

Offsets and Verification Team
Renewables, Offsets and COAG Branch
Department of Climate Change
GPO Box 854
CANBERRA ACT 2601

Dear Mr Sir/Madam

Re: National Carbon Offset Standard Discussion Paper

This letter represents the position of the National Centre for Sustainability (NCS) at Swinburne University of Technology in response to the National Carbon Offset Standard Discussion Paper (December 2008).

As the preeminent provider of carbon accounting education in Australia, the NCS seeks to continue its support of organisations, individuals, households and community groups who want to voluntarily reduce aggregate greenhouse gas emissions. To accomplish this, the NCS advocates change to the current design of the Carbon Pollution Reduction Scheme (CPRS) to provide a direct link between voluntary abatement and total aggregate emissions. Through redesign of the CPRS and the proposed National Carbon Offset Standard (NCOS), voluntary abatement action by households and businesses should contribute to additional reduction of Australia's greenhouse gas emissions beyond those delivered under the CPRS.

Implications of the CPRS for the voluntary market

The NCS is particularly concerned about the implications of the CPRS on the voluntary market in Australia. The country has enjoyed a buoyant market driven by families and businesses who want mitigate the effects of climate change. However, in the absence of meaningful provision for voluntary action under the CPRS, these people will have no other option than to purchase and surrender offsets and other credits created overseas. Failure to give appropriate credit to voluntary abatement will disenfranchise Australian households and businesses, and drive investment in low carbon businesses and infrastructure offshore.

The Discussion paper states on page 6 "...in covered sectors individual action could affect the carbon price but not the aggregate quantity of emissions." It also claims that individual action is still an effective mitigation process through reduced competition for a limited number of permits, a subsequent reduction in price of permits and thus an overall reduction in cost of achieving a given abatement target. However, this rationale is flawed under a cap that drives a weak carbon price 'signal' and provides insufficient motivation for investor and consumer behaviour change.

To compensate, the NCS suggests a mechanism to facilitate appropriate certification of voluntary abatement and adjustment of scheme caps to recognise the significance of voluntary abatement. This should have the effect of empowering domestic voluntary action and driving innovation. To achieve this, the NCS urges the government to:

- Establish a framework (including management, monitoring, accounting, registration and certification) for voluntary abatement
- Adjust legislation to adjust CPRS and Kyoto caps in exchange for exchange of a certified voluntary domestic abatement unit

Carbon Accounting Standards (Carbon Footprinting and Life Cycle Assessment)

On page 16 of the discussion paper, a question is raised regarding the validity of the application of the GHG Protocol and Life Cycle Assessment (LCA) for the purposes of a national standard in calculating a carbon footprint for organisations, products and services. It is critical that carbon accounting methodologies applied within the Australian context utilise existing internationally accepted standards to ensure consistency and to avoid 'double counting' or other accounting distortions. For carbon footprint calculation, the two globally accepted standards are the GHG Protocol and ISO14064-1 and hence, the NCS does not endorse the creation of a new specific Australian standard for carbon calculation methodologies.

The document also questions approaches to using LCA for organisations, products and services (page 14). Whilst there are demonstrable benefits from undertaking and LCA, the process can often be onerous and cost prohibitive for many applications. Simpler, less complex approaches which offer conservative estimations of abatement are more appropriate in the majority of cases. LCA calculations are more appropriate in cases where products or services are claiming to be "carbon neutral". In such instances, processes should be undertaken in accordance with international best practice and relevant standard (e.g. ISO 14040).

As a minimum requirement, the NCS believes that a carbon footprint calculation should require the development of an emissions inventory including a complete and accurate account of all Scope 1 and 2 emission sources as well as all 'material' Scope 3 sources. Any Scope 3 exclusions should therefore be justified through documented engagement and cross-checking with the carbon calculations by the relevant supply chain entity.

In order for an entity to make claims about calculating a carbon footprint (or carbon neutrality) in accordance with standard methodologies, the calculations must be independently verified. The NCS supports the formation a panel of expert independent verifiers with a minimum requirement of successful completion of Australia's only accredited course in carbon accounting at Swinburne University of Technology.

Carbon Offset Standard

The NCS believe that stringent and rigorous requirements be applied to international abatement to be eligible under the standard. The NCS supports the inclusion of include all Kyoto compliant credits (such as CERs, ERUs and RMUs), in addition to verified emission reductions including VERs+, Gold Standard VERs. Central to this should be the development a publically available registry that records registrations, transfers, retirements and cancellations. Additionally, some standards should be applied to the marketing of these products and promotion of the associated co-benefits above and beyond the minimum standard (i.e. biodiversity).

It is also of critical importance that processes adopted in local abatement projects (in covered sectors) can be quantified (as additional) so adjustments can be made to the CPRS and Kyoto caps accordingly. This would avoid disenfranchising individuals, organisations and communities who may otherwise disengage from attempts to make a difference. For this to be achieved, the NCS proposes the development of a separate framework for recognition and accounting for voluntary abatement

whereby verifiable additional action (above business as usual) will result in cancellation of AEU and AAUs.

To protect the credibility of the CPRS and facilitate the trade in international permits, a voluntary domestic abatement scheme (for both covered and uncovered sectors) could be operated as a separate, parallel process to CPRS. The NCS acknowledges that adjustment factors may be necessary to accommodate the difference in credibility of voluntary units alongside Kyoto units. This should be managed by an appropriate panel of independent specialists, sufficiently resourced to monitor and analyse abatement activities over time. This could provide the necessary mechanism by which the Government can reduce the number of CPRS permits (AEUs) available, by the amount of certified voluntary abatement in covered sectors, and to reduce Australia's Kyoto target by the amount of certified voluntary abatement in all sectors.

On page 26, the paper poses the question *"How should reforestation be treated under the standard?"*. One of the key design elements of the CPRS is that it embraces forestry as a tool for generating abatement, and abatement providers can choose to 'opt in' to create additional emission permits. However, if a voluntary domestic abatement scheme is implemented, sufficient administration should also be given to ensure that the schemes are sufficiently quarantined to prevent existing entities from 'double dipping' into schemes. Accordingly, current CPRS provisions should be adjusted to ensure forestry abatement is additional and that the principles of the 'Greenhouse Friendly' program (additional, permanent, transparent, measurable and independently verified) are upheld, regardless of the status of the program. The NCS also recommends that the future administrative processes are streamlined to minimise costs for landholders.

Accreditation and Assurance

To be assured of quality and credibility, project abatement and methodology should be independently verified in accordance with the processes and protocols set out in each standard, by suitably qualified verifiers in a transparent manner. The NCS recommends that the approaches to the provision of assurance should align with the AA1000 Assurance Standard. Accordingly, the verifier should assess the materiality, completeness and responsiveness of the underlying systems, processes and competencies that support the production of the emissions/abatement inventory or report. A robust accreditation and assurance process should:

- ensure greenhouse gas calculations are accurate and complete
- check the calculations are free of material discrepancies
- assist in improving decisions about greenhouse gas emissions, management and reporting
- strengthen the credibility of the calculations by providing an objective third party opinion of associated reports
- ensure supporting data systems are based on clearly documented and archived information that constitutes a complete audit trail

The NCS has no objection in to an appropriate logo/brand to confirm accreditation and certification. The NCS proposes that the Department of Climate Change continue its use of the existing 'Greenhouse Friendly' logo to meet these needs. This would also protect the interest of a significant number of organisations who have made substantial commitments to this certification. The use of such branding must be tightly administered to avoid misrepresentation or abuse.

Implications for *Greenhouse Friendly*TM

Since 2001, the Greenhouse FriendlyTM initiative has approved products providing greenhouse gas abatement and products and certified services as being carbon neutral. As noted above, there is a strong case for the continuation of this program (or its branding) to maintain the integrity of 'carbon neutral' products and services with the Australian market. The NCS endorses an approach by government and other organisations that ensures that claims made by providers of products and services are credible and reliable. This will ensure consumers have confidence in the market, make informed decisions and be assured that their voluntary action is meaningful.



Scott McKenry

Team Leader - Business & Community Sustainability
National Centre for Sustainability
Swinburne University of Technology
John St, Hawthorn VIC
Tel: (03) 9210 1903
Fax: (03) 9214 5967
smckenry@swin.edu.au



National Centre for Sustainability

Swinburne University of Technology
Wantirna Campus
Mail W91

369 Stud Rd
Victoria 3152 Australia

Telephone +61 3 9210 1903
Facsimile +61 3 9210 1913

<http://www.swinburne.edu.au/ncs>