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Monday  
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## Countdown closes for the emissions intensive

Monday, 30 March 2009

**While the Carbon Pollution Reduction Scheme (CPRS) is scheduled for introduction next year, debate continues on the start date, whether pushing on for July 2010 or holding off to 2012. Both may seem a way off, but the current deadline for submitting data to the government is May 1, while the standard required has never been seen before in environmental or carbon reporting, writes Dan Atkins.**

Regardless of when the CPRS comes into effect it is vital that businesses are prepared for the many changes and impacts that will emerge within their operating environment.

So, what are the implications? What do Australian businesses need to do to prepare for the introduction of an emissions trading scheme? Many companies – particularly those with emissions-intensive trade-exposed (EITE) activities – are asking these questions, and for many the answers can be daunting.

Although still subject to change, depending on the CPRS date, the current deadline for submitting data to the government is May 1. EITEs that fail to meet the deadline for data submission run the risk of missing out on the benefits this assistance will provide when the CPRS comes into effect. This could be millions of dollars.

Entities engaging in EITE activities are required to submit a full report detailing their greenhouse gas emissions and other relevant data from during the 2006-07 and 2007-08 financial years. The government requires their greenhouse emissions data, production data relating to the trade exposure of a specific activity, and financial data relating to revenue associated with the production of outputs arising from specific activities.

The daunting task for many EITE entities is that the depth and level of accuracy this audit report requires has never been seen before in environmental or carbon reporting. Where financial accounting systems and reporting have been around for many thousands of years, environmental systems of this nature have only been in existence for 30-40 years. For example, Norsk Hydro in Norway was one of the first in the world to establish an environmental division, only 40 years ago.

The challenge for EITEs here in Australia is therefore meeting the Federal Government's extensive audit and reporting expectations within a matter of a few weeks. For potentially the first time, organisations' accounting, engineering and environmental divisions will need to come together and work collaboratively to ensure the data they are reporting is to a level of accuracy and rigour required by a full financial audit.

EITE entities applying for assistance must be fully prepared for the extensive audit process ahead of them. This requires a combined level of industry-proven technical as well as rigorous financial auditing expertise not present within many of these entities, nor offered by the majority of auditing firms.

Given the immensely detailed and extensive amount of data that they must come up with, and with little time to train-up existing employees, organisations need to ensure they have access to external carbon accounting and technical capabilities or hire the right individuals to do this for them.

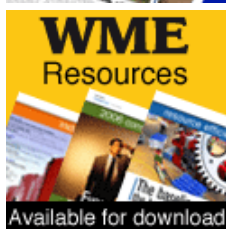
### CONSIDER THE CONFLICT OF INTEREST

The multidisciplinary approach needed to gather the data to satisfy the government's greenhouse gas reporting requirements will demand further training of staff and integration into an organisation's overall and ongoing performance reporting activities.

Also, as the audit requirements are not far different from those associated



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with a full financial audit, EITE entities as well as any audit, advisory or engineering specialist firms, must recognise the potential for a conflict of interest to emerge.

The *Sarbanes Oxely Act* of 2002 was developed from a conflict of interest between financial audit and advisory activities in the US. The principles are also effective in financial auditing and advisory here in Australia. It is worth considering therefore that with a data requirement similar in rigour and accuracy to that of a full financial audit, this act could soon be applied within the greenhouse gas auditing and reporting context.

If this does occur those firms well placed to assist EITE entities in both auditing and advisory roles will need to choose which service they are going to focus on, as Sarbanes Oxely will prevent them from engaging in both with the same organisation.

*Vantage Point columnist: Dan Atkins is MD of the Shaper Group, a set of companies that works with businesses, government and not-for-profits to improve their competitive advantage and reputation. Contact at [DA@shapergroup.com](mailto:DA@shapergroup.com)*

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