

# Contractor Carbon Reporting

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Please see document administration section for more information

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## 1 Purpose and application

Contractors working on Arrow sites may be expected to report to the Commonwealth in relation to the *National Greenhouse and Energy Reporting Act 2007 (NGER Act)*. The purpose of this guide is to outline Arrow's position in relation to reporting of contractor activities under the NGER Act.

This guide applies to all contractors engaged directly or indirectly by it.

Please read the following Chapters carefully to determine your company's obligations:

**Chapter 2:** Outline of roles and responsibilities.

**Chapter 3:** Outline of reporting boundaries and responsibilities, based on Australian carbon legislation

**Chapter 4:** Arrow's position on operation control as per NGER Act

**Chapter 5:** Definitions of facilities issued by the Clean Energy Regulator

Please note: the information contained in these documents is not legal advice and Arrow Energy does not take liability for it. Contractors should obtain independent legal advice in relation to the application and operation of the NGER Act.

For questions on reporting boundaries and responsibilities, email Arrow Energy's Senior Advisor Environment & Carbon, Kelsey Bawden, on [info@arrowenergy.com.au](mailto:info@arrowenergy.com.au). Alternatively, call 1800 038 856.

## 2 Roles and responsibilities

### 2.1 Arrow's Contractor HSE Supervisor

- Understand the contractual conditions with respect to the reporting and management of energy and emission obligations.
- Ensure that contractors clearly understand Arrow's position on carbon reporting and associated liability in relation to contractors.
- Where required pass on applicable greenhouse compliance plans to the Environment team within HSE for review.
- Collect and collate contractor energy and emissions data where required to do so and pass onto the Environment team within Arrow HSE in a timely manner for inclusion in Arrow's reporting process.

### 2.2 Contractors

- Understand the contractual obligations with respect to emissions and energy reporting. Unless agreed otherwise contractors will be responsible for determining and meeting greenhouse reporting obligations associated with activities performed for Arrow. Contractors may have to provide data to other contractors in some cases to meet these obligations (e.g. subcontractors providing data to Arrow Mode 2 contractors).
- Collect, collate and submit applicable data as required under the legislation. Maintain records as required under the applicable legislation.
- Maintain compliance with applicable greenhouse and energy reporting obligations.
- Provide data to Arrow Energy and Principal contractor as required under the contract conditions.
- Meet any other energy and emissions conditions in relation to the contract.

## 3 Applicable Legislation

### 3.1 National Greenhouse and Energy Reporting (NGER) Act

The NGER Act imposes a mandatory corporate reporting obligation which includes: greenhouse gas (**GHG**) emissions, energy consumption and production.

Responsibility for reporting under the NGER Act lies with the “controlling corporation”<sup>1</sup>.

### 3.2 Obligation to report

There are two types of control defined under the NGER Act and employed to determine the entity that has the obligation to report emissions under the NGER Act.

- ‘Overall control’ is a concept used to identify the corporation that has operational control of activities, or a series of activities (i.e. a facility).
- ‘Operational control’ is a concept used to identify which controlling corporation (or member of the controlling corporation’s group) has control of an individual facility — responsibility for reporting under NGER rests with registered controlling corporations with ‘overall control’ for a relevant activity or process.

A controlling corporation and its subsidiaries, joint ventures or partnerships make up the controlling corporation’s corporate group. A controlling corporation needs to report a facility’s data if any part of its corporate group has operational control of the facility.

For the purposes of the NGER Act, Arrow Energy Holdings Pty Ltd is the controlling corporation which has the obligation to report facilities under its overall control.

### 3.3 Defining facilities

The following criteria can be used to determine if an activity or series of activities constitute a facility as defined under the NGER Act:

- involves the production of GHG emissions, the production of energy or consumption of energy;
- forms a single undertaking or enterprise and meets the requirements of the NGER Regulations.

Prior to 1 July 2012, the activity or activities constituting the undertaking or enterprise must be attributable to a single industry sector. From 1 July 2012 this is no longer required (following amendments to the NGER Act).

An activity or a series of activities forms part of a single undertaking or enterprise if it produces one or more products or services (the primary production process) at a site.

The terms “activity” and “series of activities” are not defined in the NGER Act. However the ‘Supplementary Guideline – Defining Facilities’ issued by the Clean Energy Regulator

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<sup>1</sup> Defined in s. 7 of the NGER Act  
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[Chapter 5] makes reference to the definitions of those items in the Macquarie dictionary, being:

- a) *an activity is a specific deed, action or function; and*
- b) *a series of activities is a number of deeds, actions or functions that occur in succession or in a particular order*

In determining whether an activity or a series of activities should be grouped together, the Supplementary Guideline states that a person should give consideration to a range of factors, including:

- a) co-location/interconnection of activities;
- b) operational/processing interdependence in the activities;
- c) production of similar products/services from the activities;
- d) shared personnel;
- e) shared customers, suppliers and competitors for the products/outcomes of the activities
- f) combined immediate management (ie non central office)

Activities occurring at a particular site but that are separate processes are also be considered part of a single facility if they are under the overall control of the same corporation. To be considered separate facilities, these “other production processes” must be:

- under the overall control of a corporation other than the one responsible for the primary production process; and
- produce products or services for a purpose external to the primary production process (that is, they are not used solely in the primary production process).

The corporation with operational control over a facility must determine the principal activity of the facility. This applies when a facility accommodates a series of activities. As mentioned, the “principal activity” is defined as the activity that results in the creation of a product or service for sale on the market and that produces the greatest value of all the activities in the series.

## 4 Contractors and Greenhouse Liability

Arrow’s general position is that is that it does not have operational control over the activities of contractors completing work on the behalf of Arrow.

Three examples are given, below, to inform contractors of our approach in evaluating the contractor’s activities with respect to carbon obligations.

### 4.1 Consultants/technical advisory

It is Arrow’s position that consultants and other forms of technical advisors can be considered to be delivering separate primary productive processes to the facilities under the overall control of Arrow. In this case Arrow does not share common products or customers. Where these activities can be grouped into facilities that meet the required thresholds they should be considered as separate facilities under the operational control of the contractor in question.

| Factors to consider   | Consultancy and Technical Advisory response   |
|---|---|
| Overall control   | Consultants and Arrow operated facilities do not share overall control they are not owned and operated by the same corporate entity.  |
| Co-location/interconnection of activities   | Consultancy services and technical advisory contractors do not have a physical interconnection with Arrow’s activities. These services are chiefly completed and managed in locations not controlled by Arrow. Where consultants and technical advisory employ Arrow offices and equipment for specific work - the emissions and energy consumption is captured under reporting obligations of existing facilities (i.e. Arrow facilities). |
| Operational/processing interdependence in the activities                                | Activities completed by consultants and technical advisors do not have any operational or processing interdependence with existing Arrow facilities.  |
| Production of similar products/services from the activities                             | Facilities controlled by Arrow do not share products or services with consultants and technical advisors.   |
| Shared personnel for the activities   | Facilities controlled by Arrow may share personnel to complete jobs assigned to consultancies or technical advisors.  |
| Shared customers, suppliers and competitors for the products/outcomes of the activities | Facilities controlled by Arrow do not share customers, significant suppliers or competitors for the products and outcomes of the activities completed.  |
| Combined immediate management   | Facilities controlled by Arrow do not share immediate management with consultants and technical advisory service providers working under contract.  |
| Shared production/operational facilities for the activities                             | Arrow does not share production or operational facilities with consultants or technical advisors.   |

**4.2 Major construction contractors**

It is Arrow’s position that the activities performed by major construction contractors should not be grouped together with activities that constitute the facilities under the operational control of Arrow. Major construction contractors should be considered as separate facilities under the operational control of the appropriate construction contractor with operational control. The only exception to this is where construction contractors have responsibility for the operation of plant during commissioning prior to handover to Arrow; in these cases the activities will be interconnected, will have processing interdependence and results in products and services for or similar to Arrow operating facilities to customers of Arrow.

| <b>Factors to consider</b>  | <b>Major construction contractors response</b>   |
|---|--|
| Overall control   | The construction contractors and Arrow facilities do not share overall control they are not owned and operated by the same corporate entity.   |
| Co-location/interconnection of activities   | The construction contractors will often be co-located with existing Arrow assets and facilities. Generally there is no interconnection until the completed work is handed over to Arrow to commence operation. At this point the Arrow entity gains operational control under the NGER Act.  |
| Operational/processing interdependence in the activities                                | The primary activities completed by major construction contractors do not have any operational or processing interdependence with existing facilities under the overall control of Arrow. The exception in some cases there may be operational or processing interdependence where the contractor has responsibility for operation of plant during commissioning period. |
| Production of similar products/services from the activities                             | Arrow controlled facilities in question do not share products or services with construction contractors.   |
| Shared personnel for the activities   | There may be shared personnel for some key activities to ensure work completed meets the relevant requirements which are agreed under contracts and associated minimum standards.  |
| Shared customers, suppliers and competitors for the products/outcomes of the activities | Arrow does not share customers, significant suppliers or competitors for the products and outcomes of the activities completed.  |
| Combined immediate management   | Arrow does not share immediate management.   |
| Shared production/operational facilities for the activities                             | Facilities controlled by Arrow may share physical location since the construction projects will be completed on Arrow properties. Arrow does not share production and operational facilities for most construction contractors unless the contractors have responsibility for the operation of plant during commissioning prior to handover.                             |



**4.3 Drilling (and associated) rigs**

It is Arrow’s position that contract drilling rigs deliver separate primary productive processes not under the overall control of an Arrow. Arrow engages specialist contract drilling rigs to drill wells on field and exploration facilities. During drilling operations the drill rig is not under the operational control of Arrow. The rig operators are in the business of delivering infrastructure and work between multiple sites for multiple clients. These contractors maintain:

- Management plans for project delivery,
- Environment and workplace safety systems (that meet set minimum standards as required by Arrow)
- Control of purchasing, maintaining and refuelling machinery and vehicles.

Based on the overall control principal the drill rig operation would be defined as separate facility under the operational control of the contractor in question. Arrow’s business is associated with the extraction of gas associated with the wells. Arrow is responsible for the emissions associated from the release of gas from the coal seam during and after drilling operations but is not in control of the emissions associated with the contract drilling rig operation, maintenance and transport.

| <b>Factors to consider</b>  | <b>Drilling rigs contractors response</b>   |
|---|---|
| Overall control   | Arrow does not share overall control with Drilling rig operators. They are independent companies employed to provide a service to Arrow. Arrow sets minimum standards of performance which the operators have to develop and introduce procedures to achieve.                                     |
| Co-location/interconnection of activities   | Drilling rigs will often be operating on various Arrow PLs and ATPs often these are existing Arrow facilities.  |
| Operational/processing interdependence in the activities                                | The primary activities completed by drilling rigs (operation of the drill rig and construction and completion of the well) do share some operational interdependence. Completed wells are required for gas production the primary activity within the field facilities on which the rigs operate. |
| Production of similar products/services from the activities                             | Arrow does not share products or services with drilling contractors. The product in the case of a drill rig is completed wells; the service is the process of drilling the well.  |
| Shared personnel for the activities   | Arrow does employ drilling supervisors to oversee the completion of the well within the required standards but they are not responsible for the personnel engaged by the drill contractor.  |
| Shared customers, suppliers and competitors for the products/outcomes of the activities | Arrow does not share customers, significant suppliers or competitors for the products and outcomes of the activities completed.   |
| Combined immediate management   | Arrow does not share immediate management with drilling contractors.  |
| Shared production/operational facilities for the activities                             | Arrow does not share production and operational facilities (the drilling rigs).   |

## 5 'Supplementary Guideline – Defining Facilities'

As stated in the Clean Energy Regulator's supplementary guideline, correctly identifying a facility is central to assessing obligations under the NGER Act. Applying the definition of a facility to a person's particular circumstances will require the examination of a number of parts of both the NGER Act and the National Greenhouse and Energy Reporting Regulations 2008 (NGER Regulations).

## 6 Document Administration

### Revision history

| Revision | Revision Date | Revision Summary  | Author    |
|----------|---------------|---|-----------|
| 1.0      | July 2015     | Updated document to a controlled document and to new Arrow template | K. Bawden |
| 2.0      | December 2018 | Updated logo and minor updates                                      | K. Bawden |
|          |               |   |           |
|          |               |   |           |

### Related documents

| Document Number       | Document title          |
|-----------------------|-------------------------|
| ORG-ARW-HSM-STA-00038 | Greenhouse Gas Standard |
|                       |                         |
|                       |                         |

### Acceptance and release

#### Author

| Position                            | Incumbent | Release Date  |
|-------------------------------------|-----------|---------------|
| Senior Advisor Environment & Carbon | K. Bawden | December 2018 |
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#### Approver(s)

| Position                      | Incumbent | Approval Date |
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| Corporate Environment Manager | S. Nairn  | December 2018 |
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