



# AUASB Board Meeting Summary Paper

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**AGENDA ITEM NO.**            **7**

**Meeting Date:**                24 February 2014

**Subject:**                        Clean Energy Regulator Update

**Date Prepared:**                12 February 2014

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**Action Required**

**For Information Purposes Only**

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## Agenda Item Objectives

To provide the AUASB with an update on developments in relation to the schemes which the Clean Energy Regulator administers, including the activities of the Department of Environment in relation to those schemes, and to identify possible implications for the AUASB.

## Background

### *Policy & Regulation*

The Clean Energy Regulator (CER) is responsible for the regulation of schemes related to climate change. The assurance requirements of these schemes are explained in Guidance Statement GS 021 *Engagements under the National Greenhouse and Energy Reporting Scheme, Carbon Pricing Mechanism and Related Schemes*. These schemes currently include:

- Carbon pricing mechanism (CPM)
- National Greenhouse and Energy Reporting Scheme (NGERS)
- Jobs and Competitiveness program (JCP)
- Renewable Energy Target (RET), including partial exemption certificate (PEC) relief
- Carbon Farming Initiative (CFI)

The Department of Environment, established on 18 September 2013, is responsible for policy development in relation to climate change.

## Matters to Consider

### *Emissions Reduction Fund*

The CPM is to be repealed and replaced by an Emissions Reduction Fund (ERF) commencing on 1 July 2014. The Department of Environment issued a green paper in December 2013, on which submissions were sought by 21 February 2014. Submissions will be used to inform the Department's white

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paper which will set out the policy for the ERF, from which the legislation will be drafted. Legislation will need to be in place by 1 July for commencement of the scheme.

The ERF green paper states that the ERF will use the existing CFI and NGERs, wherever possible, to avoid duplication and provide continuity for business. The green paper considers that the “verification arrangements (in this context they are referring to audits or reasonable assurance engagements) for the Carbon Farming Initiative are unnecessarily onerous” (see Green paper section 1.6.3) and that significant cost reduction or streamlining of current CFI verification (assurance) requirements are possible by adopting a “risk-based approach”, which applies “criteria or rules to determine how often a project’s reports would have to be independently verified” (assured). Currently CFI projects can choose when to report on their project, provided that the reporting period is no less than 12 months and no more than five years. Under the ERF, “consideration could be given to more frequent reporting and credit arrangements, for example, every six months to improve cash flow for some project operators and, with reduced verification (audit/assurance) requirements, improve the cost effectiveness of some projects.” (See Green paper section 5.2.4)

A true-up may be needed to take account of any discrepancies discovered through the audit process in project reports which are submitted between audits. The CER would retain its power to require reasonable or limited assurance or agreed-upon procedures engagement under the ERF.

The Department of Environment will attend the February AUASB meeting to present on the ERF green paper and discuss the assurance implications of the ERF with the AUASB.

The AUASB has requested an extension on the timeframe for making a submission on the ERF green paper until after the Department’s presentation.

The AUASB is asked to provide its view on matters to be raised in the submission.

#### *Clean Energy Regulator*

The CER continues its NGER audit program which consists of CER initiated audits of NGER registered corporations consisting of small, medium and large companies across multiple industry sectors. Their regulatory role also includes assessing the assurance reports required to be lodged under the CPM and other schemes.

The AUASB Technical Group will be presenting at the CER’s next assurance workshops in March 2014.

#### **AUASB Technical Group Recommendations**

The AUASB Technical Group will prepare a submission on the ERF Green paper for out of session approval by the AUASB shortly after the meeting to reflect any issues relating to assurance raised in the meeting.

#### **Material Presented**

- Agenda Item 7            AUASB Board Meeting Summary Paper
- Agenda Item 7.1        Department of Environment Emissions Reduction Fund Green Paper (December 2013)

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#### **Action Required**

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	AUASB to identify issues to be raised in a submission on the ERF green paper.	Identification of issues and concerns on ERF green paper.	AUASB	24 Feb 2014	Pending