

Sustainability

# Federal Government White Paper

## Carbon Pollution Reduction Scheme (CPRS)

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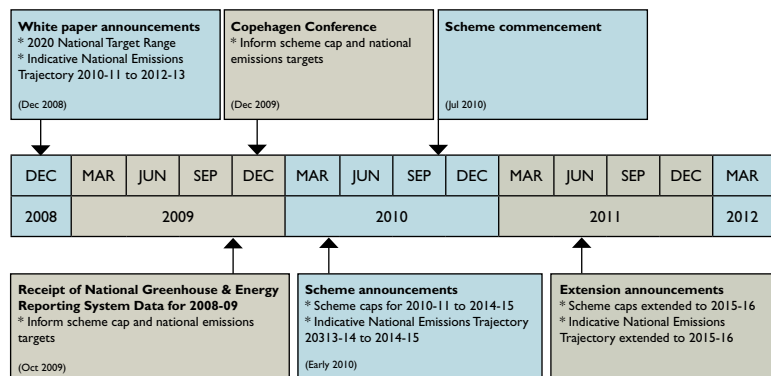
The Federal Government has released its long awaited white paper for its Carbon Pollution Reduction Scheme (CPRS). This white paper represents the government's proposed course of action, after a lengthy consultation and review process, which should enable businesses and organisations to plan for the future with more certainty. Some key points of the white paper are:

### Reduction Commitment

The government has reaffirmed its commitment to reduce carbon pollution by 60% of 2000 levels by 2050.

In terms of shorter term targets, there is a commitment to reduce pollution by up to 15% by 2020, on the proviso that other major economies agree to reduce pollution levels and advanced economies take on reductions comparable to that of Australia.

In the absence of an international agreement on emission reduction targets the government has committed to a 5% reduction by 2020.



## Cap & trade system

The Government has confirmed that the CPRS will commence on 1 July 2010. A Cap and Trade scheme is the preferred approach to limit greenhouse gas emissions. Under this scheme, emitters will need to acquire a permit or credit for every tonne of greenhouse gas emitted.

By using this approach, there will be no limit on individual emissions so long as sufficient permits or credits are purchased to cover the actual emissions for that year. A pre-determined level of permits will be auctioned by the Federal Government based on the emissions reduction target.

A cap of \$40 per permit has been set for first 5 years, rising at 5% per annum. Emitters are also able to purchase UN certified credits on the international market.

## Emissions Intensive Trade Exposed Industries (EITE) assistance

The green paper July 2008 considered the scope of assistance to EITE industries which has been the subject of much lobbying by those industries most affected. However, the government has decided to extend its assistance to EITE emitters to include activities at a lower level of emissions intensity in the recently released white paper.

The proposed changes to the levels of assistance are outlined below:

In the green paper, the assistance was proposed to be:

- 90% for activities that had at least 2000t CO<sub>2</sub>-e per \$1 million of revenue; and
- 60% for activities that had at least 1500t CO<sub>2</sub>-e per \$1 million of revenue.

In the white paper, this lower level of assistance has been expanded to include emitters at a level of 1000t CO<sub>2</sub>-e per \$1 million of revenue

Levels of assistance will decline over time - at the rate of 1.3% per annum, but assistance for specific emitters can vary in line with production levels – ie growing businesses get more permits, whilst declining businesses get fewer credits

The white paper has also introduced the measure of determining eligibility based on a value-added.

## Strongly affected industry

The Government has reiterated the importance of renewable energy going forwards. In recognition of this, there will be a requirement for at least 20% of Australia's electricity to be from renewable generators by 2020.

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Carbon Capture and Storage (CCS) is a critical factor for Australia in its efforts to reduce emissions. An amount of \$100 million will be allocated to the new Global CCS Institute to support its efforts in commercialising this technology.

#### **Climate change action fund**

Compensation and assistance for affected parties is prominent in the white paper. The Climate Change Action Fund is provided for businesses, community sector organisations, workers, regions and communities to an operating environment that includes a price on carbon to help smooth the transition.

### **Accounting & reporting issues**

In accordance with the existing National Greenhouse and Energy Reporting Act, reporting is mandatory for large emitters (>25,000t CO<sub>2</sub>-e emissions pa).

Reporting methods have been streamlined and there will be a single report to satisfy both NGER and CPRS reporting requirements. In terms of frequency of reporting, the expectation is that in the initial years, reporting will be no more than once a year, with possible exceptions being ASX requirements and changes to International Accounting Standards.

The larger emitters (>125,000t CO<sub>2</sub>-e pa) are required to have their emissions report audited by an independent third party prior to submission.

All other reporting emitters (between 25,000t CO<sub>2</sub>-e and 125,000t CO<sub>2</sub>-e pa), will operate under self-assurance regime, supported by a retrospective audit regime

### **What does this mean?**

Now that the white paper has been released, there is more certainty as to how the future will look. This should enable businesses to commence planning for both the NGER and CPRS systems.

The NGER requirements apply to the 2009 financial year, so businesses need to establish the necessary arrangements including systems and procedures to enable both the measurement and reporting of emissions and energy usage – so that the required information is available by 31 October 2009.

A key point to consider is that businesses can now start reducing emissions via abatement options or through business efficiencies. There will be no disadvantages under the CPRS for early adopters of emissions reduction. The lower the emissions, the fewer permits will be required.

*So businesses have good reasons to start now – how can this be done?*

- Establish some baseline emissions data by having your carbon footprint measured – this helps determine whether you fall within the thresholds of the legislation

- Develop a Carbon Management Plan – which
  - identifies areas of risk and opportunity;
  - works through areas where potential savings are available;
  - assists with strategic planning around operating in a carbon price world;
  - looks at planning around marketing and sales;
  - helps with understanding funding requirements in terms of capital projects and operating cashflow; and
  - assists you in understanding the government assistance packages and applying for grants where possible.

BDO Kendalls and its partner, Carbon Planet, are able to assist you to measure your carbon footprint and to develop a Carbon Management Plan. We provide a seamless service offering to our clients, utilising the broad range of financial expertise within BDO Kendalls and the high levels of technical and scientific expertise within Carbon Planet.

*For more information, on how to establish your baseline emissions and develop a Carbon Management Plan, please contact your usual business adviser on the number below or visit our website.*

## More information



**Phone 1300 138 991 or visit [www.bdo.com.au](http://www.bdo.com.au)**

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