

Navigating the energy transition successfully and securely

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As delegates gather for the CMI's Ninth Australasian Emissions Reduction Summit in October, I am sure you will join me in reflecting on the events of the past twelve months. By any measure, they have been remarkable.

At COP-26 in Glasgow last November, the world's governments reaffirmed the Paris Agreement temperature goals, and agreed to implement rules supporting the transfer of emissions reductions between countries – sometimes called the Article 6 Rulebook.

The Intergovernmental Panel on Climate Change published major new reports, into Climate Change Adaptation and Mitigation respectively.

Here in Australia, the government lodged an updated Nationally Determined Contribution (NDC) with the UN, incorporating a 2030 target of 43% emissions reduction on 2005 levels, passed the target into Australian law, and began consulting on reforms to the Safeguard Mechanism.

The US passed the Inflation Reduction Act, billed by the Department of Energy as the "single largest investment in climate and energy in American history", and the EU also progressed a raft of climate-related measures including its taxonomy for sustainable activities.

Sadly, much of this has been overshadowed in the headlines by what the International Energy Agency has called the "worst global energy crisis in history" following Russia's invasion of Ukraine. Of course, those tragic events came on top of 2021, compounding a year of rising energy prices as the world emerged from the Covid-19 pandemic.

For me, these events simply serve to underline the importance of managing the energy transition effectively. Providing the energy that the world needs, and reducing global greenhouse gas emissions, are not alternatives: we must achieve them both if we are to be successful.

That is why at Woodside our climate strategy has two elements: reducing our net equity scope 1 and 2 greenhouse gas emissions, and investing in the products and services that our customers need as they reduce their emissions. Avoiding and reducing emissions are our first priority when planning how to achieve our net equity Scope 1 and 2 greenhouse gas emissions reduction targets. However, offsets also play an important role.

Woodside recognises that there are important conditions on the use of offsets: as well as prioritising avoiding and reducing emissions before offsetting them, the offsets must be scientifically verified and accurately accounted for using robust methodologies.

We established a carbon business in 2018 to develop a sustainable offset portfolio in support of our base business and new energy projects. We acquire offsets from carbon markets and also originate our own, managing them on a portfolio basis to optimise the cost of meeting both regulatory and corporate targets.

We have invested more than A\$100 million across Australia through native tree planting over the past 10 years, and we continue to undertake carbon projects in regional Western Australia. Since 2020, we have planted around 5,200 hectares of native trees and shrubs on Woodside properties as part of the Native Reforestation Project.

In the short- to medium-term, offsets can help us to accelerate net equity emissions reduction beyond technical and economic limits for emissions reduction opportunities within our business, or while these opportunities are being implemented.

In the longer term, some of the technologies that underpin offsets are expected to play a sustained role in both neutralising the emissions from hard-to-abate sectors, and in driving towards "net negative" global emissions so that the concentration of greenhouse gases in the atmosphere begins to reverse.

Woodside's use of offsets provides investment into these technologies to help them develop and scale, and our direct participation helps to improve the robustness of methodologies and accounting techniques.

Despite this, it is clear that some stakeholders have challenged the legitimacy of offsets, despite the important position they occupy in the Paris Agreement. Organisations like the Voluntary Carbon Markets Integrity Initiative (VCMI) and the Integrity Council for Voluntary Carbon Markets may help to address these concerns, although there will be many aspects of detail that CMI members might learn about and debate at the Summit.

These are important topics. I encourage the CMI and its members to make the case for offsets, for their integrity, and for practical solutions-based approaches that help the world successfully navigate the energy transition.