



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **11**

Meeting Date: 28 November 2011

Subject: National Greenhouse and Energy Reporting and Clean Energy Schemes
Update and Proposed Pronouncements

Date Prepared: 14 November 2011

Action Required

For Information Purposes Only

Agenda Item Objectives

1. To provide an update on the status of the Clean Energy Scheme and the conduct of audits under the National Greenhouse and Energy Reporting Scheme (NGERS).
2. To agree the pronouncements to be developed in 2012 for assurance on emissions and energy/GHG reporting.

Background

The National Greenhouse and Energy Reporting Act 2007 requires emitters over certain thresholds (reducing thresholds each year) to report, under s.19, emissions to the Greenhouse and Energy Data Officer (GEDO) within the Department of Climate Change and Energy Efficiency (DCCEE) annually. The NGER Act also provides for the GEDO, under s.73 or 74, to require “audits” of the data or any aspect of compliance with NGERS, either on suspicion of non-compliance or for monitoring purposes. The first reporting year ended on 30 June 2009 and the first period for which the GEDO could require an “audit” was periods ending 30 June 2010. “Audits” under NGERS include reasonable assurance, limited assurance and verification (agreed-upon procedures) engagements. The GEDO conducted 22 pilot “audits” for the 30 June 2010 year end, to trial the engagement methodology set out under the NGERS and to evaluate the consistency of approach between different registered greenhouse and energy auditors.

The Clean Energy Legislative package, which was passed by the Senate on 8 November 2011, introduces a fixed carbon price of \$23/tonne of CO₂ emissions from 1 July 2012 followed by a

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emissions trading scheme starting on 1 July 2015. The central Act of the package, the Clean Energy Act 2011, sets up the carbon pricing mechanism as well as dealing with assistance for emissions-intensive trade-exposed industries (the Jobs and Competitiveness Program) and the coal-fired electricity generation sector.

The assurance requirements for the Clean Energy Scheme are provided through amendments to the NGER Act (set out in the Clean Energy (Consequential Amendments) Bill 2011) which provide for emissions and energy reported, being:

1. New sections 22A (& 22AA for fixed price years) of the NGER Act require liable entities under the Clean Energy Scheme to report their provisional emissions number and emissions number annually to the Clean Energy Regulator (to be established in place of the GEDO).
2. S.22A and S.19 NGER Act reports may be combined and submitted within 4 months of year end.
3. New sections 22B (& 22C for fixed price years) of the NGER Act requires records to be kept.
4. New section 74AA of the NGER Act requires liable entities, which meet emissions thresholds, to obtain an audit, and submit the auditor's report to the Regulator, from a registered greenhouse and energy auditor of:
 - their s.24A report;
 - others matters relating to the s.22A report;
 - compliance with s.22B record keeping requirements

Matters to Consider

The DCCEE are working on drafting the Clean Energy Regulations, which will address the following matters relevant to assurance:

1. Clean Energy Scheme Audits
 - The threshold gross emissions required to trigger an audit (see proposed NGER Act s.74AA(1)(c)).
 - The subject matter of the audit, in particular which "other matters relating to the section 22A report" are to be audited (see proposed NGER Act s.74AA(2)(b)).
 - The type of audit to be conducted, as the NGER Act allows for reasonable assurance, limited assurance or verification (no assurance), which will be determined by the "manner" of the audit report (see proposed NGER Act s.74AA(2)(d)).
2. Jobs and Competitiveness Program - assistance for emissions intensive trade exposed (EITE) liable entities and coal-fired generators electricity suppliers (ESAS).
 - Assurance requirements for free carbon units and cash payments assistance applications.
3. Supplementary assistance allocations for liquefied natural gas (LNG)
 - Assurance requirements for free carbon units assistance applications.

The AUASB has been providing comments to the DCCEE on the draft regulations relating to assistance, which raise a number of challenges with respect to assurance. The assistance provided

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is based primarily on prior year's production volumes which are readily assured. However, for new facilities or significant expansions, where past production is not available or does not reflect the forthcoming year, expected production is used as a basis for assistance. Assurance with respect to expected production creates similar challenges to forecasts in relation to fundraisings. The AUASB has been in discussions with the DCCEE as to when reasonable or limited assurance are appropriate with respect to the components of expected production.

The GEDO have assessed the 22 greenhouse and energy auditor's reports which they have obtained this year for the period ended 30 June 2010. The reports covered a cross-section of reporting corporations, sizes, industry sectors and reasonable assurance, limited assurance and verification engagements. The GEDO are using the reports to identify areas which may require amendments to the legislation or regulations or additional guidance, in order to overcome issues which have arisen during these pilot audits and to obtain greater consistency between audits.

The GEDO's focus for the current financial year is the initiation of the on-going audit program for NGERS monitoring and compliance, as well as addressing inconsistencies and any quality issues arising from the pilot audits.

The DCCEE are interested in the progress of the proposed ISAE 3410 *Assurance on a Greenhouse Gas Statement* and any future equivalent which may be issued in Australia, so that it may be linked to the NGERS audits in some manner.

The IAASB project timetable for ISAE 3410 currently anticipates the following milestones:

- December 2011 – Full review of ED comments
- March 2012 – First read of final standard
- June 2012 - Approval of final standard

The AUASB Technical Group have discussed with the DCCEE that an equivalent Australian standard, ASAE 3410, may be issued in Australia following release of ISAE 3410. In order to link that standard with the requirements of NGERS for both GEDO initiated engagements and Clean Energy Scheme required audits, guidance will be needed, at a minimum, to clarify the equivalent terminology and engagements in the NGERS legislation.

AUASB Technical Group Recommendations

The Technical Group recommend that the AUASB agree in principle to:

1. Issue ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* in conformity with ISAE 3410 following that standard's release, which is expected in June 2012.
2. Develop a guidance statement for applying the proposed ASAE 3410 to "audits" under NGERS, which underpins both GEDO initiated audits and audits required under the Clean Energy Scheme.

Project plans for these proposed pronouncements will be presented at the April 2012 Board meeting for approval, following the first read of the final ISAE 3410 at the IAASB meeting in March 2012.

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Material Presented

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No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Confirmation of the AUASB's intention to issue ASAE 3410 on 2012 to conform with proposed ISAE 3410.	Board agreement.	AUASB	28 November 2011	Pending
2.	Confirmation of the AUASB's intention to develop guidance for applying ASAE 3410 to audits under NGERS.	Board agreement.	AUASB	28 November 2011	Pending

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