme. bp supports the development of new methods such as the integrated farm and land management method that have the potential to increase participation and abatement achieved under the ACCU scheme.

bp welcomed the recommendations of the independent review of the ACCU scheme and encourages the government to implement these as quickly as possible. Central to the ongoing success of the ACCU scheme will be maintaining the integrity of the ACCUs.

bp supports the continued flexibility provided under the safeguard mechanism for large emitters to use ACCUs to meet their obligations. The material ambition set under the safeguard mechanism would likely not be possible without this flexibility given for many of those covered emissions abatement is not technically or financially viable. We anticipate that these liable entities will be important investors in additional abatement within the agriculture and land sector. As emission reduction policy is implemented across other parts of the economy, such as for agriculture, it may also be appropriate for those policies to interact with the ACCU scheme.

It's important the abatement underpinning the ACCU is not double counted. If the land holder sells the ACCU for use by another emitter, it can't also use those same emission reductions to reduce its own net emissions. There could still be opportunity for landholders to use the incentives under the ACCU scheme to fund their own emission reductions. For example, where the scale of abatement achieved is greater than the ACCUs sold and the revenue from their sale is sufficient to fund more of the abatement task.