

The Government is serious about the risk of climate change

By 1 July 2010 Australia will, with the introduction of the Carbon Pollution Reduction Scheme (CPRS), become a carbon constrained economy. Emitting greenhouse gasses will result in real and actual business costs.

Mandatory greenhouse gas reporting is already required

Robust reporting of carbon emissions is fundamental to make the CPRS work and is regulated through the National Greenhouse and Energy Reporting (NGER) regulations. As of 1 July 2008, companies that meet or exceed set emissions or energy thresholds are required to measure their greenhouse gas emissions.

NGER contacts

At Deloitte, we have specialised knowledge of NGER, CPRS and climate change strategy and policy trends. We have a team of national corporate responsibility specialists with extensive experience in assurance and business process reviews as well as in assisting companies to formulate and implement effective corporate responsibility strategies and programmes.



Janet Lewell
Partner
Tel: +61 (0) 3 9208 7318
Mobile: +61 (0) 410 443 169
e-mail: jljewell@deloitte.com.au



Brad Pollock
Partner
Tel: +61 (0) 2 9322 7458
Mobile: +61 (0) 416 121 514
e-mail: bpollock@deloitte.com.au



Leon Olsen
Director
Tel: +61 (0) 2 9322 3408
Mobile: +61 (0) 415 636 787
e-mail: leolsen@deloitte.com.au



Simon Reading
Director
Tel: +61 (0) 2 9840 7063
Mobile: +61 (0) 410 579 391
e-mail: sreading@deloitte.com.au

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National Greenhouse & Energy Reporting (NGER) Are you ready?



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Robust reporting is required

It will be necessary for you to maintain emissions records to levels of accuracy and robustness similar to those applied to audited financial statements.

In future the reporting will also be subject to external audits. The audit requirements are still to be determined, but will be in force at 1 July 2010 with the commencement of the CPRS.

Who needs to report?

NGER reporting thresholds			
CO ₂ -equivalent GHG emission; and TJ of energy consumption.			
Entity	2008/09	2009/10	2010/11
Corporation	125kt CO ₂ -e 500 TJ	87.5kt CO ₂ -e 350TJ	50kt CO ₂ -e 200TJ
Facility		25kt CO ₂ -e 100TJ	

* For corporate groups the ultimate Australian parent company (legal entity) will be liable for reporting

What generates 50kt CO₂-e emission?

- approximately 45 daily return truck journeys between Melbourne and Sydney over one year
- the operation of 15 data centres with 1,000 servers over one year
- electricity consumption of \$2–\$3m+ per year.

Timeline for reporting

1 July 2008 – 30 June 2009	31 August 2009	31 October 2009
Reporting period	Businesses must register for reporting	Carbon emissions must be reported

What should be reported?

Scope 1: Direct emissions – from sources that are controlled by the corporation

Scope 2: Indirect emissions – purchased energy used directly by the facility/corporation (primarily purchased electricity).

Reporting of other indirect emissions (Scope 3) is not required. These are emissions that occur outside of the boundary of the facility, e.g. staff transportation to and from work.

What happens if you don't register or report?

If your business does not register, report or report correctly, penalties could be imposed.

- penalties could be as high as \$220,000 with up to \$11,000 for each subsequent day that compliance is not achieved.
- the CEO may be held personally liable
- non-compliance will be a matter of public record and therefore damaging to your reputation.

What do you need to consider?

Establishing reporting boundaries The NGER regulations define key terms required to accurately establish your corporate reporting boundaries. These include 'controlling corporation', 'controlling corporation's group', 'operational control' and 'facility'

Careful consideration of your corporate structure, including joint venture and partnership operations, will be required to determine your reporting requirements.

Establishing measurement & calculation methodology The NGER regulations define various requirements for measurement and calculation of carbon emissions, with detailed requirements for different types of activities and at times different options for measurement methods.

In addition, NGER specifies detailed reporting requirements, implying a detailed system of measurement to comply.

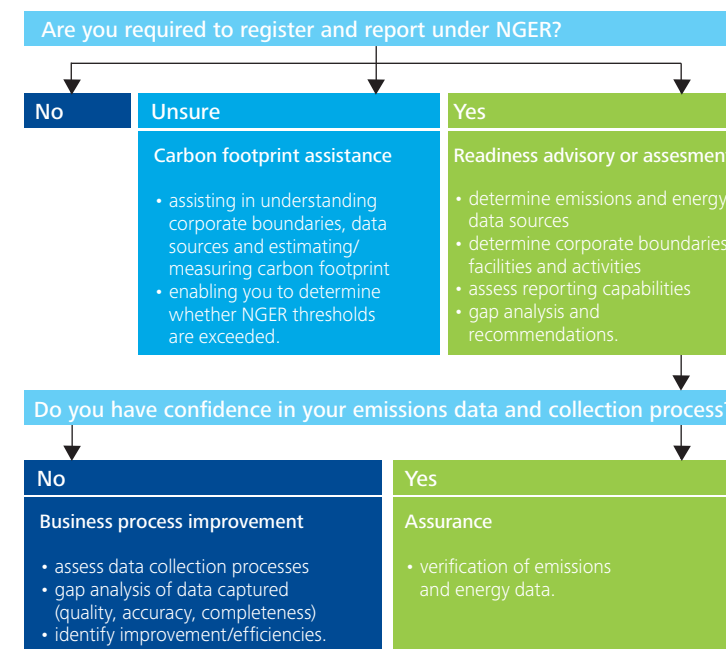
Key questions to ask

- have you established the relevant reporting boundaries?
- have you calculated/estimated your carbon footprint?
- do you meet the thresholds of NGER – are you obliged to register and report?
- do you have confidence that your data collection, calculation and reporting processes live up to the requirements of NGER?

In other words: **are you ready to report greenhouse gas emissions and comply with NGER?**

How can Deloitte help?

We can help you determine if you are required to report under NGER.



Deloitte can assist across the NGER audit trail

Deloitte is well positioned to assist you in assessing your NGER readiness.

- Capture***
 - determine reporting boundary/reporting scope (which entities/ facilities to include)
 - mapping of data-sources based on impact/emissions mapping
 - determine appropriate measurement methodology
 - design and maintain measurement and data-capturing infrastructure
 - ensure capturing is operated as designed and implemented.
- Record**
 - consistently and accurately record all captured data into data records storage/database
 - if possible, establish controls to prevent recording error occurring
 - establish regular monitoring controls to validate that recording is valid, complete and correct.
- Calculate**
 - determine appropriate calculation method(s), e.g. conversion factors
 - design and implement calculation tool (e.g. in excel or reporting software)
 - establish preventative controls to calculate factors that are only altered when authorised
 - establish regular monitoring controls to validate calculation.
- Compile**
 - compile and consolidate emissions reporting from all relevant units
 - establish preventative controls to ensure accurate compilation.
- Report**
 - prepare regular (at least quarterly) reporting for review and approval by business manager(s)
 - prepare final report for input into OSCAR using detailed NGER template
 - prepare reporting for other purposes, if relevant (e.g. annual or sustainability report)
 - executive and/or Board level review and approval.

* For specialised or complex environmental processes related to 'Capture', Deloitte's review may have to rely on the work of environmental experts. Deloitte has access to such experts.

Our proven experience

Advising and reviewing carbon reporting processes. Deloitte was engaged to assist a large retail chain in developing tools to calculate the global carbon footprint with subsequent review of reporting for FY06/07 and again for FY07/08. We also assisted them in determining their different types of emissions (scope 1, 2 and 3) and provided guidance in making and documenting assumptions and extrapolations.

Auditing complex carbon reporting. Deloitte performed an audit of a large, state-based energy distributor's complex GHG inventory for compliance with the National Greenhouse gas and Energy Reporting (NGER) regulations.

Assurance for Unilever Group Sustainability Report. Deloitte has assured a number of other companies, including for Unilever's global sustainability report.

Assurance of product related carbon impact. For Reckitt Benckiser, we assured the approach to measure the carbon impact of their products as part of an initiative to reduce product related carbon impact with 20% by 2020.