



## **Environmental issues in the carbon market**

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In my previous article, it was reported that approximately only three per cent, or 1000 organisations will be caught under the Carbon Pollution Reduction Scheme (CPRS) and the National Greenhouse and Energy Reporting Act 2007 (Cth) (NGERS).

Notwithstanding this, pressure exists for businesses to voluntarily reduce their carbon footprint with an increasing number of consumers seeking environmentally friendly products and services. Consequently, in an effort to be more socially responsible, or as part of their marketing strategy, many organisations are now offsetting their carbon emissions. They are also making carbon-related claims in their marketing.

### **What constitutes 'carbon-neutral'?**

An organisation is 'carbon- Environmental issues in the carbon market neutral' if it produces no net release of carbon dioxide equivalent emissions to the atmosphere. You should inform yourself of the concept of carbon dioxide equivalence (CO<sub>2</sub> -e), and the varying atmospheric impact of a variety of core greenhouse gases (GHG) before commencing to calculate your organisation's emissions.

### **Calculating carbon footprint**

The first step in reducing carbon emissions is to calculate your carbon footprint. The following calculation method is consistent with NGERS and prescribed in the Department of Climate Change's (DCC) Draft National Carbon Offset Standard (the Standard).

According to the standard, organisations should obtain and understand the organisation's boundary, including:

- the controlling entity
- any subsidiaries, joint ventures
- or partnerships
- any franchisor/franchisee
- relationships
- any contractual relationships
- with service providers.

### **Identify all GHG emissions sources**

When identifying all GHG emissions you should obtain an understanding of:

- activities undertaken by the organisation
- input factors and emissions for each activity
- processes involved with each activity.



Scope 1 and 2 emissions should be included (refer to Reg 2.23 (2), National Greenhouse and Energy Reporting Regulations 2008 for scope definitions. You should also consider certain Scope 3 emissions depending on the engagement, such as staff travelling supplier deliveries.

Identify GHG emissions factors and calculation methodology. As explained in the previous article', there are four recognised methods for calculating GHG emissions and you should refer to the relevant documents to determine the most appropriate to use. The DCC provides emissions calculators, based upon the above methods to assist.

### **Offsetting carbon emissions**

Your carbon emissions must be offset through the purchase and surrender of eligible offsets, or generating your own abatement through the establishment of an abatement project on the understanding that it meets the carbon offset eligibility criteria. You should consult the DCC to inform yourself of what constitutes eligible offsets and projects. Additionally, you may undertake energy savings initiatives to reduce the level of GHG emissions and therefore the number of offsets you must acquire.

One example of actions which could be undertaken in seeking carbon neutrality can be seen in Zarraffa's Coffee, a Gold Coast based coffee franchise working with our associated entity Carbon Credit Corporation (C3) Pty Ltd.

To achieve this, Zarraffa's Coffee is implementing more energy efficient lighting is trialling nontoxic washing detergents and has replaced plastic carry bags with its own environmentally friendly bags. The company is continually seeking ways to reduce inherent emissions. Further, to reduce residual emissions, Zarraffa's Coffee is evaluating a number of alternative abatement projects as opposed to acquiring offsets from existing projects.

### **Verification and disclosure**

At this stage no provisions exist within the Standard for the verification or audit of carbon claims. You should be aware, however, that the Australian Competition and Consumer Commission (ACCC) will be monitoring claims about carbon neutrality. In the interim, verification should be undertaken in accordance with the ISO 14-064 series.

Disclosures should provide a full account of what is being offset and how. Two key points to consider when making carbon claims are:

- Are consumers likely to be misled?
- Have consumers been provided complete information?

You need to ensure your claims are clearly supported and that you have a reasonable basis for any claims concerning future emissions.

The ACCC will be monitoring organisations making carbonrelated claims for deceptive or misleading conduct. The ACCC guide Carbon claims and the Trade Practices Act informs providers of offsets and businesses promoting themselves as 'carbon neutral' or 'low carbon' of their legal obligations under the Trade Practices Act (TPA).