

CARBON GUIDELINES – Who is Responsible

Presented by
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- **Carbon emission means polluting carbon substances like carbon dioxide and carbon monoxide released into atmosphere and forming pollutants in the atmosphere.**

e.g. burning fuels like oil, natural gas, diesel, organic-diesel, petrol, organic-petrol, ethanol

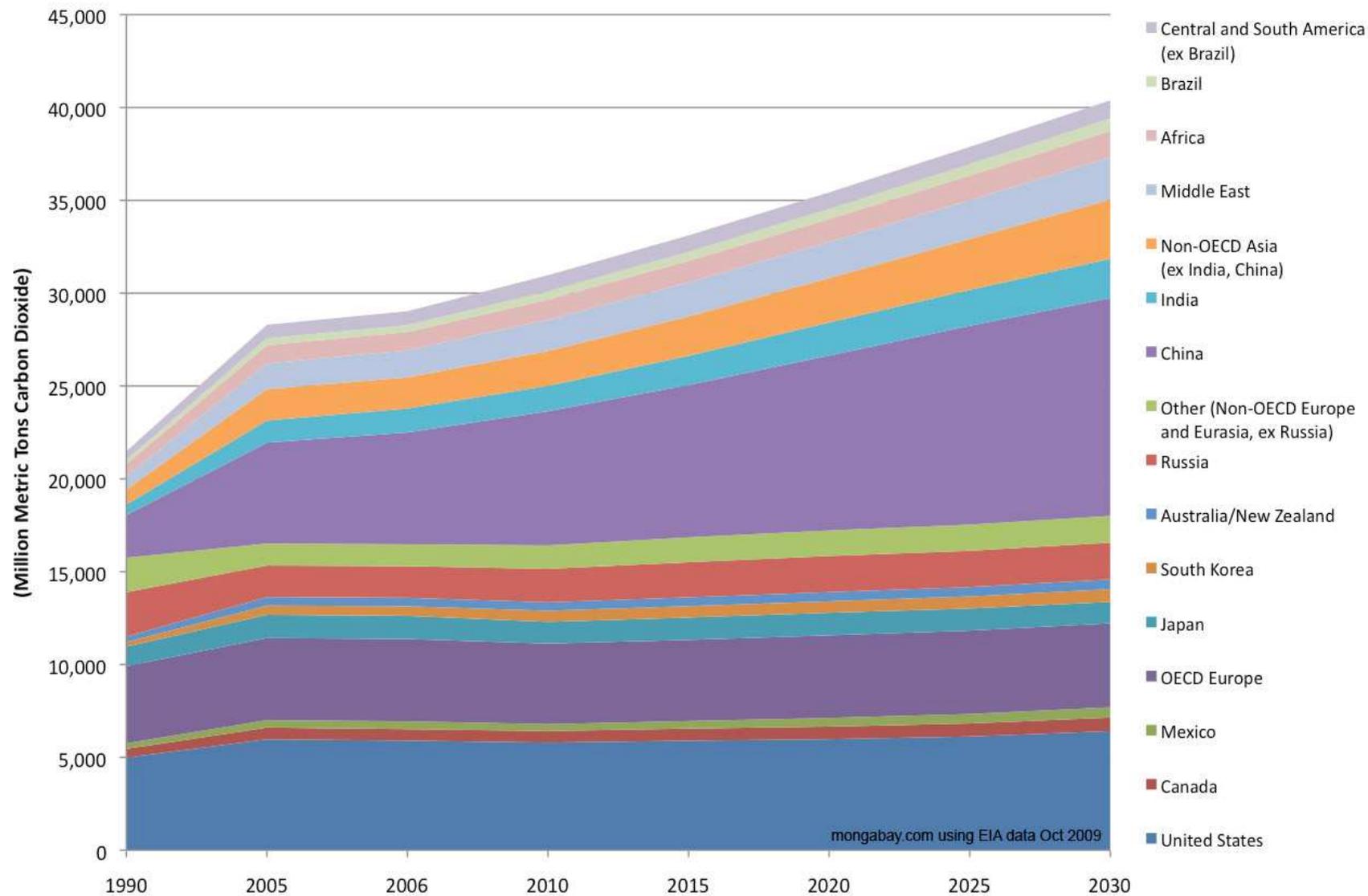
- **Carbon dioxide equivalents(CO_2)**
- **Methane(CH_4)**
- **Nitrous Oxide(N_2O)**
- **Perfluorocarbons(PFCs)**
- **Hydrofluorocarbons(HFCs)**
- **Sulphur hexafluoride(SF_6)**

GhGs covered by KYOTO Protocol

- **The emissions would need to peak and start to decline within about 15-20 years, then the planet earth would have a reasonable chance of avoiding temperature rise of 2°C. By 2050, the world-wide average (CO₂) emission per capita needs to be reduced to 2 tonnes per year.**

-IPCC warning

World Carbon Dioxide Emissions by Region, Reference Case, 1990-2030



- The question we need to ask is whether the current regime of accounting, disclosure and financial regulation are “fit for purpose for a carbon-constrained world

-Nick Robbins, Henderson Global

The current economic crisis illustrates the failure to acknowledge risks in the short term can lead to substantial legacies in the long term. Against this background, it is imperative that companies supply their shareholders with appropriate climate change data’

-Pau Dickinson, CEO, CDP

It took 125 years over which financial accounting rules developed and filled gaps as businesses became more complex, we don't have that sort of time when it comes to climate change. We don't have 100 years to account for carbon”.

-Alan McGill, PwC Partner

- **Principle-based global reporting framework for climate change-related disclosure requires to differentiate**

1. Main-stream financial reports

Prepared in accordance to IFRS adopted by IASB

2. Other financial reporting

**Outside the scope of IFRS described as MD&A
(Management Discussion & Analysis)**

Carbon Disclosure Project, 2009

- **Main-stream financial reports are the collective primary financial statements along with notes comprising a summary of significant accounting policies and other explanatory notes**
- **Other financial reporting consists information provided outside financial statements**

CDP on behalf of CDSB, 2009

Other financial reports are voluntary in nature and it generally includes CSR but now the impending policies forcing companies to begin reducing emissions. How to disclose those efforts & expenses?

- The multinational businesses have to comply with more than 100 different national policies on emission and it affects their disclosure on carbon accounting in the absence of a standardized reporting pattern**
- Complexities in auditing is inevitable at this point**
- Obstacles beyond accounting measurement of carbon emission owing to the scientific interpretations**

GHG emissions continues to mean many things to many people. It has been plagued by misunderstanding, deliberate greenwash and a lack of academic rigour ... in short, it's a mess

Justin Olusundé, an independent emissions auditor

- Who is expected to set the Carbon Guidelines for an effective disclosure of carbon efficiency and related expenses
- Is that standard setter capable of bringing an universal guidance on carbon reporting pattern? – capable of convincing all the professional bodies, Governments, accounting firms and investors
- Could sufficient drivers be established for measuring carbon emissions

Paper focusses on...

- **Will the impact of low exposure and high exposure of the company to climate risk results in a significant liability or a valuable asset?**
- **Assessment of steps taken towards setting a globally acceptable framework**

This paper does not attempt to assess the current practical carbon reporting patterns of the companies

Paper focusses on...

Climate Disclosure Requirement

Guiding Drivers

Prescribing an universal method & enforcing

???????????????

Measuring emissions (technical)

GhG Protocol, IPCC guidelines, CDSB Draft Reporting framework

Verification

ISO14064, GRI, WRI, WBCSD

Gaps in international practices due to...

Good practice	Country	Perspective
Risk-based approach – Administrations contracts independent verifiers directly	New South Wales, Australia	National
Third party verifiers require accreditation before they can be hired by companies.	The EU	National or Regional
Detailed standards are established for monitoring and reporting	The US	National

Gaps in international practices due to...

- **Emission Measurement --
Measuring the Carbon
Footprint**
- **Emission Trading systems**
- **Identifying internationally
accepted & practicable
framework**

--Major approaches identified...

Types of emissions	Meaning	Measuring
Scope 1	emissions occurring within the boundary of a facility from sources	multiplying the fuel usage by emissions factors which have been set for different types of fuels
Scope 2	the indirect emissions occurring outside the boundary of a facility	by multiplying the electricity consumed by emissions factors that have been set for the different types of electricity sources and generators
Scope 3	the emissions occurring as a result of activities outside the boundary of a facility	embodied emissions are determined by using estimates of carbon embedded within goods or services that have been purchased or sold

Carbon Footprint...

- **PAS 2050, launched in late 2008 by the British Standards Institution (BSI), a protocol-setting body. PAS 2050 sets out a framework for measuring full life-cycle emissions on a per-product or per-service basis**
- **This year, the International Standards Organisation should be ready with its supply chain-focused ISO 14067 code**
- **The GHG protocol also aims to produce a definitive product life-cycle standard within the year**

Solutions for embodied emissions

- Cross Sector Tools
- Sector Specific Tools
- Additional Guidance Documents
- Customised Calculation Tools of GH.

Direct emission calculation...

- IASB is widely expected by industries, investors and accounting firms to come up with an internationally comparable disclosure on carbon emission
- The CDSB has issued an exposure draft on its proposed Reporting Framework and invited comments thereon by 25 September 2009

Who is to set guidelines?

The framework is based on

1.financial reporting standards, principles, proposals & discussion papers issued or commissioned by the IASB and their predecessor bodies

2.the Corporate Accounting and Reporting Standard developed by the World Resources Institute(WRI), the World Business Council for Sustainable Development (WBSCD) and International Standards Organisation (ISO14064)

Who is to set guidelines?

On CDSB

Deloitte

these disclosures should be evidenced by a cost-benefit analysis similar to that of international standard-setters like IASB

Accounting for Sustainability

include references in the Executive Summary to the need for more connected reporting in mainstream financial reports

The American Institute of Certified Public Accountants

should incorporate characteristics of decision-useful information from jointly developed IASB and FASB proposals

Who is to set guidelines?

- CDSB did not get an endorsement in Copenhagen Summit as PwC, one of the big 4 representative had an objecting opinion
- PricewaterhouseCoopers sustainability and climate change division partner Alan McGill, mentioned that carbon reporting needs its own framework, and quickly. “Until you get that consistency around measurements, organisations probably won’t move as quickly as they could or should do”

The Copenhagen Summit...

On IASB

1. Copenhagen was an opportunity for some to call on world leaders to push the IASB into playing a leading role in developing climate disclosure standards for mainstream company reporting

2. Many were of the opinion that a body like the IASB to give those standards the authority of mainstream reporting.

Who is to set guidelines?

Institutes, accounting firms, regulators and investors were all waiting for the IASB to come up with an international accounting standard that would allow them to report on sustainability information in a comparable manner

the IASB did not choose to attend Copenhagen as they believed the summit was not an appropriate place to discuss standards owing to the political nature of the negotiations on carbon reduction

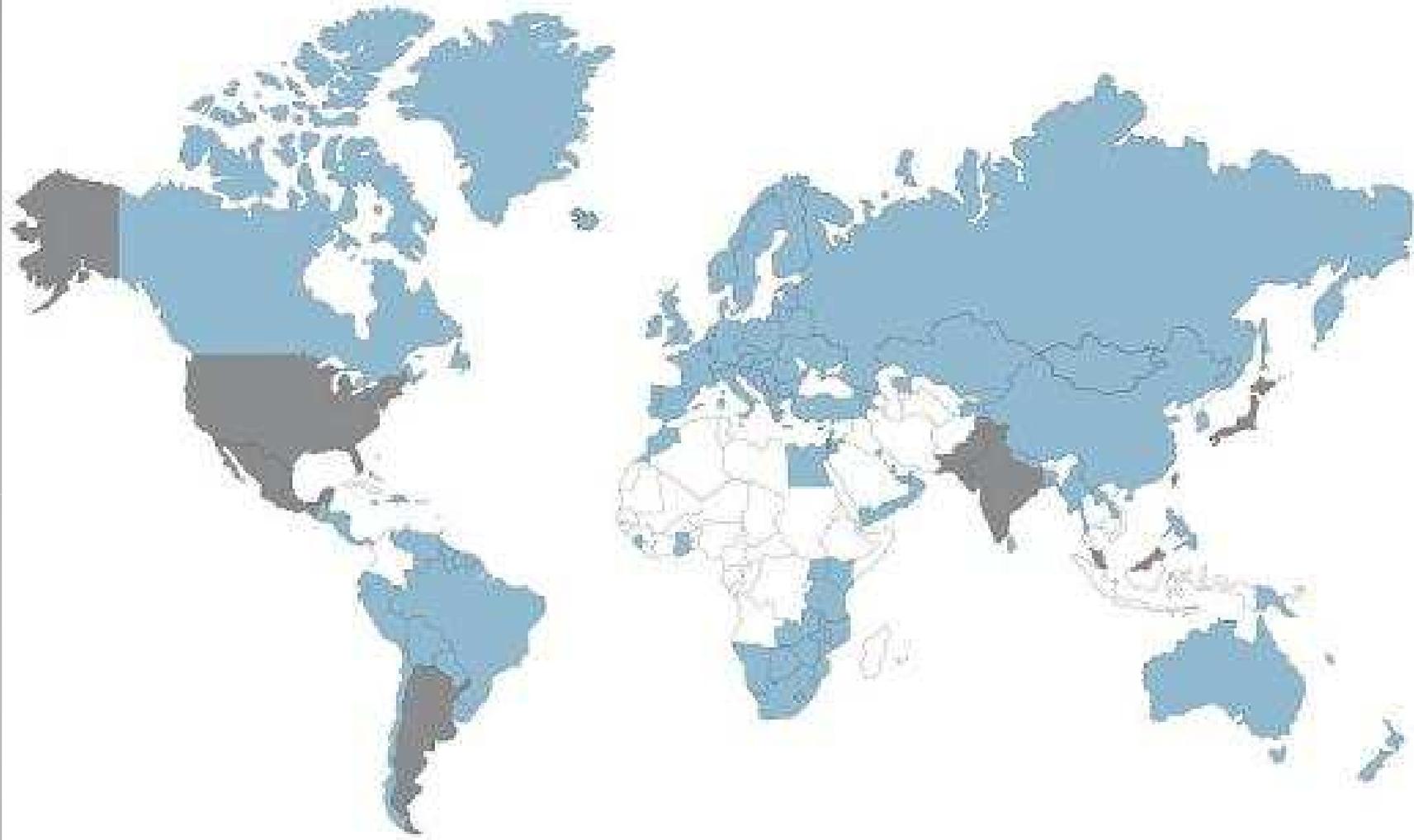
Who is to set guidelines?

Richard Spencer of the ICAEW said the IASB's position was "understandable" because it "had its hands full"

Other observers simply said the board was "overwhelmed" at the moment

Richard added that the biggest problem for the IASB was not just writing a standard, but winning global agreement on it

Who is to set guidelines?



IFRS use around the world

- **Now decide, who is responsible to set carbon guidelines**

Who can link carbon accounting into Mainstream reporting?

Who can resolve the issues of reporting beyond computation of carbon emissions?

Who can influence & convince adopting an universal guideline for carbon reporting?