COMMONWEALTH OF AUSTRALIA

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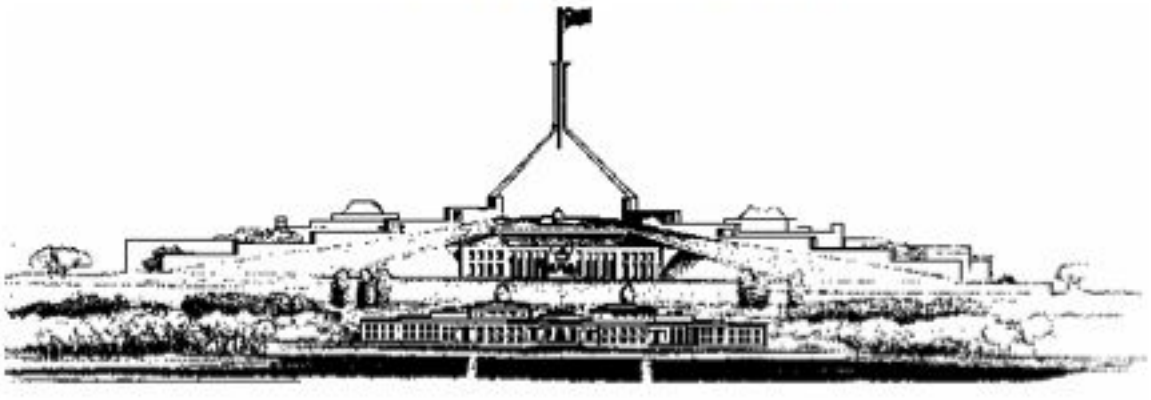

HOUSE OF REPRESENTATIVES

PROOF

NATIONAL GREENHOUSE AND ENERGY REPORTING AMENDMENT BILL 2009

Second Reading

SPEECH

Tuesday, 11 August 2009

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date Tuesday, 11 August 2009 **Source** House
Page 39 **Proof** Yes
Questioner **Responder**
Speaker Thomson, Kelvin, MP **Question No.**

Mr KELVIN THOMSON (Wills) (6.01 pm)—The National Greenhouse and Energy Reporting Amendment Bill 2009 has been introduced in order to enable the development of a third-party audit framework robust enough to support the Carbon Pollution Reduction Scheme. That is one of the key objects of the National Greenhouse and Energy Reporting Amendment Bill. Around Australia and around the world there is a hunger to tackle climate change, a hunger to tackle global heating. It is the greatest moral challenge of our time. This bill is a very important building block in meeting that challenge.

The development of uniform standards for trading in the greenhouse gas emissions market represents one of the global community's best opportunities for worldwide consistency and comparability. However, according to Deloittes, the industry is currently fraught with variations in rule making and has varying requirements as to the assurance provided by an independent audit. It would be useful, they say, to have a consistent approach to measurement and audit. Emissions reporting standards and the respective auditing standards for emissions related assurance statements are still rapidly evolving. Until such time as standardisation is reached, companies wishing to capitalise on this market opportunity are left with assurance providers that span the spectrum of capabilities. Some assurance providers may lack financial and technical know-how on emissions verifications, while others have little experience in the provision of independent attest services to financial markets. What is needed to move the industry forward are standardised emissions verifications derived from both the regulatory side as well as consistency and professional standards for auditing. That is one of the reasons that we need the Carbon Pollution Reduction Scheme.

The opposition and some in industry seem intent on blocking the Carbon Pollution Reduction Scheme in the Senate. Where would we be then? We would be back in the Howard years, with the states setting up their own schemes. If the Australian parliament is incapable of tackling the carbon problem, it is entirely foreseeable and appropriate that the states will move to do so. In my view, that would be better than Australia going naked to the Copenhagen negotiations at the end of the year. But it is not the most desirable outcome for business. Business would be better served by national uniformity and by certainty. The coalition's approach to this issue is not really helpful to business at all.

The markets should ultimately be a global solution to a global problem. Therefore, it is essential to have a consistent approach to measurement and audit. There is an analogy to the current drive to have consistent accounting and auditing standards in all capital markets around the world. Companies listing their securities in several jurisdictions understandably want to produce only one set of financial statements. Investors trading different securities in different markets want consistent measurement bases so that they can properly compare performance. But these concerns are minor in comparison to those where a unit for carbon trading may have different measurement and assurance bases depending on the market in which it trades but is fundamentally considered to be the same property right. This issue is already a concern for those trying to manage their global emissions exposure and it will become more significant as carbon markets develop and link.

Around the world there are a number of existing emissions trading schemes in place, but we are all still learning what works best. This will be an ongoing process of refinement. We have to deal with the inherent variability in emissions estimates and corresponding compliance imposts to liable parties, including resource allocation for verification of fuel composition and/or emissions sampling. The determination under the National Greenhouse and Energy Reporting Scheme estimates uncertainty for fuel energy content of up to 50 per cent and emissions between four per cent and 26 per cent.

Emissions reporting standards and the respective auditing standards for emissions related assurance statements are still evolving rapidly. The World Resource Institute and the World Business Council for Sustainable Development have developed the Greenhouse Gas Protocol ISO 14040 and ISO 14044. These standards establish current best practice in emissions footprint measurement and reporting. The European Union ETS has developed guidelines for the monitoring and reporting of greenhouse gas emissions. That Carbon Footprint Measurement Methodology is an open standard being developed by the Carbon Trust in the United Kingdom. All of these are consistent in direction but have differences of scope and detail.

The existence of multiple standards can give rise to uncertainty. That is why legislation like this is important.

The National Greenhouse and Energy Reporting Amendment Bill 2009 makes a number of enhancements to strengthen the National Greenhouse and Energy Reporting Act of 2007. This bill will strengthen the audit framework established by the National Greenhouse and Energy Reporting Act. It will clarify audit arrangements by making a number of other administrative amendments. It imposes no burdens on industry beyond those which originally had been canvassed and intended by the act. I remind the House that the objectives of the original act were to provide a single, cooperative, streamlined reporting system for greenhouse and energy data across all jurisdictions that imposes the least cost and red tape burden needed to maintain the integrity of existing national data collections; to provide for the removal of current, and the avoidance of future, duplicative reporting requirements; to provide greenhouse and energy data that are nationally consistent, robust and comparable across jurisdictions to inform decision making on greenhouse and energy policy and actions by government and business; to make information on the greenhouse and energy related performance of companies available to the public while maintaining the confidentiality of commercially sensitive information; to inform government policy formulation and the Australian public; to meet Australia's international reporting obligations; and to assist Commonwealth, state and territory government programs and activities.

This legislation makes minor changes to the act to better reflect the original policy intent of the act and better facilitate its administration. In particular, the bill will clarify the definitions of a number of terms relating to greenhouse and energy audits to be conducted under the act; require that results of greenhouse and energy audits be included on the register established under section 16 of the act; extend the secrecy requirements to also cover audit information; and allow for decisions made by the Greenhouse and Energy Data Officer not to register an auditor under the act to be reviewed by the Administrative Appeals Tribunal. The amendments will give the data officer authority to audit entities who report under section 20 of the act; expand the scope of the legislative instrument to be determined under section 75 of the act to include requirements for the preparation, conduct and reporting of audits and allow for these requirements to be determined by the minister rather than by the data officer; and require potential auditors under the act to apply to the data officer for registration and allow for detailed requirements on auditor registration to be provided in regulations and in a legislative instrument determined by the data officer. The legislation will make a number of administrative amendments consequential to the substantive amendments and it will also repeal the requirement for the data officer to publish corporate-level energy production information.

The bill allows for regulations to be made requiring the results of greenhouse and energy audits to be published. This will provide transparency and assist the public to ascertain the reliability of a corporation's published greenhouse and energy information. I point out to the House that the amendments relating to audit are based on feedback from stakeholders received during consultation in October of last year. The majority of stakeholders agreed that the audit framework would need to be strengthened in order to better support the National Greenhouse and Energy Reporting System and underpin robust reporting for the Carbon Pollution Reduction Scheme. I think all of us who have been debating these issues understand the need for data accuracy. We understand the need to get it right.

Auditing processes are dependent on the qualifications and competence of highly ethical engineers, environmental scientists and technical experts in a specific industry as well as on practitioners in corporate law, business management and financial accounting, and the processes depend on their ability to perform and collaborate in a multidisciplinary environment. In addition to leadership and management skills, we need lead auditors who possess broad process and industry knowledge and experience and a deep understanding of audit structures to trace data along process flows of engineering systems for different periods and levels of business activity and a deep understanding of sources of error, variability and uncertainty—for example, emission factors, fuel quality, calibration, transcription, data corruption et cetera. They will also understand risk assessment methodologies, including the ability to apply risk filters on large and complex data samples and also compliance frameworks.

There is a requirement for the implementation of a single, transparent, consistently and universally applied, international emissions reporting program with complementary guidelines, training and case studies based on harmonised standards for greenhouse gas emissions, fuels and energy auditing, assurance, quality control and reporting procedures, including accreditation criteria for the lead auditor and independent verifier registration. The reporting program will also have harmonised methodologies for the estimation of fuel and energy production and consumption and for emissions and corresponding uncertainty assignments with clearly defined terms. That will serve to improve the quality, accuracy and

consistency of facility, company, corporate, sectorial and/or aggregated emissions estimations.

So what we are trying to do is ensure that on an international level a tonne of carbon reported from China is equivalent to a tonne of carbon reported from Australia or anywhere else. We need to give company CFOs or financial statement auditors the necessary confidence that their emissions calculations, permit allocations and assessments of financial risks and liabilities are credible, reliable, robust and defendable in keeping with the high standards of public financial accounts reported under the Corporations Act 2001. We also need to streamline the repetitive energy and emissions reporting across all mandatory government schemes and programs, including international ones, in order to reduce compliance costs.

I said earlier that emissions reporting standards and the respective auditing standards for emissions related assurance statements are still rapidly evolving. The development of uniform standards for trading in the greenhouse gas emissions market represents one of the global community's best opportunities for worldwide consistency and capability. The markets will ultimately be a global solution to a global problem, but it is essential to have a consistent approach to measurement and audit. I also note that there is an opportunity at the Copenhagen climate change talks in December for the Australian government and others to formulate an agenda item seeking that signatories to the Kyoto protocol implement an appropriate strategy for the implementation of an internationally harmonised set of energy and greenhouse emissions auditing standards for universal application. From an international political diplomacy perspective, this initiative could be a stimulus for greater international collaboration and participation.

I noted in late June an Obama administration report into the impact of climate change on the United States. This report was produced by 30 scientists, working across 13 government agencies. It was quite striking, I think, in the context of the current debate about climate change because it said, 'Americans have already been living with 30 years of heavy downpours, rising sea levels and blistering summer heatwaves caused by rising greenhouse gas emissions.' The report is titled *Global climate change impacts in the United States*. Releasing the report, the head of the National Oceanic and Atmospheric Administration, Jane Lubchenco, said its key message was that climate change was:

… happening now … in our own backyard.

She said:

I really believe this report is a game-changer. I think that much of the foot-dragging in addressing climate change is a reflection of the perception that climate change is way down the road in the future and it affects only remote parts of the world.

In fact, the report said that average temperatures in the United States have risen by about 0.8 degrees over the past 50 years. Rainfall in major storms has increased 20 per cent over the past 100 years, while the sea levels have risen up to 20 centimetres along parts of the east coast. The consequences were rippling through every region of the United States—from the disruption of salmon stocks and a shift in butterfly migrations to rising incidence of asthma, and signs such as increasingly deadly hurricanes and melting icecaps in the Arctic. Failure to reduce emissions could mean catastrophic consequences for human health and the economy, with ferocious hurricanes in coastal regions, punishing droughts in the south-west and increasingly severe winter storms in the north-east and around the Great Lakes.

As this and so many other reports have made clear, the science on this issue is in. Industry and this parliament have been on notice for many years now. If we do not act to deal with these issues, if we do not act to put a price on carbon and tackle the issue with the seriousness and the urgency that the science demands, we will be rightly condemned by future generations for our selfishness and our short-sightedness. I commend this bill to the House.