



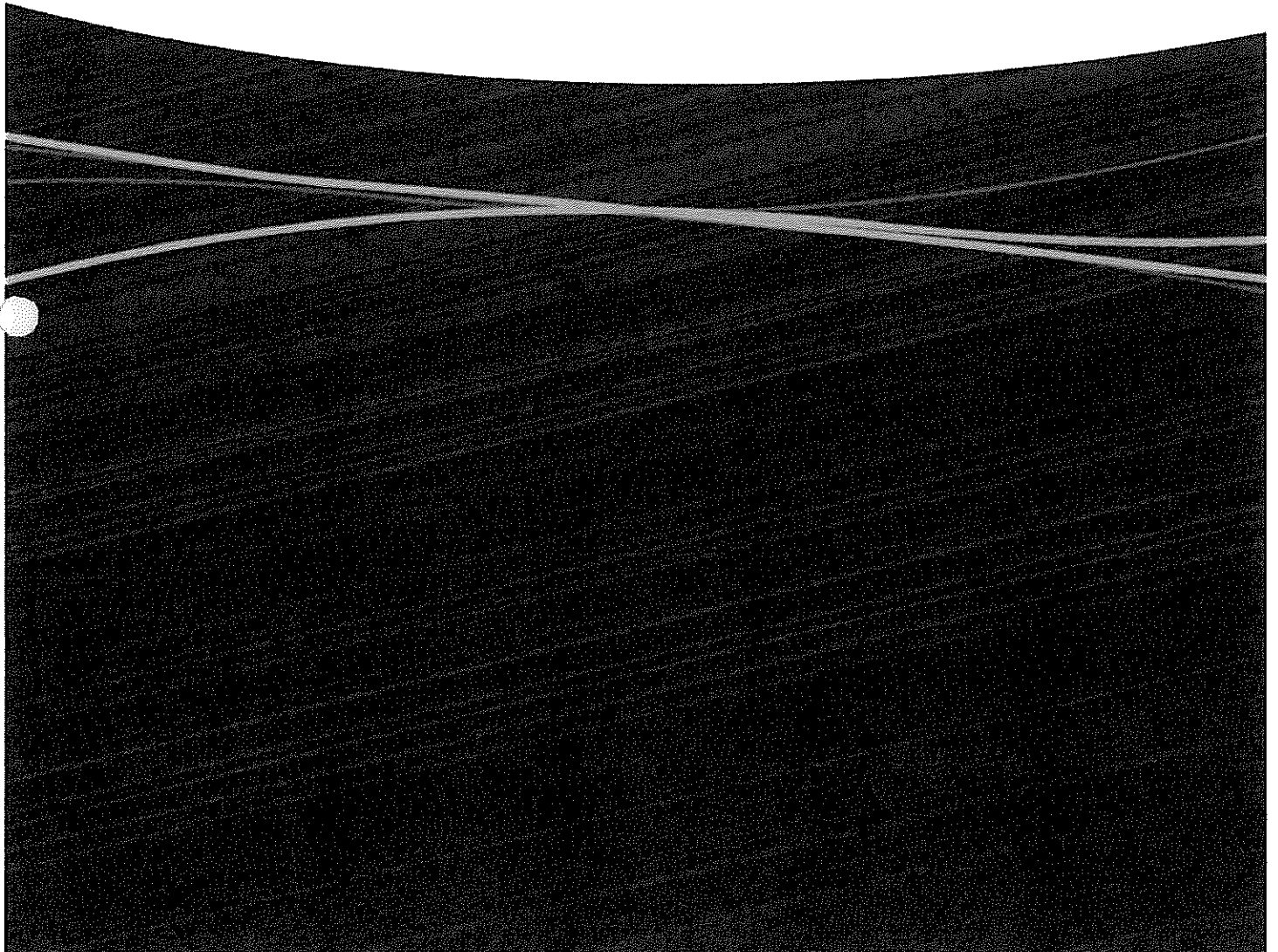
Government of South Australia

Department of Environment,  
Water and Natural Resources

# ***South Australian Water Corporation Sector Agreement***

*Pursuant to the Climate Change and  
Greenhouse Emissions Reduction Act 2007*

**July 2015**



**SECTOR AGREEMENT  
ENTERED INTO UNDER THE  
CLIMATE CHANGE AND GREENHOUSE EMISSIONS REDUCTION ACT 2007**

**BETWEEN  
THE MINISTER FOR CLIMATE CHANGE  
AND  
SA WATER CORPORATION**



# SA WATER CLIMATE CHANGE SECTOR AGREEMENT

THIS CLIMATE CHANGE SECTOR AGREEMENT

is made the [ ] day of [ ] 2015

BETWEEN:

- (1) the Minister for Climate Change ("the Minister") and
- (2) South Australian Water Corporation

## STATEMENT OF PURPOSE

The establishment of an agreement between the South Australian Government and SA Water, made in compliance with the *Climate Change and Greenhouse Emissions Reduction Act 2007*, will set clear greenhouse gas emissions reduction targets for SA Water and will provide clarity when considering long-term contracts for renewable energy, low emissions products and carbon offsets that will be required to achieve its targets.

## OBJECTIVES

This is a voluntary sector agreement pursuant to the Act and records the parties' present intentions towards implementing practical and cost-effective actions that seek to:

- reduce greenhouse gas emissions associated with the provision of water and waste water services for South Australia
- increase the use of renewable energy sources
- develop measures to adapt to climate change
- support necessary research

The objectives of this sector agreement are in line with the objects of clause 3(1) of the Act.

## 1 INTERPRETATION

For the purpose of this sector agreement:

- 1.1 "Act" means the *Climate Change and Greenhouse Emissions Reduction Act 2007*
- 1.2 "Commencement Date" means the date by which this sector agreement is signed by all parties
- 1.3 "EITE" means emissions intensive trade exposed
- 1.4 "greenhouse gas emissions" has the same meaning given to that term in the Act

- 1.5 "NGERS" means the Commonwealth Government's National Greenhouse and Energy Reporting System
- 1.6 "sector agreement" means this sector agreement
- 1.7 "sector target" means the targets established by the parties in accordance with the objectives of this sector agreement as may be varied from time to time
- 1.8 "accredited renewable energy" means accredited via the GreenPower accreditation scheme or accepted under a Commonwealth Government approved accreditation scheme or standard
- 1.9 "carbon accounting" means the standard that complies with the minimum requirements of the National Greenhouse and Energy Reporting System (NGERS); and maintains preparedness for third party verification and audit processes

## 2 BACKGROUND

- 2.1 The Government of South Australia seeks to reduce greenhouse gas emissions within the State and has enacted the Act, which is the responsibility of the Minister. The Corporation seeks to build an internationally competitive business in South Australia using principles of sustainability.
- 2.2 This agreement seeks to address several South Australian Government policy and legislative commitments that are relevant to SA Water as follows:
1. Section 16(4) of the *Climate Change and Greenhouse Emissions Reduction Act 2007* requires the Minister to take steps to achieve a sector agreement with key State Government business enterprises and administrative units by 1 July 2008;
  2. The South Australian Government has committed to an investment target of \$10 billion in low carbon energy generation, including an aspirational target of 50% renewable energy generation, by 2025.
  3. 'South Australia's Strategic Plan, (*In a great state*) sets the following targets:
    - **T59 Greenhouse gas emission reduction:** "Achieve the Kyoto target by limiting the State's greenhouse gas emissions to 108% of 1990 levels during 2008-2012, as a first step towards reducing emissions by 60% (to 40% of 1990 levels) by 2050.
    - **T62 Climate change adaptation:** Develop regional climate change adaptation plans in all State Government regions by 2016.
    - **T64 Renewable energy:** Support the development of renewable energy so that it comprises 33% of the State's electricity production by 2020 (as currently legislated).
    - **T75 Sustainable water use:** Water resources are managed within sustainable limits by 2018.

4. *Tackling Climate Change: South Australia's Greenhouse Strategy 2007-2020* commits SA Water to the following supporting actions:

- Considering implementing major water resource programs in a carbon neutral way.
- Investigating opportunities to reduce greenhouse gas emissions as part of developing future desalination plants in South Australia.

5. *Prospering in a Changing Climate, Government Action Plan for the Climate Change Adaptation Framework in South Australia 2012-2017*, sets the following strategies/actions relevant to SA Water:

- Strategy 1.3 Incorporate adaptation into all decision making: Actions focus on ensuring government agencies incorporate climate risk into agency planning.
- Strategy 4.1 Build the resilience and adaptive capacity of businesses and communities at the regional and local levels: Developing and delivering adaptation plans and actions.
  - Action 4.1.44: Use findings of the Integrated Vulnerability Assessments and regional feedback to assess and address climate change vulnerabilities in South Australia with particular reference to the provision of potable water supply and wastewater management.

2.3 SA Water is wholly owned by the State Government and provides water and wastewater services to approximately 1.5 million people State-wide.

2.4 SA Water employs about 1500 staff, has an annual turnover of over \$1 billion and more than \$9 billion in assets. Its extensive network of infrastructure includes 25,000km of water mains and 8,100km of wastewater mains, allowing the Corporation to service an area of approximately 1 million km<sup>2</sup>.

2.5 SA Water is committed to supporting the Government's greenhouse gas reduction targets by actively managing its own greenhouse gas emissions and by influencing the behaviour of others.

2.6 SA Water is committed to supporting the Government's adaptation targets by implementing climate change adaptation measures within the business.

2.7 SA Water undertakes considerable work in reducing emissions from its operations, and has resulted in it meeting its target for the 2008 - 2012 period, to constrain emissions below 108% of 1990 levels.

2.8 Direct and indirect greenhouse gas emissions currently range between 400,000 tonnes CO<sub>2</sub>-e in a favourable water year (with high rainfall in Adelaide Hills catchments), to approximately 700,000 tonnes in a severe drought year.

This is expected to vary in the coming years, now that desalinated water will be produced during times of drought, with electricity offset with 100% Accredited Renewable Energy. The SA grid electricity carbon intensity has fallen because of increased generation of renewables State wide.

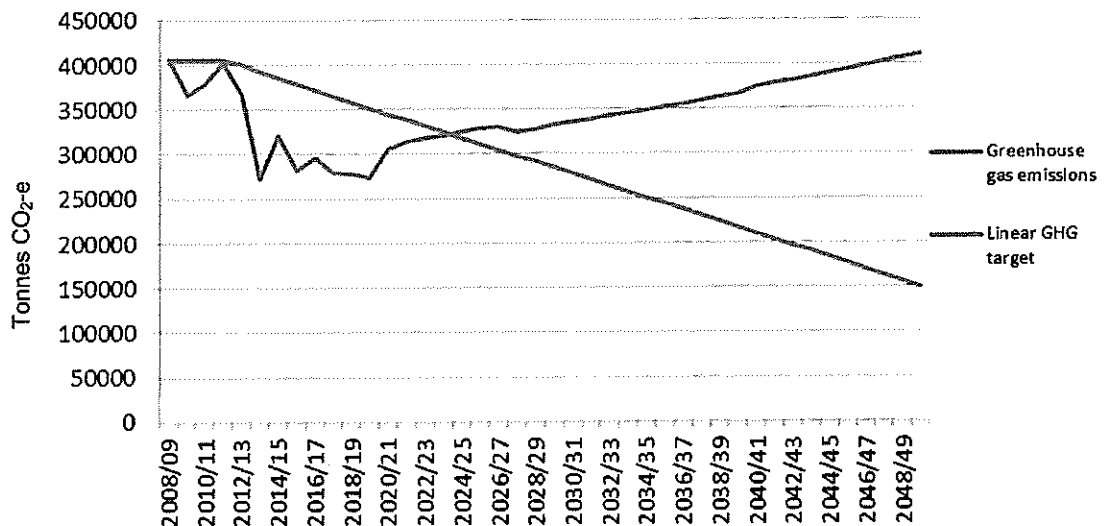
2.9 Trend analysis suggests that despite recent achievements in curtailing greenhouse gas emissions, underlying growth in water demand, increased wastewater recycling, and higher water and wastewater quality standards are contributing to increasing emissions.

2.10 It has been determined by SA Water and agreed by the parties to this agreement that SA Water's 1990 greenhouse emissions represent the baseline for calculations of future emissions targets (unless legislative targets in the Act changes this baseline as a result of international agreements). SA Water's emissions data and claims are subject to independent verification and audit by the Commonwealth Government Clean Energy Regulator (CER).

2.11 Additional impact from construction and operation of major infrastructure projects such as desalination plants will further exacerbate this trend unless substantial effort is made to further avoid, curb and/or offset emissions.

2.12 SA Water has assessed its likely growth of greenhouse gas emissions (Figure 1) and determined its capacity to enable deep cuts in emissions by 2050.

**Figure 1: Actual and forecast potential greenhouse gas emissions and targets to 2050**



The scenarios include the following:

**2.12.1 Uncontrolled Emissions**

With no additional controls on greenhouse gas emissions, growth trends and infrastructure requirements (including the construction of major infrastructure projects) would likely compromise targets as specified in this agreement.

**2.12.2 Controlled Emissions (as proposed under this agreement)**

Under the controlled emissions response proposed by this agreement, SA Water has achieved a Kyoto aligned target for its activities for the period 2008-2012 in the same way that South Australia's Strategic Plan (Target 59) commits the State to the overall Australian Kyoto target.

Achieving a Kyoto aligned target required SA Water to benchmark its operations to 1990 emissions levels and constrain equivalent net greenhouse gas emissions to within 108 percent of those levels for the period 2008-2012.

Based on current initiatives, SA Water is forecast to meet the linear reduction target to 2024/25. Beyond this period, new abatement initiatives will need to be considered.

### **3 KEY AREAS OF FOCUS**

3.1 The parties agree to develop and implement an annual financial year program to 30 June 2017 as set out in the attached Schedule.

3.2 The parties may amend the Schedule by agreement at any time. The Schedule, when revised, shall address at least the following areas of focus (although it may also identify other areas of focus) and it shall identify clearly relevant and measurable outcomes in relation to each area of focus.

**3.2.1 Reduction in Greenhouse Gas Emissions from SA Water's activities**

3.2.1.1 From the date this agreement is signed, SA Water will continue to progressively reduce net greenhouse gas emissions to an amount equivalent to a linear reduction pathway so that by 31 December 2050, SA Water's emissions will be no greater than 40% of its 1990 levels. This means that at annual intervals SA Water must be able to show that equivalent emissions (as measured in net tonnes CO<sub>2</sub>-e) coincide approximately with, or are less than, the emissions level that would have been reached if SA Water were reducing its emissions in a straight line fashion.

3.2.1.2 In order to manage SA Water's net greenhouse gas emissions, it will be necessary to maximise use (where practical) of low emissions products and services that are recognised by the Australian Government. Purchases will

also seek to maximise the achievement of SASP targets and/or international agreements entered into by the South Australian Government.

3.2.1.3 SA Water will continue to purchase accredited renewable energy and/or expand self generation of electricity for their operations to:

- Support the State Government renewable energy target (to develop renewable energy so that it comprises 33% of the State's electricity production by 2020) through achieving at least 20% renewable energy from self generated and purchased accredited renewable energy
- Support development of the renewable energy industry
- Reduce emissions attributable to SA Water.

### 3.2.2 Workplace and Staff Development

3.2.2.1 SA Water will continue to develop its planning of Climate Change Actions across the corporation that includes building management, energy use, travel and waste management.

3.2.2.2 SA Water will continue to invest in its staff to build and develop skills and expertise for monitoring greenhouse gas emissions, incorporating greenhouse costs into infrastructure planning and enhancing its knowledge of carbon markets for purchasing accredited carbon offsets and renewable energy. This agreement will help to ensure that SA Water's staff are supported to maintain and further develop their roles and skills in managing the Corporation's greenhouse gas emissions.

### 3.2.3 Adaptation

3.2.3.1 The parties agree that they will facilitate ongoing and further joint investigations with research institutions and State agencies in order to better understand climate change adaptation imperatives and opportunities in the sector.

3.2.3.2 Play an active role in the development of South Australian Climate Change Regional Adaptation Plans and applicable implementation actions.

3.2.3.3 Participate in the Water Services Association of Australia (WSAA) development of climate change adaptation tools for the water industry.

3.2.3.4 Any project on adaptation undertaken through the agreement will be consistent with the South Australian Climate Change Adaptation Framework.



3.3 As a foundation for the work program:

3.3.1 the Project Steering Group will set targets and monitor outcomes as identified in the Schedule.

## **4 CREATION OF STEERING GROUP**

4.1 The Minister and SA Water undertake within two months of the commencement of the agreement to establish a steering group to review progress of this agreement on a regular basis, at least once per year.

4.2 The steering group will comprise three representatives from SA Water (one serving as the Chair) and two nominees of the Minister. Additional ex-officio members can be appointed to the Project Steering Group if required.

4.3 As part of an annual report the steering group will review the agreement on an annual basis and provide recommendations to the Minister, SA Water Board Chair and the Chair of the Premier's Climate Change Council, unless changes are minor in nature.

4.4 A review of the sector targets can occur at the end of the two year period of this agreement, or:

- if the cost of achieving targets significantly exceeds SA Water's upper estimates of cost, or
- if it appears to the Minister and SA Water jointly that a further reduction in Greenhouse Gas Emissions is possible or desirable, or
- if there is a need arising from changes to Government regulations, or accreditation schemes.

## **5 NATURE OF THIS AGREEMENT**

5.1 This agreement does not create any legally binding contract between the parties and does not give rise to any legally binding obligations.

5.2 Targets described in this Agreement will be included in future SA Water performance statements with the South Australian Government.

## **6 ROLES AND RESPONSIBILITIES OF SA WATER**

6.1 SA Water must achieve the high level primary and secondary targets identified in this Agreement.

6.2 SA Water will continue to evaluate and explore opportunities to achieve the high level primary and secondary targets in the most cost effective manner.

6.3 Through WSAA and other Industry bodies, SA Water will continue to play an active role in the climate change policy development, adaptation, mitigation and research in relation to water supply and wastewater management.

6.4 SA Water will provide the South Australian Government with copies of all independent verification and audit reports undertaken under NGERs or any

other Government requirement (upon request), with the expectation that no separate auditing reports are required under this agreement.

## **7 ROLES AND RESPONSIBILITIES OF THE MINISTER**

- 7.1 To assist SA Water with the achievement of targets under this agreement the Minister will, through the Department of Environment, Water and Natural Resources (DEWNR), provide as applicable:
- information with respect to policy development
  - an effective means of communication with the Premier's Climate Change Council
  - an effective means of communication with Renewables SA
  - technical services and data analysis relating to reporting of greenhouse gas emissions
  - co-ordinate among relevant agencies and Ministers a whole of government response to SA Water regarding potential issues related to this agreement
  - assistance in profiling achievements and successes
  - facilitation with the alignment of other government policies and programs to support the achievement of targets under this agreement.

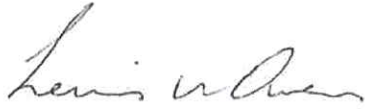
## **8 DURATION OF THIS AGREEMENT**

- 8.1 Unless terminated earlier, this agreement shall continue in force for a period of two years (24 months) from the date of signature. The parties acknowledge that the term of this agreement can be extended.

## **9 RESOLUTION OF DISPUTES**

- 9.1 In the event of bodies convened to address issues of mutual interest under this agreement being unable to reach a common position on any matter(s) before them, following appropriate communication, collaboration and co-operation, the matter(s) will be referred to the Chief Executive(s) of the responsible agencies and the SA Water Chief Executive.
- 9.2 In the event of an issue, having been referred in accordance with 9.1 above remaining in contention, either party may refer it to the Minister and the SA Water Board Chairman for a final determination.
- 9.3 The decision of the Minister and the SA Water Board Chairman shall be binding on all parties.

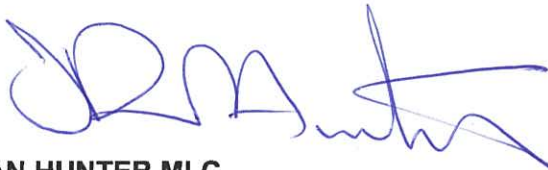
**Signed on behalf of SA Water Corporation**



**LEW OWENS  
BOARD CHAIRMAN**

Date 21/7/15

**Signed on behalf of the South Australian Government**



**IAN HUNTER MLC  
MINISTER FOR CLIMATE CHANGE**

Date 23/9/15

## Schedule 1

<u>Targets and Action</u>	Target Date
<p>From the date of signing of this agreement, SA Water will progressively reduce net greenhouse gas emissions to an amount equivalent to a linear reduction pathway so that by 31 December 2050, SA Water's equivalent net greenhouse gas emissions will be no greater than 40% of its 1990 levels. This means that at annual intervals starting from the date of signing of this agreement, SA Water must be able to show that equivalent net greenhouse gas emissions coincide approximately with, or are less than, the emissions level that would have been reached if SA Water were reducing its emissions in a straight line fashion.</p>	current-2050
<p>SA Water will achieve at least 20% renewable energy from self generated and purchased accredited renewable energy.</p>	Ongoing
<p>SA Water will continue to maintain, implement and investigate in house opportunities for renewable energy, energy efficiency, energy recovery, and biosequestration projects that provide cost effective options to reduce greenhouse gas emissions.</p>	Ongoing
<p>Progress against Agreement targets to be reported in SA Water's Annual Report and in mandatory reporting.</p> <p>Completion of an annual report summary to the Minister on the implementation of this Agreement, including progress toward achieving each high level and secondary target.</p>	Annual Reporting Annually
<p>SA Water will maintain its preparedness for independent verification and provide copies of independent verification and audit reports to the South Australian Government (upon request).</p>	Ongoing
<p>SA Water will implement its adaptation planning, mitigation strategies and research priorities in line with SA Water's approved Climate Change Strategy and consistent with South Australia's Tackling Climate Change Strategy and commitments documented in this Agreement.</p>	Ongoing

## APPENDIX 1: PERFORMANCE INDICATORS

The following key performance indicators have been selected for SA Water to measure its performance and it is likely that these will be reviewed periodically:

• Scope 1: Direct greenhouse gas emissions	Tonnes CO <sub>2</sub> -e/year
• Scope 2: Greenhouse gas emissions associated with standard electricity use	Tonnes CO <sub>2</sub> -e/year
• Scope 3: Significant and quantifiable greenhouse gas emissions from other indirect pathways and outsourced activities	Tonnes CO <sub>2</sub> -e/year
• Purchased carbon offsets	Tonnes CO <sub>2</sub> -e/year
• Purchased accredited renewable energy (as electricity)	MWh/year
• Renewable energy generated (as electricity)	MWh/year
• Renewable energy use (as electricity {equivalent})	MWh/year and annual %.
• Landuse change including sequestration from post 1990 revegetation	Tonnes CO <sub>2</sub> -e annual sequestration or emissions
• Quantifiable greenhouse gas emissions abatement compared with business as usual	Tonnes CO <sub>2</sub> -e/year

“Scope” refers to the source of emissions included in this Agreement. It includes SA Water’s direct emissions (Scope 1), indirect electricity related emissions (Scope 2) and significant indirect (Scope 3) emissions including those from outsourced activities such as Build, Own Operate and Transfer (BOOT) or similar schemes that may be influenced through procurement and contract standards.

