



# AUASB Board Meeting Summary Paper

---

**AGENDA ITEM NO.**            **13(b)**

**Meeting Date:**                9 September 2014

**Subject:**                        Emissions Reduction Fund and Clean Energy Regulator Update

**Date Prepared:**                22 August 2014

---

**Action Required**

**For Information Purposes Only**

---

## Agenda Item Objectives

To provide the AUASB with an update on developments in relation to:

1. The proposed Emissions Reduction Fund (ERF), including the activities of the Department of Environment, in developing legislation for the scheme, and the Clean Energy Regulator (CER), who will administer the scheme, to identify possible implications for the AUASB.
2. The National Greenhouse and Energy Reporting (NGER) and related schemes which the Clean Energy Regulator (CER) administers.

## Background

### *Policy*

The Department of Environment is responsible for policy development in relation to climate change and is responsible for developing the policy with respect to the government's proposed ERF and the legislation necessary to implement the scheme. The proposed ERF will replace the carbon pricing mechanism (CPM), which was repealed with effect from 1 July 2014 and will incorporate projects operating under the Carbon Farming Initiative (CFI). Assistance schemes related to the CPM, the Jobs and Competitiveness program (JCP) and partial exemption certificate (PEC) relief under the Renewable Energy Target (RET) have been discontinued with effect from 1 July 2014.

### *Regulation*

The CER is responsible for the administration of schemes related to climate change, which currently include:

- National Greenhouse and Energy Reporting Scheme (NGERS) – on-going reporting requirements
  - CPM & related assistance – final reporting period ended on 30 June 2014 and all obligations to meet carbon liabilities must be met by liable entities by 2 February 2015.
  - Proposed ERF – development of subordinate legislation (regulations & determinations) to implement the ERF legislation, including specific audit and assurance requirements.
- 

*This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.*

## **Matters to Consider**

### *Emissions Reduction Fund*

On 18 June 2014, the Government introduced, the [Carbon Farming Initiative Amendment Bill 2014](#) to Parliament for the implementation of the Emissions Reduction Fund. The proposed legislation, which is explained in the [Explanatory Memorandum](#) for the Bill, Agenda Item 13(b).1, extends the coverage of the CFI for crediting of emissions reductions. It also provides for operation of competitive auctions for the Government to purchase these emissions reductions through contracts and it includes arrangements to transition projects and methods from the CFI into the ERF.

Contracts for the purchase of emissions reductions will include a schedule for the delivery of Australian carbon credit units (ACCU) submitted by the project proponent and reporting under the scheme. Proponents can choose to report every six months. The Bill introduces a risk-based approach to auditing emissions reductions. The Bill provides for legislative rules to be made by the CER, specifying the level of assurance, frequency and scope of the audit report that must be provided with project reports for different types of projects. Consistent with the policy set out in the White Paper, the CER is expected to make legislative rules that provide for projects to undertake an initial audit at the beginning of the crediting period with a minimum of three audits, including the initial audit, in total over crediting periods of seven years or more. The rules may also provide for fewer audits over shorter crediting periods. The legislative rules outlining audit requirements for different types of activities will be made available well in advance of the first auction to provide certainty to participants. The CER can also give a project proponent written notice that they are required to submit an audit report with a project report.

The proposed legislation is in the form of amendments to the CFI Act which provide broadly for audit requirements, allowing for either:

- the legislative rules to specify which applications for offsets (certificate of entitlement) will require an audit and the form of the audit report; or
- the CER, having regard to risk management, to require an audit and the legislative rules will specify the form of the audit report.

The AUASB Technical Group is liaising with the CER as they develop regulation and prescribed audit reports with respect to assurance under the proposed ERF.

### *Clean Energy Regulator*

The CER continues its NGER audit program of CER initiated audits of NGER registered corporations and assessment of the assurance reports lodged under the CPM and other schemes. In addition, it has established a greenhouse and energy auditor inspection program to ensure that registrations are held only by auditors who maintain the necessary competency requirements under NGERs.

The AUASB Technical Group will continue to liaise with the CER and the Department of Environment and monitor their activities.

## **Material Presented**

|                     |  |
|---------------------|--|
| Agenda Item 13(b)   | AUASB Board Meeting Summary Paper  |
| Agenda Item 13(b).1 | Carbon Farming Initiative Amendment Bill 2014 Explanatory Memorandum [electronic only] |