

# Understanding and assessing the impact of carbon emission pricing

Key questions for directors

AUSTRALIA

The policy and regulatory landscape relating to greenhouse gas (GHG) emissions is changing significantly both locally and internationally.

The cornerstone is the creation of pricing mechanisms for carbon emissions, such as the proposed Carbon Pollution Reduction Scheme (CPRS), and new regulatory reporting requirements. Both have the potential for significant and broad long-term impacts on business.

Organisations will be impacted in different ways, either directly through the requirement to purchase carbon pollution permits, or indirectly as costs are passed on through the supply chain by those purchasing these permits. Many organisations are also subject to new regulatory reporting requirements.

## Key questions for directors

### For all organisations

- Have we thoroughly considered the potential impact of a low carbon economy or price on carbon emissions on our industry?
- What is the potential impact of a low carbon economy on our business strategy?
- Do we have a good understanding of sources of GHG emissions in our supply chain?
- What is the likely impact on our cost base? To what extent will we be able to pass on any increased costs to customers?
- What is the likely impact on the demand for our products and services, and substitutes, in the short and long-term?
- How does our carbon exposure compare to that of our direct and indirect competitors?
- What opportunities do we have for abatement and improving energy efficiency?
- Are we eligible for government assistance?

### Additional questions for corporations required to report under the National Greenhouse and Energy Reporting (NGER) Act 2007

- Do we need to comply with the NGER Act? When is the first report due?
- Are GHG emissions related reporting processes and data auditable and well controlled?
- Is an appropriate governance framework in place for reporting carbon emissions including accountabilities, policies and guidelines?
- How comfortable is the CFO in providing sign-off to the CEO on the completeness and accuracy of the required data?
- Has assurance on our NGER submission been considered?



**For first year NGER reporters in particular**

- How closely does our NGER submission align with emissions data reported in our sustainability report or other carbon emissions reports (Greenhouse Challenge, Carbon Disclosure Project, Energy Efficiency Opportunity)?
- What are our external communication plans in light of NGER submissions going on the public record from February 2010?

**Additional questions for entities directly liable to acquire permits under the proposed CPRS**

- Is our current GHG emissions reporting data and system adequate to support decision-making related to the purchase of carbon pollution permits?
- What is the likely direct financial impact of carbon pollution permits on our bottom line?
- Have we defined our carbon trading strategy?
- Has a marginal abatement cost curve been developed?
- Where does the responsibility for purchasing and surrendering carbon pollution permits reside?
- What are the key accounting, tax, financial reporting and disclosure implications of the CPRS?

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