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bp Australia submission on the proposed updates to the National Greenhouse and Energy Reporting Scheme for 2023

bp welcomes the opportunity to provide comment on the proposed 2023 updates to the National Greenhouse and Energy Reporting Scheme (NGERS). Our submission focuses on the addition of the two new biofuels. bp strongly supports the inclusion of these new biofuels in NGERS.

We believe biofuels like renewable diesel and sustainable aviation fuels will have an important role in decarbonizing the transport sector, over the long-term for hard to abate forms of transport like aviation and marine, and a continued role in decarbonizing existing internal combustion engine vehicles like machinery, trucks and buses as these forms of transport transition over time to electric drivetrains. Given the vital role that biofuels will play, it is important that NGERS incorporates new types of biofuels as they become available for use in Australia, so the policy incentives that are based on NGERS can encourage uptake.

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 for the energy products we sell (life-cycle emissions intensity). For each of these, we have also set short-term targets (2025) and medium-term aims (2030). You can read more about our net-zero plans and progress in our Net-Zero ambition report released earlier this year.

Globally bp is aiming to be a different company by 2030 as we move to become an integrated energy company. Bioenergy is one of our five transition growth engines, including liquid biofuels and biogas. Our global strategy aims for bioenergy to contribute over US$4 billion EBITDA in 2030, around $2 billion from biofuels with half from manufacturing and the other half from customer facing biofuels.

Globally, bp aims to increase its biofuel production to around 100,000 barrels a day by 2030, supported by five major new projects at bp refineries around the world. One of which is planned to be here in Australia at our Kwinana site in Western Australia.

Currently in front end engineering and design, the Kwinana Renewable Fuels plant is planned to be a 10,000 barrels per day facility producing both renewable diesel and sustainable aviation

fuels. It would leverage infrastructure of the former bp refinery at the site – which ceased refining in 2021. Its integration with existing wharfage, tankage, pipelines, and terminal operations allows for the decarbonised 'drop-in fuels' to be added to bp's existing importation, storage and distribution system used for conventional fuels. We are optimistic about taking a final investment decision by the end of 2023 with production commencing from 2026.

Many of our existing Australian customers are interested in using renewable diesel and sustainable aviation fuels, particularly in the mining, freight and aviation sectors. We can confirm there are Australian customers who want to use these biofuels from 2023, provided they can report the emissions reductions. For example, earlier this year bp and BHP commenced a trial to use blended diesel with hydrogenated vegetable oil (HVO) to assist BHP to reduce carbon emissions from its iron ore operations in Western Australia. As part of the trial, bp supplied BHP with blended diesel, starting with a 20% HVO blend and increasing up to a 50% HVO blend. Moving beyond trials and scaling up the use of renewable diesel and sustainable aviation fuels will require domestic policy settings that support their use, including recognition within NGERS.

Proposed Definitions

bp supports the addition of the two new biofuels under NGERS and the proposed treatment consistent with other biofuels.

We acknowledge that NGERS is a scope 1 emissions reporting system that provides a zero rating for CO2 emissions associated with the combustion of biofuels reflecting that their combustion releases carbon which was absorbed by their biogenic source materials from the atmosphere during their life. We therefore understand the need to define the fuels as a biofuel as currently defined under NGERS.

We also support the definition being flexible to allow for the different production pathways by which these biofuels can be made, including gasification, Fischer-Tropsch synthesis, hydrothermal conversion, and hydro-processing pathways.

We also suggest where possible to refer to existing international standards where available such as ASTM D7566 available for synthetic paraffinic kerosene. Where domestic standards become available these could also be referred in the future.

Finally, we note that these biofuels are sometimes a blending component for the end fuel so the NGERS framework will need to accommodate.

bp supports the specific amendments to definitions proposed by the AIP.

Energy content and emission factors

bp agrees with the proposed approach to assume combustion of these fuels results in the same non-CO_2 emissions as their fossil alternative.

bp suggests that NGERS should reflect the actual energy content of these fuels (rather than the conservative approach proposed to use the same as the fossil alternative). These fuels are known to have lower energy content than their fossil alternative. We propose that NGERS refer

to evidence used to determine the energy content for these fuels by the European Union (refer to Annex III of the REDII directive) and United Kingdom (refer to UK GHG conversion factors).

NGERS accounting needs to reflect how these fuels will be supplied.

A major benefit of these biofuels is that they can be used in existing vehicles and aircraft and can leverage existing liquid fuel distribution infrastructure. It is this ability to "drop in" that makes them a viable emissions reduction option even in the short-term. They do not require replacement of vehicles or dedication distribution infrastructure.

We expect that they will be distributed comingled with their fossil alternative and via the existing shared liquid fuel distribution infrastructure. Once in the distribution system it is not possible to track the particular molecules. It will be important that the emission reporting system reflects how these fuels will be supplied. For incentives under the safeguard mechanism to work as intended, emission accounting will need to ensure the fuel user who has purchased the biofuel receives the emission reduction benefit.

Maintaining the current strict location-based accounting approach will mean reporters are only able to claim the emissions reductions if they design and construct new and costly dedicated distribution infrastructure. Increasing the costs and potentially even emissions associated with distribution. These costs are inefficient and prohibitive.

bp considers a departure from the standard location-based accounting approach for these biofuels, along with biomethane that faces similar barriers, is possible without undermining the integrity of the overall NGERS framework. Other markets have deployed such approaches with mass balancing arrangements in the European Union and more market-based accounting explored in other emission trading schemes such as the NZETS. We urgently request the department to progress consideration of this matter, particularly now safeguard mechanism reforms have been agreed. Use of these biofuels is one of the few options safeguard entities have to reduce their own emissions in the short-term. Failure to address this accounting barrier, will simply mean greater reliance on offsets.

Closing remarks

bp supports well-designed policy in support of achieving Australia's emissions reduction goals. We believe that biofuels will play an important role in reducing emissions from transport and support the inclusion of new types of biofuels as they become available for use in Australia within the Australian policy framework. We have been very supportive of the proposed reforms to the safeguard mechanism to provide large emitters incentives to reduce their emissions in line with those targets. For these incentives to work as intended, it will be important that NGERS not only recognizes these new biofuels but also ensures the emission reductions flow to those emitters who pay for the biofuels even when they are delivered via shared infrastructure and comingled with their fossil alternative. We look forward to working with the department in the finalization of the NGERS updates for 2023.