

23 September 2022

Energy, Policy and Partnerships Section
Clean Energy Regulator
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By email: CER-CERT@cer.gov.au

Consultation paper: 2023 Corporate Emissions Reduction Transparency report

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to provide a submission to the Clean Energy Regulator (CER) (the agency) on the 2023 Corporate Emissions Reduction Transparency (CERT) report. We support continuing to evolve the CERT report to better align with other climate-related reporting requirements, for example the National Greenhouse and Energy Reporting (NGER) scheme. In particular, we support the use of the ISSB standard on climate-related disclosures, as it evolves, as a reference point to align the CERT report design, particularly regarding metrics and targets.

We have focused our feedback on proposed changes to the 2023 CERT report on; **Section 1: Independent assurance of commitments and supporting information.**

1. **Would recognition of the independent assurance of company commitments and/or progress statements increase transparency where progress data cannot otherwise be verified by the Clean Energy Regulator (e.g., international, scope 3 and emissions intensity commitments)?**

We support giving entities the option to voluntarily obtain independent external assurance on certain commitments and/or progress statements in their CERT report where the CER cannot use its data to verify progress. Independent external assurance enhances the credibility of the information and provides stakeholders with greater confidence in the quality and accuracy of the data. However, making independent external assurance mandatory at this stage could be a potential barrier for voluntarily participation in CERT.

Considering this we recommend reviewing the types of commitment; 'commitment (progress verified)' and 'other commitment (company assured)' in the CERT Report Guidelines. The terminology "company assured" is potentially misleading. Also, commitments that have been independently assured should be a separate category. We recommend the types of commitment be amended to:

1. CER verified – where progress can be verified by the CER's trusted data holding from the NGER scheme, the Renewable Energy Target (RET) scheme and the Australian National Registry of Emissions Units (ANREU).
2. Independently assured – where progress is subject to independent external assurance.
3. Unverified/unassured – commitments other than those in (1) or (2).

For the types of commitments for which CER cannot verify progress (e.g., international, scope 3 and emissions intensity commitments), it would be helpful if the CERT Report Guidelines indicated the priority of those that the CER would find most useful being independently assured.

2. Is limited assurance a sufficient minimum standard for the CERT report?

We agree with the proposal that the minimum level of assurance be set as limited. This still allows for reasonable assurance to be an option for those entities that have more established systems and processes.

For clarity, we do not support mandating reasonable assurance at this stage. Assuring scope 3 emissions commitments and/or progress can be challenging, given the quantum of inputs, level of estimation and variability in assumptions. While we acknowledge that scope 3 emissions are being subject to reasonable assurance in other jurisdictions, there are concerns over data availability and reliability in Australia given the initial lack of maturity in some entities' systems and processes. Therefore, the additional costs of obtaining reasonable assurance may not justify the incremental benefits at this stage.

3. Do Climate Active, RE100 and Science Based Targets provide sufficient verification and assurance to be included in the CERT report? Should other assurance arrangements and frameworks be considered?

We support a requirement for the assurance engagement to be conducted in accordance with either ASAE 3000/ASAE 3410 for Australian commitments; or ISO 14064-3 and/or ISAE 3000/3410 for international commitments, as applicable. Although we note that the ISO standards are not freely available which would make an engagement conducted under ISO 14064-3 less transparent to stakeholders.

A consistent baseline is critical for there to be trust and confidence in the information provided and to avoid confusion or misunderstanding amongst stakeholders. ASAE/ISAE 3000 and ASAE/ISAE 3410 are part of an internationally accepted and complete assurance framework which addresses key components such as ethics and independence, quality management, and planning, performing, and reporting on, the engagement. These aspects are all essential to achieving a level of assurance that provides integrity, is understandable by users of the reporting, and globally comparable.

We also support Category 2 individuals from the Register of Greenhouse and Energy Auditors being considered suitably qualified and experienced auditors for the purpose of this proposed regime. While many different subject matter experts are represented on this list such as accountants, engineers and environmental experts, a critical aspect of the eligibility requirement is knowledge of relevant legislation, audit team leadership and assurance which are core skills in and of themselves.

On this basis we recommend using the NGER audit framework for this proposed assurance regime because in our view the assurance engagements are comparable to a Part 6 audit under the NGER scheme and the NGER audit framework has been proven to be workable and effective over time.

It is unclear whether Climate Active, RE100 and the Science Based Targets initiative (SBTi) have requirements that are at least as robust and comprehensive as the NGER audit framework and therefore whether they are fit for the purpose of this proposed regime.

4. Is independent assurance of commitments and/or progress appropriate for companies with complex reporting arrangements, such as equity-share or calendar year reporting?

We do not foresee any specific issues with independent external assurance for entities that have investments in associates or where commitments and/or progress are expressed with reference to calendar years as opposed to financial years.

For independent external assurance to be possible it is essential that the CERT Report Guidelines contain suitable criteria for the preparation of the information. Suitable criteria are described in ASAE/ISAE 3000 as exhibiting the following characteristics: relevance, completeness, reliability, neutrality, and understandability.

Assuring scope 3 emissions commitments and/or progress is likely to be complex, given the quantum of inputs, level of estimation and variability in assumptions. Clear disclosure of assumptions, limitations and uncertainties is particularly important to enable assurance to be undertaken, and for users to understand the information.

The challenges are further compounded by the need to make significant judgements which are likely to be different between industries and even entities in the same industry. This may be another area the CER could cover in the CERT Report Guidelines.

The Appendix provides more information about CA ANZ. Should you have any questions about the matters raised in this submission or wish to discuss them further, please contact Zowie Pateman, Deputy Leader – Reporting and Assurance, at Zowie.Pateman@charteredaccountantsanz.com

Yours sincerely

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Appendix

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents 131,673 financial professionals, supporting them to make a difference to the businesses, organisations and communities in which they work and live. Chartered Accountants are known as Difference Makers. The depth and breadth of their expertise helps them to see the big picture and chart the best course of action.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with mentored practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate boldly in the public good. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations. We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 15 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.

We employ more than 500 talented people across Australia, New Zealand, Singapore, Malaysia, Hong Kong and the United Kingdom.