

# Responding to a carbon price



## Key steps

		Actions
<i>Assess whether you are directly liable</i>	<ul style="list-style-type: none"> <li>Determine the facilities over which you have operational control</li> <li>Determine the quantity of covered emissions for each facility</li> <li>Assess whether each facility is liable (refer decision tree overpage)</li> <li>Set up a carbon price project office to manage carbon work streams</li> </ul>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<i>Manage the cost implications for your business</i>	<ul style="list-style-type: none"> <li>Identify emissions abatement opportunities and assess the financial viability of each using marginal abatement cost curves</li> <li>Investigate your ability to access Government funding for abatement and energy opportunities</li> <li>Review existing supply contracts and assess the potential carbon price pass through impacts</li> <li>Develop a carbon procurement/trading strategy                             <ul style="list-style-type: none"> <li>internationally linked units</li> <li>via the local auction process</li> <li>Carbon Farming Initiative projects</li> </ul> </li> <li>Consider liability transfer options to enable you to manage your own carbon price risk                             <ul style="list-style-type: none"> <li>from gas retailers</li> <li>within joint ventures</li> <li>within corporate groups</li> <li>from contractors</li> </ul> </li> </ul>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<i>Consider the potential revenue impact</i>	<ul style="list-style-type: none"> <li>Assess your ability to pass on additional costs to customers                             <ul style="list-style-type: none"> <li>review existing and future customer contracts for pass through clauses</li> <li>assess your market characteristics (local vs international prices/competitors)</li> <li>consider product pricing changes</li> <li>consider potential product substitution impacts</li> </ul> </li> </ul>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<i>Manage your balance sheets impacts</i>	<ul style="list-style-type: none"> <li>Develop accounting policies for the treatment of carbon units</li> <li>Assess your overall future cash flow impacts and develop cash flow management strategies to maintain working capital</li> <li>Update relevant asset NPVs and assess potential asset impairments</li> <li>Consider the impacts on your current and future investment decisions</li> </ul>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

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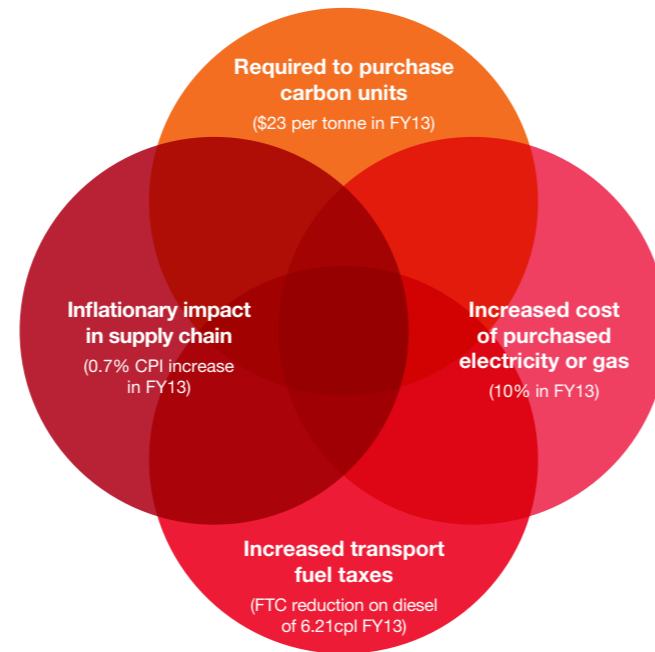
Visit our website [www.pwc.com.au/carbonprice](http://www.pwc.com.au/carbonprice) for further analysis



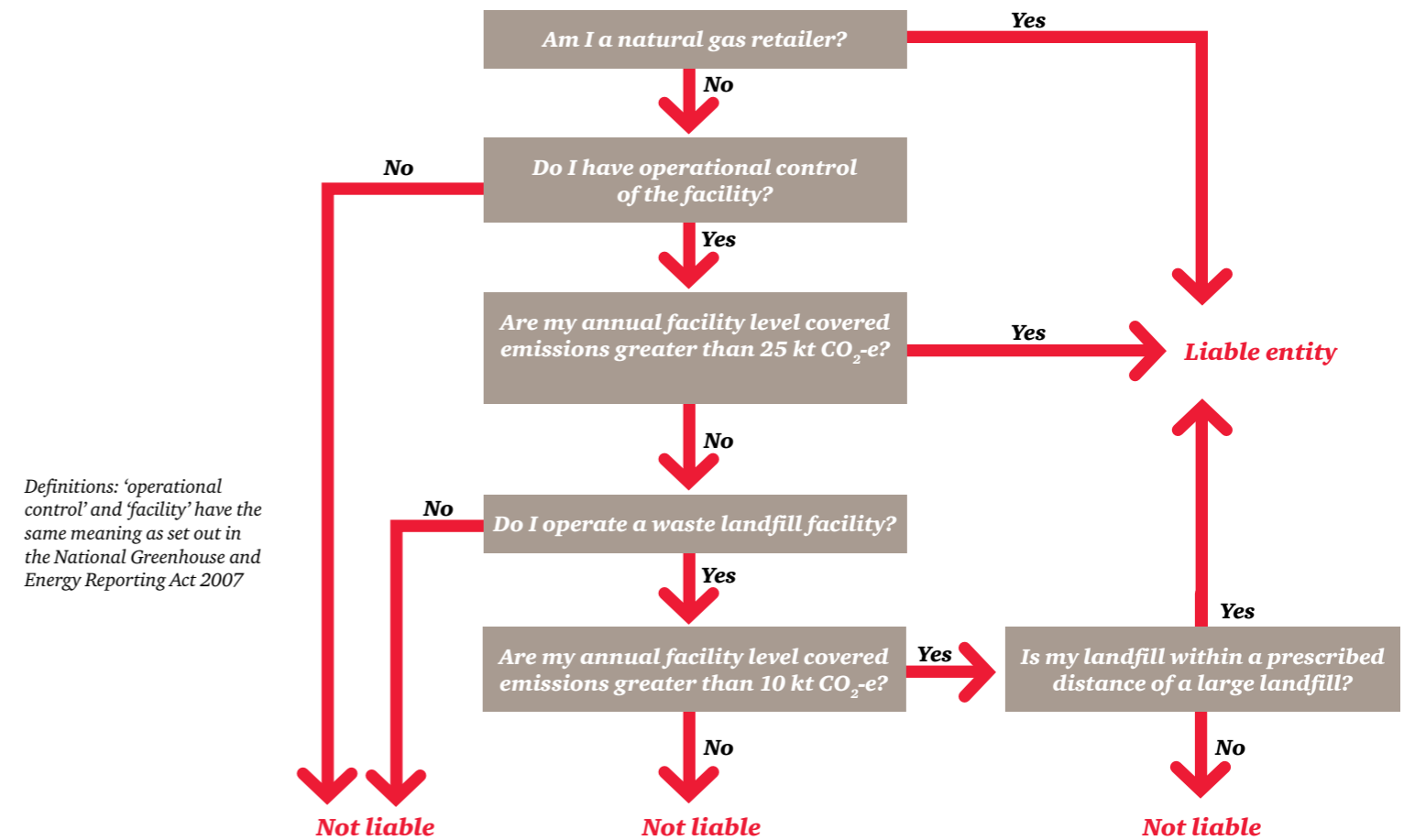
## At a glance

- A start date of 1 July 2012 for the carbon-price mechanism.
- Fixed price of carbon units for three years (in real terms):
  - 2012/13 \$23
  - 2013/14 \$24.15
  - 2014/15 \$25.40.
- Flexible price of carbon units from 1 July 2015 when a carbon pollution cap will be applied across the economy. Carbon units will be traded during this phase.
- Liability to surrender carbon units arises in relation to any facility with more than 25,000 tonnes CO<sub>2</sub>-e of 'covered' emissions during the relevant compliance year. This threshold is prorated where the facility has been under the operational control of a person for only part of the compliance year. Separate thresholds for landfill facilities may apply.
- The liable entity is the person who has operational control of a facility. A person includes companies, trusts, individuals and local, state and federal government bodies.
- 'Covered' emissions are scope 1 emissions (as defined in the *National Greenhouse and Energy Reporting Regulations 2008*) but do not include:
  - agricultural emissions
  - fugitive emissions from decommissioned underground mines
  - emissions from legacy waste or closed landfill facilities
  - emissions of certain synthetic greenhouse gases (PFCs, SF6, HFCs)
  - emissions from the combustion of certain fossil fuels (LPG, LNG, CNG and liquid petroleum fuels that have been subject to duties under either the *Customs Tariff Act 1995* or the *Excise Tariff Act 1921*)
- The covered emissions are calculated using methods set out in the *National Greenhouse and Energy Reporting (Measurement) Determination 2008*.
- During the fixed price period, carbon units representing 75% of the estimated covered emissions for the compliance period must be surrendered by 15 June of the compliance year. The remaining balance of carbon units, based on the final covered emissions for the compliance period are required to be surrendered by 1 February of the following year.
- During the flexible price period carbon units are required to be surrendered by 1 February of the year following the compliance year.
- During both the fixed and flexible price periods liable entities are required to report emissions annually to the Regulator by 31 October following the compliance year. This requirement is in addition existing reporting requirements under the *National Greenhouse and Energy Reporting Act 2007*.
- An emissions charge for any shortfall in carbon units will apply at a rate of 1.3 times the unit price during the fixed period and twice the unit price in the flexible period.
- Effective fuel prices across many sectors will rise due to changes in tariff and excise rates.
- Penalties of up to \$1.1 million may apply also for contraventions of the legislation.

### Key areas of impact to consider



## Am I liable?



## What does 25,000 tonnes of CO<sub>2</sub>-e represent?

### Combustion of approximately\*:

black coal	10,000 tonnes	coal seam methane	13,000,000 cubic metres
brown coal	26,000 tonnes	gasoline	10,500 kL
natural gas	12,000,000 cubic metres	diesel	9,000 kL

\* based on *National Greenhouse and Energy Reporting (Measurement) Determination 2008* Schedule 1 factors

## Annual compliance timeline

### Getting ready for your compliance obligations

- Develop systems and process to support carbon reporting, trading and forecasting
- Implement controls to ensure the completeness and accuracy of emissions reporting
- Assess your audit requirements for both carbon liabilities (financial) and emissions reporting

### 1 July

Start of compliance year

### 15 June

Surrender of 75% of estimated carbon unit liability for compliance year (fixed period only)

### 30 June

End of compliance year

### 31 October

Reporting deadline for emissions data

### 1 February

Surrender of carbon units for compliance year (flexible period) or remainder of carbon units (fixed period)