

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 41(2) of the **Water Industry Act 1994**, make and issue the attached Statement of Obligations (Emission Reduction) to the following water corporations:

- Barwon Region Water Corporation;
- Central Gippsland Region Water Corporation;
- Central Highlands Region Water Corporation;
- City West 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;
- 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;
- Western Region Water Corporation;
- Westernport Region Water Corporation; and
- Yarra Valley Water Corporation.


Hon Lisa Neville MP

Minister for Water

Dated: 14/3/18

STATEMENT OF OBLIGATIONS (EMISSION REDUCTION)

PART 1 POLICY

1-1 Victoria's climate policy

In 2017 the Parliament of Victoria recognised, on behalf of the people of Victoria, that the international community has, in the *Paris Agreement* on Climate Change 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.

There is overwhelming scientific consensus that human activity is causing climate change and that global emissions will need to decline to net-zero levels by the second half of the century if this global goal is to be met

To deliver upon this agreement, the Parliament of Victoria has legislated that Victoria shall achieve a long-term emissions reduction target for the State of net-zero greenhouse gas emissions by the year 2050 (*Climate Change Act 2017*).

Water for Victoria, the state's water plan, says that "Our water sector will be a leader in the state's climate change mitigation and adaptation actions", and recognises the State's commitment to achieve net-zero greenhouse gas emissions by 2050 as flowing through to the water sector. *Water for Victoria* commits the water corporations to demonstrating a pathway to net-zero emissions and to pledge an interim emission reduction target to be achieved by 2025.

This Statement establishes the water sector's emissions reduction obligations.

1-2 Emission Reduction Priorities

In reducing their emissions, the corporations shall:

- Implement actions that reduce emissions resulting from water corporation operations; and
- Achieve emissions reduction efficiently, making full use of the time available to them to do so.

1-3 Affordability Priorities

In reducing their emissions, the corporations shall also:

- Pursue actions and targets at the lowest possible cost, seeking to minimise the impact on water customer bills; and
- Have particular regard to price impacts on their vulnerable customers.

PART 2 PRELIMINARY

2-1 Authorising Provision

The Minister responsible for administering the *Water Industry Act 1994* (the Act) makes and issues this Statement of Obligations to all regulated entities under section 41 of the Act.

2-2 Commencement and Term

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

2-3 Purpose

The purpose of this Statement is to specify the emissions reduction obligations of the State's water corporations.

2-4 Interpretation

The definitions of the terms contained in Schedule A to this Statement apply in this Statement.

This Statement imposes additional obligations on each Corporation to those specified in the Statement of Obligations (General) that commenced on 20 December 2015.

2-5 Availability of Statement

Each Corporation must publish this Statement on its website and make a copy of this Statement available at each of its offices.

Part 3 RULES FOR CALCULATING EMISSIONS

3-1 Emission Reductions

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

Under the NGER Act, corporations can reduce their scope 2 emission by generating and consuming renewable energy onsite (behind the meter), and any Renewable Energy Certificates (REC's) that are associated with that renewable energy may be sold, traded or retired, in addition to reducing scope 2 emissions.

When applying the NGER requirements the corporations shall make the following adjustments:

3-1.1 Adjustment for the purchase of renewable energy

Corporations can reduce their scope 2 emissions by purchasing renewable energy. Any REC's that are associated with that renewable energy must be retired to reduce Scope 2 emissions.

3-1.2 Adjustment for exported renewable energy (in front of the meter)

Corporations can reduce their scope 2 emissions by generating and exporting renewable energy to the electricity grid. If any REC's are associated with that renewable energy, they must be retired to reduce scope 2 emissions. Renewable energy that is exported to the electricity grid is considered exported energy, regardless of whether the entity generating and consuming the energy is the same entity.

3-1.3 Adjustment for self-generated offsets

Corporations can reduce their emissions by retiring self-generated offsets that meet the National Carbon Offset Standard (NCOS). Self-generated offset means an offset that is

created by, or on behalf of, a corporation or Catchment Management Authority and results from activity undertaken in Victoria.

3-2 Offsets

Corporations shall not use offsets, other than those described in 3-1.3, to reduce reported emissions (except for Melbourne Water Corporation which may use any offset that meets the NCOS to reduce reportable scope 1 emissions – see clause 3-3).

3-3 Melbourne Water Corporation

Melbourne Water Corporation (Melbourne Water) is the wholesale provider of water and wastewater services for the greater Melbourne metropolitan area, serving a population of some 4.3 million people and accounting for 51% of the Victorian water sector greenhouse gas emissions. Melbourne Water receives and treats around 92% of Melbourne’s sewage at its Eastern and Western Treatment Plants.

Melbourne Water’s average annual greenhouse gas emissions for the period 2011 to 2016 was 408,000 t CO₂e, comprised of approximately 188,000 t CO₂e of scope 1 emissions resulting from wastewater collection and treatment. There are currently limited opportunities to reduce scope 1 emissions from wastewater treatment operations and thus alternative emission reduction activities, such as using offsets, may be necessary.

PART 4 EMISSION REDUCTIONS

4-1 Emission Reductions

The water corporations to which this Statement of Obligations (Emission Reduction) applies must reduce their collective emissions to or below 504,828 t CO₂e by 1 July 2025.

This represents a reduction of 42% in emissions from the estimated total sector emissions of 868,800 t CO₂e in the baseline period of 2011 to 2016.

Each corporation will reduce its emissions to or below the level indicated in the second column of the following table by 1 July 2025:

Water Corporation	2024/2025 reportable emissions (t CO₂e)
Barwon Region Water Corporation	15,926
Central Gippsland Region Water Corporation	32,080
Central Highlands Region Water Corporation	14,738
City West Water Corporation	2,471
Coliban Region Water Corporation	29,304
East Gippsland Region Water Corporation	6,496
Gippsland and Southern Rural Water Corporation	0
Goulburn-Murray Rural Water Corporation	10,399
Goulburn Valley Region Water Corporation	37,416
Grampians Wimmera Mallee Water Corporation	16,244
Lower Murray Urban and Rural Water Corporation	24,708
Melbourne Water Corporation	204,380
North East Region Water Corporation	19,817
South East Water Corporation	23,016
South Gippsland Region Water Corporation	6,480

Wannon Region Water Corporation	18,976
Western Region Water Corporation	25,115
Westernport Region Water Corporation	5,598
Yarra Valley Water Corporation	11,664

PART 5 COMPLIANCE

5-1 Reporting

The Corporation must, when requested by the Minister, report on its progress in meeting its emission reduction obligations.

The Corporation must, when requested by the Department, report on its generation, sale or retirement of Renewable Energy Certificates.

5-2 Failure to Comply

If the Corporation becomes aware of a material failure to comply with its obligation under Parts 1 to 5-1 of this Statement, the Corporation must give the Minister a written report, within 30 days after becoming aware of the failure, that includes:

- (a) the nature of and reason for the failure; and
- (b) a proposed plan of action to rectify the failure.

The Corporation must make any amendment to the plan of action referred to in sub-clause 5-2(b) requested in writing by the Department.

The Corporation must:

- (c) implement the plan of action referred to in sub-clause 5-2(b), as varied by the Department; and
- (d) report its progress in implementing the plan, whenever the Department requests in writing.

5-3 Other Audits and Reviews

The 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.

SCHEDULE A

Definitions

The following definitions apply:

“Corporation” has the same meaning as provided in section 4A of the Act.

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

“Emissions” means greenhouse gases as defined under the *National Greenhouse and Energy Reporting Act 2007*.

“Renewable Energy Certificate” means a certificate issued by a relevant regulator/authority for the generation of renewable energy by an accredited renewable energy power station.
Note this excludes Small Technology Certificates (STCs).

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

“Offset” means a unit that is equivalent to a tonne of greenhouse gas removed from the atmosphere, as defined by the *National Carbon Offset Standard*.

“Scope 1 emissions” of greenhouse gas, in relation to a facility, means the release of greenhouse gas into the atmosphere as a direct result of an activity or series of activities (including ancillary activities) that constitute the facility, as defined in the *National Greenhouse and Energy Reporting Regulations 2008*.

“Scope 2 emissions” of greenhouse gas, in relation to a facility, means the release of greenhouse gas into the atmosphere as a direct result of one or more activities that generate electricity, heating, cooling or steam that is consumed by the facility but that do not form part of the facility, as defined in the *National Greenhouse and Energy Reporting Regulations 2008*.

“Secretary” means the person occupying or acting in the position of Secretary to the Department.

“Statement” means this Statement of Obligations.