

What would you like to change?

National Greenhouse and Energy Reporting System (NGERS)

Ready for Year 2?

February 2010

Background



National roadshows

In November and December 2009, PwC and Energetics co-presented to a number of selected organisations in Sydney, Melbourne, Brisbane and Perth on key lessons learned by clients during NGERs Year 1 (2008-2009). These roadshows created an opportunity for attendees to join a network of NGERs professionals and provided insights on NGERs reporting good practices, both to organisations who reported in Year 1 and to organisations that are new to NGERs in Year 2 (2009-2010).

Pre-workshop survey

The roadshow invite was accompanied by a survey asking attendees to prioritise a list of NGERs issues by relevance, in order to focus the presentations on 'hot issues' faced by the market.

Key issues addressed in the roadshows

- Regulatory interpretation – have reporting boundaries (eg 'operational control') been adequately defined and what other complex interpretation issues are there?
- Measurement – have emissions been completely captured and measured with the right method?
- Audit trail – have adequate documentation and data been retained in the correct way to withstand audits and monitoring?
- Systems, processes and controls – have adequate systems, processes and controls been implemented to reduce compliance risk in a cost effective way and deliver return on compliance investment?

Insights paper

This paper comprises a selection of questions that were raised during the roadshows and of responses provided. It also includes a list of key considerations organisations who reported under NGERs in Year 1 and organisations that are new to NGERs in Year 2 should consider as they prepare for submission before 31 October 2010.

Key questions raised during the roadshows



Issue	Question	Response
Reporting Transfer Certificate	If we have 'financial control' of a facility, can we apply now for a Reporting Transfer Certificate (RTC)?	Yes. Part 3E of the NGER Act amendments, which came into force on 19 September 2009, enables a corporation with operational control to voluntarily transfer the reporting obligation to the corporation with 'financial control'. The amendments include tests of what constitutes financial control. These tests must be satisfied, and an application for an RTC must be made to the Greenhouse and Energy Data Officer (GEDO) by the Corporation which claims to have financial control of a facility (with the written consent of the Corporation which has operational control).
Assurance thresholds under the Carbon Pollution Reduction Scheme (CPRS)	What are the thresholds for mandatory assurance under the CPRS, in its current form?	<p>The CPRS White Paper (policy position 7.24) states that large emitters (those with obligations under the CPRS for greenhouse gas emissions of 125,000 tonnes of carbon dioxide equivalent or more) will be required to have their annual emissions reports audited by an independent third party before submitting them to the CPRS regulator. The CPRS also indicates the required level of assurance may be 'reasonable assurance' (end note 3).</p> <p>It is not clear in the current CPRS Bill, regulations and guidelines, whether 'large emitters' includes organisations with one or more facilities emitting more than 25,000 tonnes of Scope 1 emissions each and more than 125,000 tonnes of Scope 1 emissions in aggregate. This will need to be watched carefully should the CPRS Bill become law.</p>

Key questions raised during the roadshows



Issue	Question	Response
Assurance over NGERS data	Although not a legal requirement, when should we consider external assurance over our NGERS data?	Many organisations have sought assurance over their NGERS data in Year 1 and are planning further regular audits, for a number of reasons: <ul style="list-style-type: none"> • Provide comfort to senior management and the Board over the integrity of reported data prior to their sign-off • Reduce the risk of non-compliance in the case of a future NGERS audit or review conducted or commissioned by the GEDO, global head-office or other stakeholders such as customers • Ensure transparency, comparability, completeness and accuracy of NGERS data before lodging it (these criteria are built in NGERS) • Improve existing systems, processes and controls for future years (clause 3.11 of the <i>Draft National Greenhouse and Energy Reporting (Audit) Determination 2009</i> requires auditors to test systems and processes) • Demonstrate transparency to stakeholders (eg shareholders).
Supply chain data	How can we obtain better data from our suppliers in a form that reduces our data collection costs?	This is a ‘whole of industry’ issue. NGERS reporters should engage with their suppliers now to discuss their data requirements and frame in any contract renegotiations, clauses stipulating the provision of data in electronic format that meets NGERS requirements. Also, a number of service providers already offer services and/or systems enabling the bulk capture of supplier data (eg fuel, electricity) in a suitable electronic format.

Key questions raised during the roadshows



Issue	Question	Response
Emissions and energy reporting systems	Should we buy a specialised emissions and energy reporting system now and, if so, which one?	It depends. While an appropriate system may help NGRS reporters decrease their compliance risks & costs and provide a single 'source of truth' for several reporting requirements (eg EEO, CDP, sustainability report, energy cost reduction etc.), organisations need to follow adequate due diligence in selecting a solution that meets their specific needs (similar to any other system selection). This involves: <ul style="list-style-type: none"> • Documenting detailed business requirements from all stakeholders (data providers, data reviewers, legal, contractors, management, finance, risk, etc.) • Investigating and comparing costs and benefits of a range of solutions, from internal development (eg upgrade existing financial and data warehouse systems), use of a provider of software as a service, purchase of a standalone specialised tool or a mix of the above • Implementing robust processes and controls based on the new solution, including adequate governance over data collection (ownership, incentives etc.) – ownership of these issues should not be outsourced • Carefully selecting a vendor / service provider with sufficient technical / industry skills / support staff operating in Australian business hours, and with low risks of being acquired in the next few years (research shows that significant consolidation can be expected in the emissions reporting system vendor market by 2011).

Key questions raised during the roadshows



Issue	Issue description	Issue implications and solutions discussed during the workshops
Online System for Comprehensive Activity Reporting (OSCAR)	When will there be a direct upload system available into OSCAR?	<p>From Department of Climate Change (DCC) briefings, OSCAR has been designed and used to record all NGERS report data for the first reporting year. OSCAR stores all the necessary conversion factors to automatically convert energy and fuel consumption data into greenhouse gas emissions in quantities of carbon dioxide equivalent.</p> <p>We understand that a bulk data upload functionality ie the ability to upload NGERS data directly from an Excel spreadsheet, for example, is currently being scoped for development. The completion date for this is yet to be determined. An <i>Electronic Data Capture Discussion Paper</i> was available late 2008 and public consultations on specifications were conducted in 2009. The outcome of these consultations is yet to be published.</p>
Review of submissions by the GEDO	How will the GEDO check all reports submitted for completeness, accuracy, transparency and comparability?	<p>We understand the GEDO intends to review submitted NGERS reports to identify any outliers eg where reports for companies in the same sector present very different levels of greenhouse gas emissions and/or energy consumption data. The GEDO may also refer to sustainability reports and other publicly available data in reviewing the accuracy of the NGERS reports.</p> <p>Where anomalous data is identified, NGERS allows greenhouse and energy audits to be used as a compliance monitoring tool by the GEDO. The DCC has developed subordinate legislation to establish a robust and comprehensive framework for greenhouse and energy auditing under NGERS. Consultation on the exposure draft legislative instruments occurred in August 2009 and new regulations on greenhouse and energy audits were published in December 2009.</p>

Key considerations when reporting by 31 October 2010



1. Prepare a project plan for all activities leading into NGERS Year 2 reporting and start preparing now for reporting scope definition / update and data collection
2. Conduct detailed internal / external debrief sessions on the NGERS Year 1 program
3. Address data collection governance issues early, eg responsibility and incentives of facility staff and key suppliers
4. Assess whether Year 1 audit trail is sufficient to withstand an audit and improve Year 2 audit trail accordingly (eg operational control decisions, selection of measurement methods)
5. Reconcile activity data with already audited systems (eg accounts payable)
6. Calculate uncertainty as prescribed by NGERS and ensure your sampling regime is adequate if you use higher order methods
7. Consider undertaking quarterly reviews of the completeness, accuracy, transparency and comparability of your data to fix problems as they arise, not at the last minute
8. Consider involving internal and external specialists for independent review and analysis, eg legal, engineering and assurance
9. Consider the business case for automating and integrating the NGERS reporting process
10. Identify business benefits your organisation could derive from NGERS data beyond compliance, eg abatement / trading strategy, energy cost reduction, input into sustainability strategy

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