Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

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Morning Session

Sustainability Reporting

Presented by

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Corporate reporting of GHG emissions: Overview of OECD country schemes and practices

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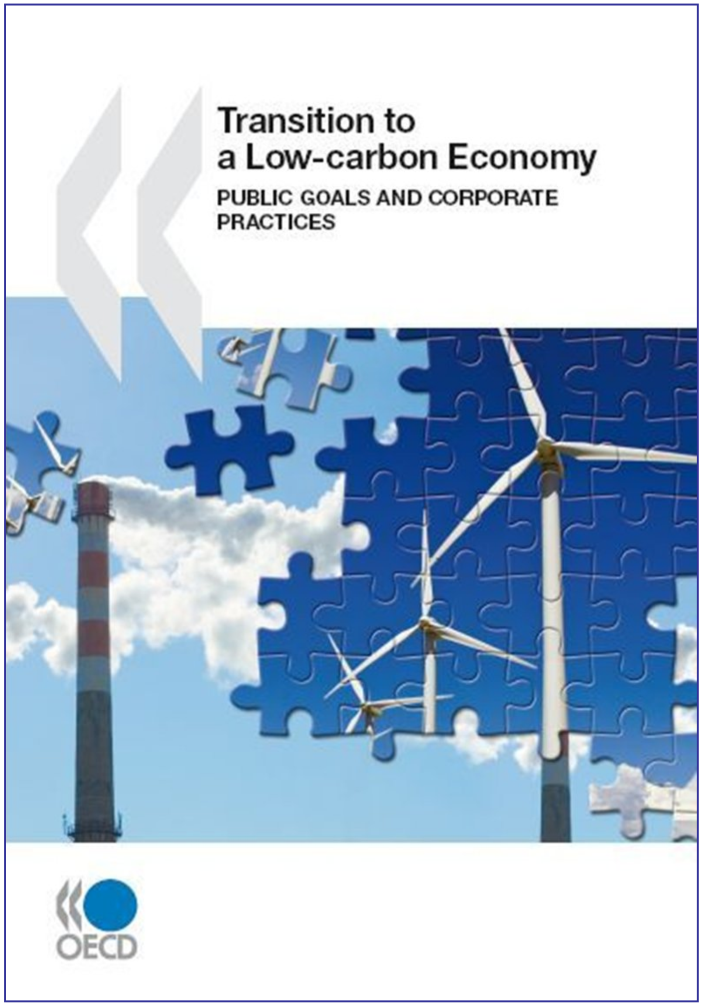
Business contribution to addressing climate change

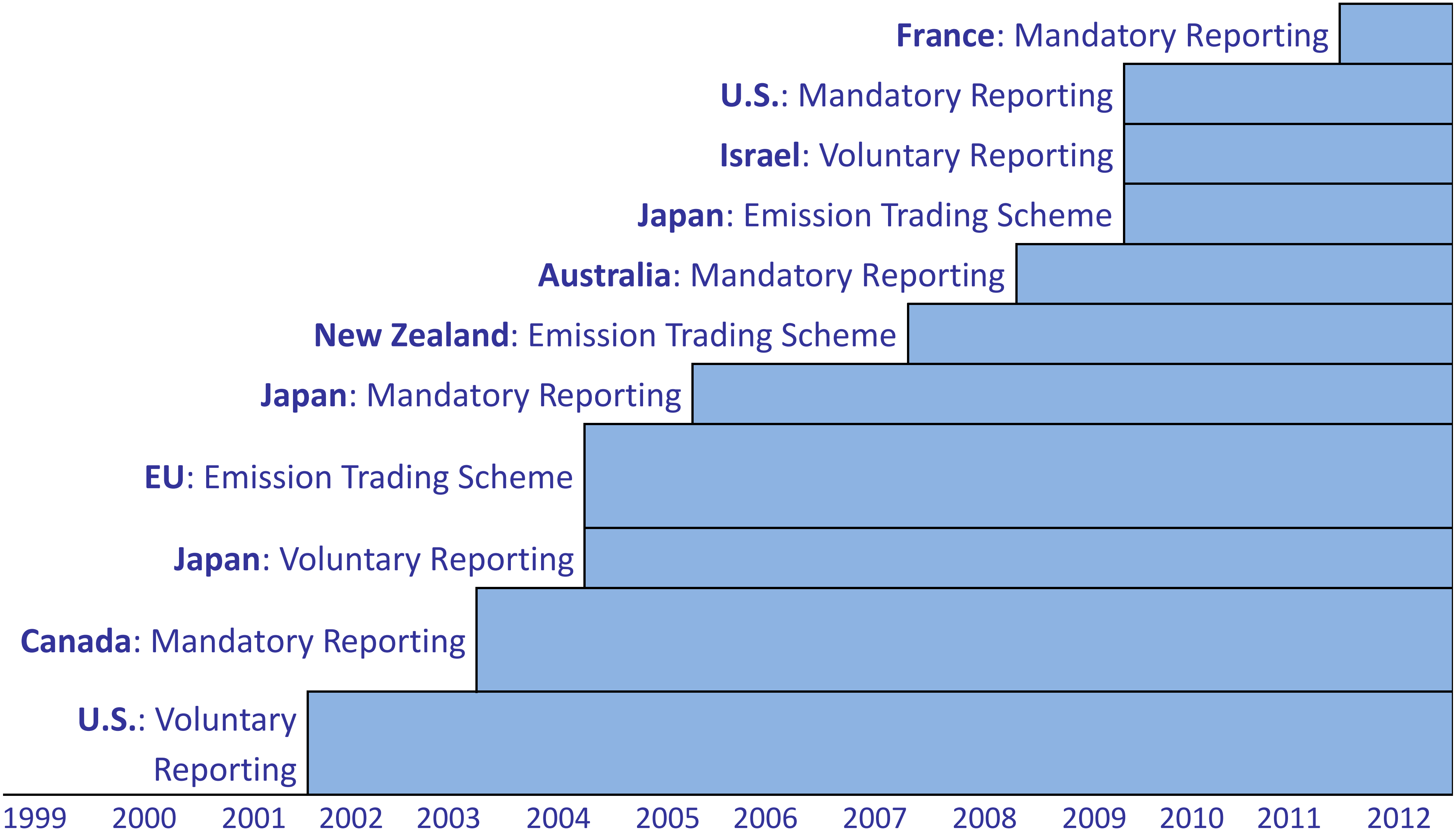


- 2010: Overview of government policies and corporate practices supporting a transition to a low carbon economy

- 2011: Stocktaking on current practices in OECD (and other) countries on climate change reporting (research/consultations/survey)

- Part of joint project with the Climate Standards Disclosure Board (CDSB), Global Reporting Initiative (GRI) and UNCTAD to inform discussions on consistency of climate disclosure rules

Growing trend in government reporting schemes



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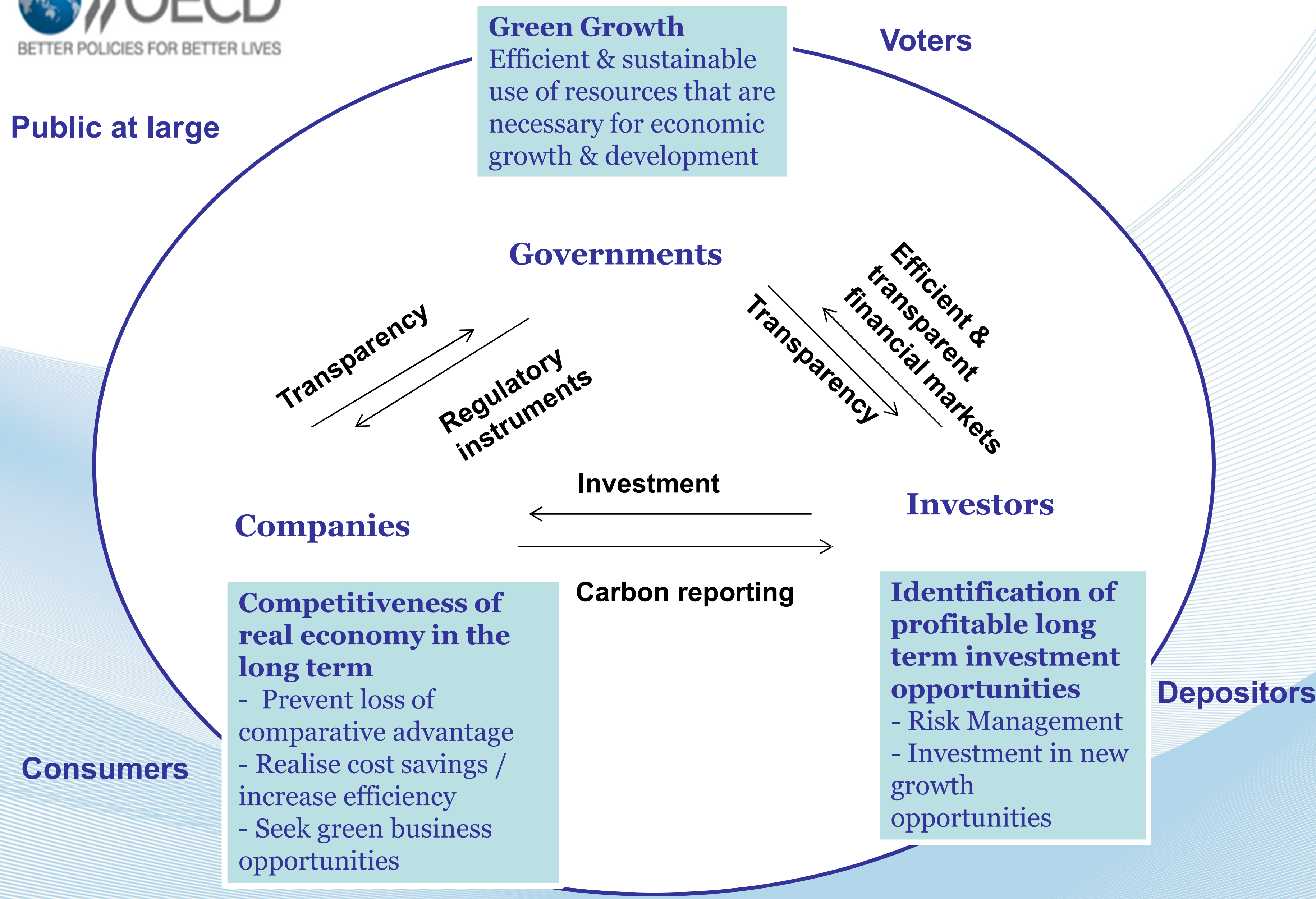
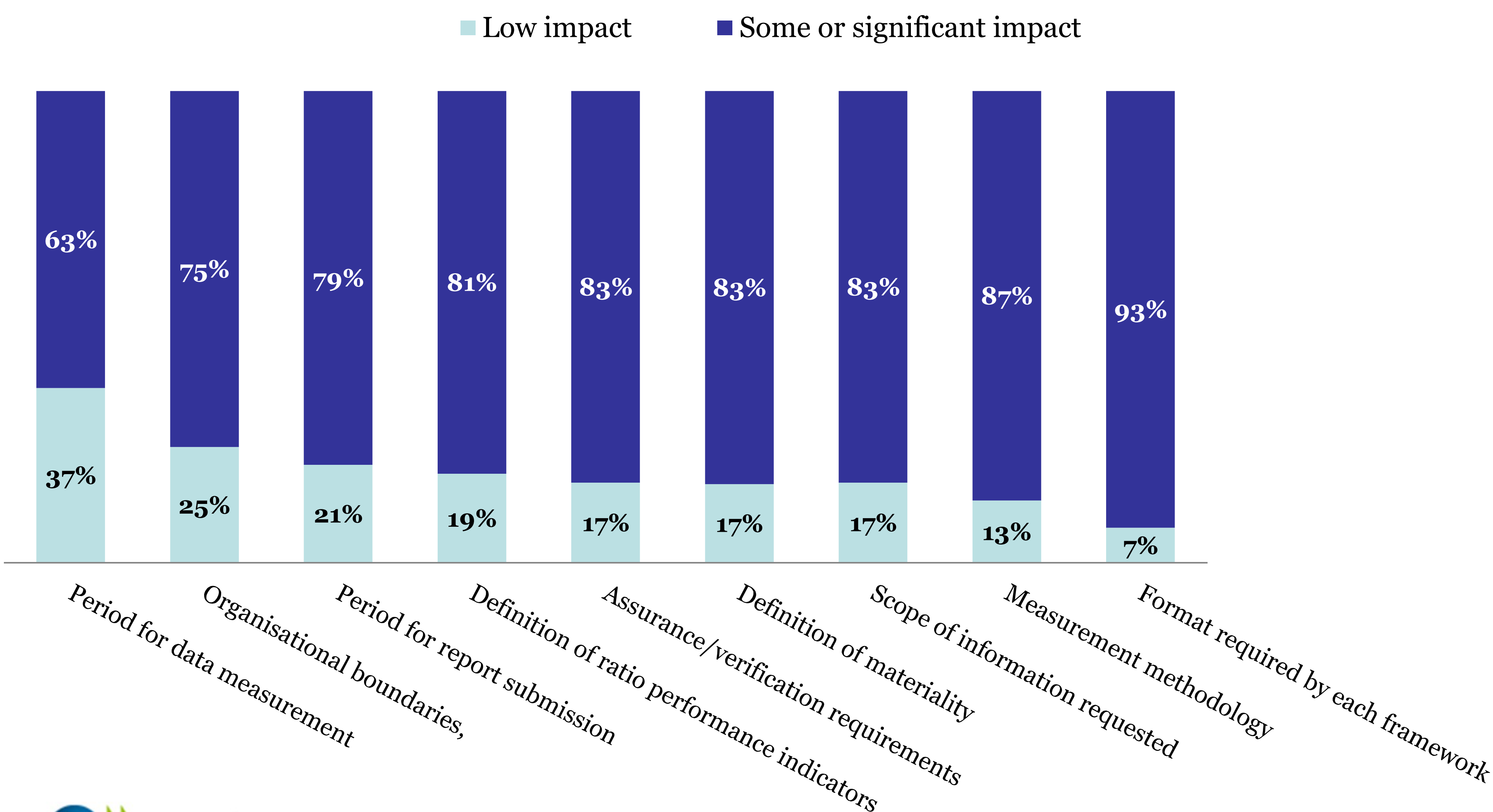
Motivations for GHG reporting



Challenges

Government	• Credibility/reliability of information • Costs of reporting systems • Use of information
Business	• Costs of generating the information • Internal use of information • Multiplicity of reporting requirements • Uncertainty/lack of consistency
Investors	• Quality of information • Comparability • Integration into decision-making

Source of divergence between existing schemes



OECD comparative analysis of existing schemes

Methodology:

- Comparative analysis of building blocks of existing voluntary and mandatory reporting provisions in the OECD
- Case study analysis of reporting provisions in UK, France, Australia and Japan
- Small survey to companies

Research questions:

- What are the common elements of reporting schemes?
- How can divergences be explained?

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Building blocks of reporting schemes

Company				Government	
Scope and boundaries of GHG information	**Calculation Methods**	**Verification / Assurance**	**Reporting Platform**	Enforcement	Use of information
•Geographical scope •Reporting entities •GHG to report •Definition of Boundaries •Scope of emissions •Reporting threshold	• Measurement standards and methods •Source of emission factors	•Mandatory or voluntary • Level of assurance •Reference standards for verification	•Publication of company information •Reporting platform (internet-based or other)	•Mandatory / voluntary scheme •Compliance mechanisms	•GHG Reduction Program •Pricing of emissions (taxes or emission trading), awareness building)

Preliminary Findings

1. Common elements of reporting schemes concern the measurement, calculation and reporting methodology: GHG Protocol is “quasi“ international standard.
2. Divergences are due to different motivations for governments to put in place carbon reporting provisions, the ultimate use of information and different target audiences.
3. Voluntary schemes demand a larger scope of information than mandatory schemes.
4. Verification of information is rarely required (except where linked to emission trading scheme)
5. In countries with multiple regional initiatives a need for consistency has led to reforms.
6. Wide consultation is needed

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Convergence in methodology and language used

- **Stabilisation of language used**
  - The terms scope 1, 2, 3 as defined by the GHG Protocol has become common language today, even though some countries originally chose different definitions in the beginning, such as France.
  - The Australian efforts at generating a common language and platform of GHG emission information across states participate in this convergence.
- **Emergence of international standards**
  - The GHG Protocol and ISO standard 14064-1 have been mainstreamed into government schemes and are clearly referenced in government-sponsored methodology and guidance documents. They are the methodology of reference of new schemes. In France, *Bilan Carbone®,* has been rendered compatible with them.

Variations in scope, assurance & reporting

- **In France and the UK**
  - Reporting schemes aim to provide companies with internal management systems to incentivise emission reductions.
  - They aim to raise awareness and incentivise action in companies outside EU ETS (smaller, less energy-intensive, on scope 2 and 3).
  - The collected information is not used by the government. Verification requirements are limited or absent.
  - In the UK, reliance on investors to induce corporate change explains annual reporting in line with companies' financial reporting cycle. In France, periodicity is 3 years to leave companies time to achieve the emission reductions.
- **In Australia**, reporting schemes underpin trading markets and other carbon pricing mechanisms. The scope of schemes is more limited & monetary valuation of emissions leads to tighter verification provisions.

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Need for consistency of regional initiatives

- **Phase 3 of the EU ETS supports a more consistent approach across member countries.** EU ETS is designed to be administered by Competent National Authorities, leading to divergences in administration practices. The EC is developing a set of guidelines to provide more consistency in the Monitoring and Reporting Regulation and the Accreditation and Verification Regulation, incl. a user manual & electronic templates for monitoring, reporting and verification activities.
- **In Australia, Federal regulation is seen as a strong driver of consistency across States.** In the absence of a national commitment, initiatives have developed at state level, using different language and reporting requirements. A National Greenhouse and Energy Reporting (NGER) system has been implemented as part of the National Partnership Agreement to Deliver a Seamless National Economy, to address the inconsistencies between reporting schemes, incl. a streamlining protocol and a single web portal. The objective is to reduce compliance costs on business, restrictions on competition and distortions in the allocation of resources.

Need for wide consultations

- In France, the UK, the U.S. or New Zealand, the development of GHG measurement methodologies and of regulatory schemes has substantially involved and required inputs from business.
- The technical knowledge of GHG emissions is deeply embedded in companies.
- The level of compliance with voluntary schemes, and level of acceptation of mandatory schemes, is a function of whether companies deem the requirements well balanced and fair, and not to distort competition.
- Broad and open consultations are essential to avoid regulatory capture by specific business interest.

Next steps

- International Regulatory Cooperation
- Towards a Green Investment Policy Framework: The Case of Low-Carbon, Climate-Resilient Infrastructure

Thank you

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