

The carbon pricing mechanism and waste – liability and compliance

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Introduction

- **Overview of carbon pricing mechanism**
- **Key areas of focus:**
 - carbon price elements
 - statutory timelines
 - determining and acquitting liability
 - audits

Legislation

- *Clean Energy Act 2011*
- *National Greenhouse and Energy Reporting Act 2007*
- *National Greenhouse and Energy Reporting (Measurement) Determination*
- More information at www.cleanenergyregulator.gov.au

Obligations under the legislation

Liable Entities must:

- Report under *National Greenhouse and Energy Reporting Act 2007*
- Satisfy emissions liability under *Clean Energy Act 2011*

Carbon pricing mechanism – two stages

Stage 1: Fixed price period

- Three years
- Liable entities purchase units up to emissions levels
- Units cannot be traded or banked
- Unlimited banking of Australian Carbon Credit Units from Carbon Farming Initiative

Stage 2: Flexible price period

- From 1 July 2015
- Auctions to commence first half of 2014
- Pollution caps set by Government through Regulations

Covered emissions

Scope 1 emissions are released directly as a result of facility activities

- **Includes:**

- CO₂
- Methane
- Nitrous oxide
- Perfluorocarbons for aluminium production

- **Excludes:**

- agricultural emissions
- fuels subject to customs or excise
- fugitive emissions from decommissioned underground coal mines
- synthetic greenhouse gases
- combustion of biomass, biofuel and biogas
- legacy emissions from the operation of a landfill

Operational control

- A liable entity has operational control of a facility if they have the authority to introduce and implement certain policies for the facility
- May be declared by the Clean Energy Regulator to have operational control of the facility
- Entities that don't meet the operational control test and expect to have an interim emissions number must nominate operational control by April 30
- Entities that don't have an interim emissions number and don't meet the operational control test must nominate by 31 August the following year

Facility

- **A facility is an activity or series of activities (including ancillary activities) that involves:**
 - the production of greenhouse gas emissions
 - the production of energy, or
 - the consumption of energy
- **and that:**
 - forms a single undertaking or enterprise that meets the requirements of the National Greenhouse and Energy Reporting Regulations 2008, or
 - is declared by the Clean Energy Regulator to be a facility.

Liability threshold

- **An entity has a liability where:**
 - covered emissions of 25,000 tonnes or more; or
 - is a large gas consuming facility
 - covered + legacy emissions of 25,000 tonnes or more for a landfill facility
- **Thresholds calculated on a pro-rata basis for part year emissions**

Eligible emission units

- **An eligible emissions unit is one of the following:**
 - a carbon unit
 - an eligible Australian Carbon Credit Unit (ACCU), or
 - an eligible international emissions unit
- **Each represents one tonne of CO₂-e**
- **Surrendered electronically from an account in the Australian National Registry of Emissions Units**

Australian Carbon Credit Unit (ACCU)

- Issued by the Clean Energy Regulator under the *Carbon Credits (Carbon Farming Initiative) Act 2011*
- **Fixed price period**
 - generally a maximum of five per cent of liability can be acquitted using ACCUs
 - landfill facilities can acquit 100 per cent of ACCUs against their liability
- **Flexible price period**
 - no limit on the surrender of ACCUs
 - 50 per cent limit on the surrender of international units

NGER Audits and the *Clean Energy Act 2011*

- **Mandatory pre-submission audits will apply to all large emitters with their carbon liability reports.**
- **Amendments to the *National Greenhouse and Energy Reporting Regulations* define requirements for pre-submission audits:**
 - corporate threshold set at 125 kilotonnes of CO₂e
 - reasonable assurance engagements
 - undertaken by a Category 2 or 3 registered greenhouse and energy auditor

Key Audit Messages

- **Engage auditors early in the reporting year.**
- **Choose an auditor that suits your needs.**
- **Maintain good record keeping and keep an auditable trail of evidence.**

Next steps

- Regulations – anticipated May 2012
- Forms for OTN, JVs and LTCs available within one month of finalisation of Regulations
- Series of technical information sessions being planned – from early May 2012
- First compliance year commences 1 July 2012

More information

- www.cleanenergyregulator.gov.au
- helpline: 1300 553 542
- reporting@cleanenergyregulator.gov.au
- technical workshops – online invitations and registrations
- online discussion forums to follow
- regular news releases – subscribe online
- dedicated Waste Outreach Team