



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **10**

Meeting Date: 16 April 2012

Subject: NGERs and Clean Energy Schemes and Greenhouse Gas Assurance

Date Prepared: 3 April 2012

Action Required

For Information Purposes Only

Agenda Item Objectives

1. To provide an update on Clean Energy Regulator (CER) and the schemes it regulates.
2. To provide an update on the project to issue ASAE 3410 as a standard in conformity with ISAE 3410 *Assurance on a Greenhouse Gas Statement* and guidance in applying ASAE 3410 to NGERs audits.

Background

The carbon pricing mechanism is due to commence in Australia from 1 July 2012. It is established by the Clean Energy Act 2011 and based on emissions reported under NGERs, applying to facilities with emissions of 25,000 tonnes of CO₂-e. Entities with operational control over the facility are liable for carbon units at a fixed price for an initial period of 3 years followed by a flexible price cap-and-trade scheme commencing 1 July 2015.

Emitters are required to surrender 75% of their carbon permits obligation (one carbon permit/tonne of emissions) based on their provisional emissions number progressively by 15 June of the compliance year (ending on 30 June) and “true up” the remainder of the obligation by 1 February following the compliance year. This allows time for the final NGERs s.22A (or s.22AA for fixed price years) report to be submitted as a basis for the true up.

Clean Energy Regulations require assurance to be provided on data submitted in the applications under:

- Jobs and Competitiveness program (Clean Energy Regulations 2012) providing:
 - Assistance for emissions intensive trade exposed (EITE) emitters based on reported emissions.

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- Supplementary allocations for LNG industry based on prior production and in certain cases expected production.
- Coal-fired electricity generators assistance (Clean Energy Regulations 2011).

Reasonable assurance is required on all applications, with the exception of expected production provided in certain LNG assistance applications.

The Carbon Credits (Carbon Farming) Act 2011 provides for a carbon offsets scheme covering Carbon Farming Initiatives (CFI). The Carbon Credits Administrator may initiate an audit of compliance with the Act using a greenhouse and energy auditor in much the same way as the Regulator may do under the NGER Act. Pre-submission audits are not required for CFI applications. Amendments to the NGER Regulations and NGER (Audit) Determination are anticipated to address CFI audit requirements.

Matters to Consider

The Clean Energy Regulator (CER) is an independent statutory authority established by the *Clean Energy Regulator Act 2011*. The Clean Energy Regulator does not sit within a Government Department although it is an agency within the climate change portfolio. The CER commenced operating on 2 April 2012 with Ms Chloe Munro as Chair and Chief Executive Officer. It has taken over about half of the staff of the Department of Climate Change and Energy Efficiency and responsibility for regulation of the National Greenhouse and Energy Reporting Scheme (NGERS), Carbon pricing mechanism under the Clean Energy Act 2011, Carbon Farming Initiative (CFI) and Renewable Energy Target (RET).

Amendments to the NGER Regulations have been drafted and exposed in March, and are expected to be made in April, which provide for:

- Reasonable assurance audits prior to submission of the s.22A emissions report (s.22A reports are used as the basis for emitters' carbon permit obligation);
- For liable entities with an emissions number over 125,000 tonnes of CO₂-e;
- Conducted by a category 2 or 3 Greenhouse and Energy auditor.

At the March IAASB meeting ISAE 3410 *Assurance on a Greenhouse Gas Statement* was approved. It now awaits Public Interest Oversight Board (PIOB) approval for release, expected at the next PIOB meeting in June 2012. A confidential IAASB member copy, once available, will be used as a basis for drafting the ED ASAE 3410 for exposure in Australia once the final version of ISAE 3410 is released. At the same time, a guidance statement will be developed to apply ASAE 3410 to audits under NGERS and related assistance programs.

Material Presented

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