



An Australian Government Initiative

Carbon Neutral Program Guidelines

National Carbon Offset Standard

Version 1.0

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Important Notice & Disclaimer - National Carbon Offset Standard Carbon Neutral Program Guidelines

The National Carbon Offset Standard Carbon Neutral Program Guidelines (the Guidelines) have been prepared to provide general information and guidance on meeting the requirements of the National Carbon Offset Standard (the Standard). However, the Guidelines do not purport to contain all the information that may be required by an applicant to participate in or to make an informed decision about participating under the Standard. Applicants and interested parties should obtain independent advice on, and conduct their own independent inquiries, analyses and assessment of, the information set out in these Guidelines, and the risks and benefits of participating under the Standard. No representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Australian Government or the Program Administrator as to the accuracy, currency or completeness of any part of the Guidelines.

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1 Introduction

National Carbon Offset Standard and Carbon Neutral Program

The National Carbon Offset Standard (the Standard), effective on 1 July 2010, provides a benchmark for consumers and businesses to assess claims of carbon neutrality or the credibility of carbon offset products available for sale in the voluntary carbon market.

The National Carbon Offset Standard (NCOS) Carbon Neutral Program allows the Australian operations of organisations or Australian produced products to be certified under the Standard as carbon neutral.

Carbon neutrality commonly refers to a situation where the net emissions associated with an organisation or a product's activities are equal to zero through the acquisition and cancellation of carbon offsets that meet stringent criteria.

In line with best practice under the Standard, the following key actions must be undertaken for an organisation or a product to be certified carbon neutral under the NCOS Carbon Neutral Program:

- measure the carbon footprint of your organisation or product;
- monitor and reduce emissions (to the extent possible); and
- purchase and cancel sufficient eligible carbon offset units to offset the remaining emissions associated with the organisation or product.

Through this approach a company's investment in the measurement of its carbon footprint can serve multiple goals. When greenhouse gas emissions are measured and reported, they are generally better managed.

Best practice also requires that an organisation make transparent to the public steps taken to measure, reduce and offset emissions so that any carbon neutral claims can be objectively assessed.

Carbon Pollution Reduction Scheme Delay

The Australian Government has decided to delay the introduction of the Carbon Pollution Reduction Scheme (CPRS) until after the end of the current commitment period of the Kyoto Protocol. Consequently, CPRS Australian Emissions Units (AEUs) will only become available as eligible offset units under the Standard after the CPRS has commenced.

Purpose of these Guidelines

These Guidelines and the guidance templates are intended to assist you to achieve and maintain certification of your carbon neutral organisation or product under the Standard.

The Guidelines will assist you to manage and achieve your carbon neutral commitments in a consistent, credible and transparent manner.

The guidance templates and further information are available at:

www.climatechange.gov.au/government/initiatives/australian-carbon-trust/ncos-carbon-neutral-program.aspx

2 Key steps for achieving and maintaining NCOS Carbon Neutral Certification

Participating in the NCOS Carbon Neutral Program encourages best practice to measure, reduce and offset the greenhouse gas emissions associated with the carbon footprint of your organisation or product. The key phases associated with participating under the Standard are preparing an application package, verifying and certifying your claims, and managing and reporting your emissions.

The key steps outlining what you need to do are represented below:

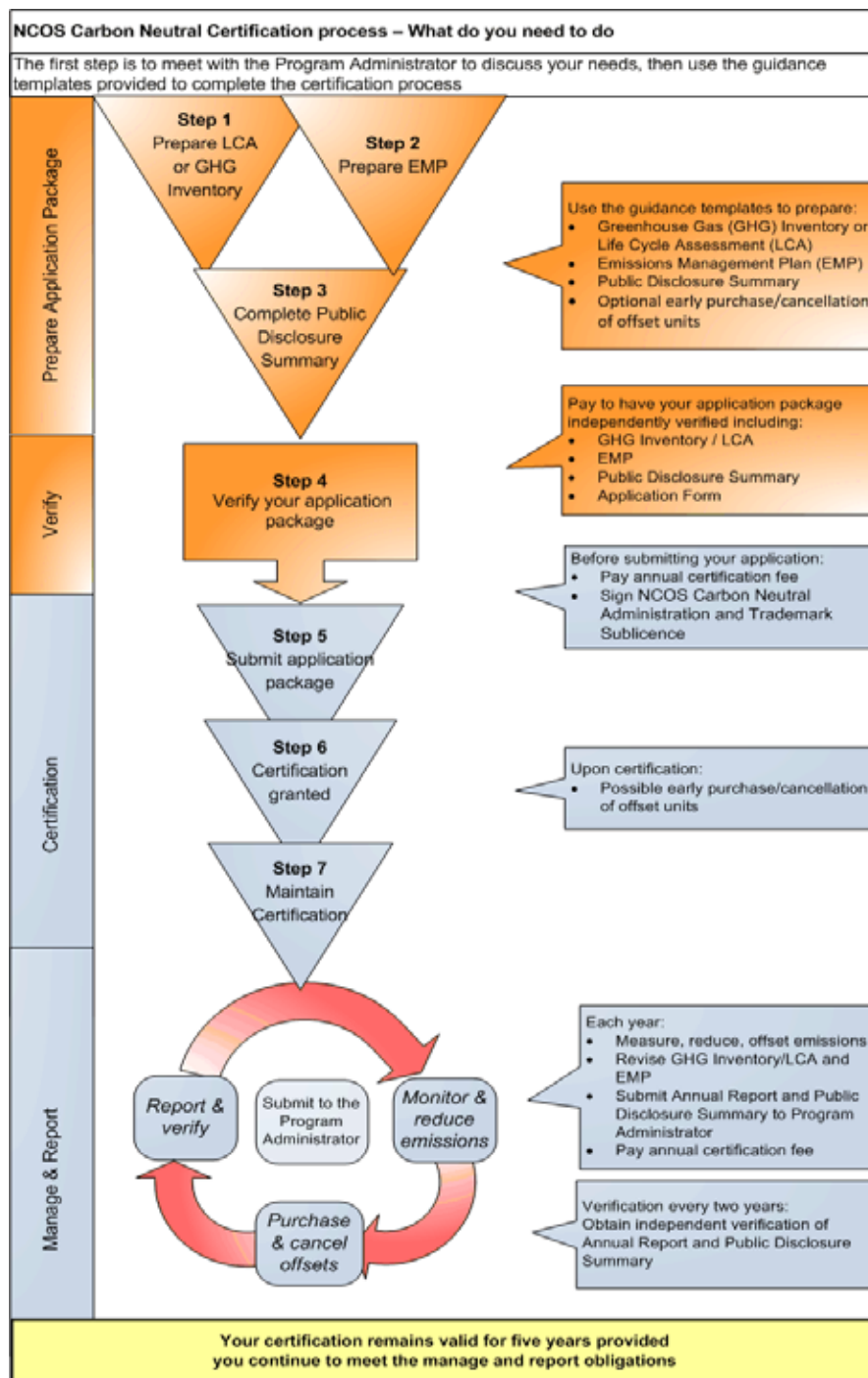


Figure 1: Process for achieving NCOS Carbon Neutral Certification

Step 1: Calculate your carbon footprint

There are different approaches for calculating the carbon footprint of an organisation and that of a product. For organisations, follow the guidance under part a) below; for products follow the guidance under part b).

The guidance below is designed to complement section 4 of the Standard, which provides detailed guidance on calculating the carbon footprint of organisations and products. Section 4.1 of the Standard sets out principles which guide the carbon footprint calculation of an organisation or a product – they are: relevance, completeness, consistency, transparency, and accuracy. The principles are based on those outlined in the Greenhouse Gas (GHG) Protocol and adopted under the National Greenhouse and Energy Reporting (NGER) System. They are consistent with those outlined under other Australian and international standards referenced throughout the Standard, including ISO 14064:2006 and ISO 14040:2006.

a) Prepare your organisational Greenhouse Gas Inventory

In calculating the carbon footprint for your organisation you will need to prepare a Greenhouse Gas (GHG) Inventory in accordance with current domestic and international standards, and the detailed process outlined in section 4.2 of the Standard.

- The Australian standard AS ISO 14064.1:2006, NGER Act and supporting documentation, and GHG Protocol provide guidance for organisations on how to prepare a GHG inventory.
- Other international standards that draw on the ISO 14064 series may also be applied.

The NGER (Measurement) Determination 2008 provides methods and criteria for calculating greenhouse gas emissions and energy data under the NGER Act for scope one and two emissions.

You will also need to specify the first year for which your carbon footprint has been completed – this will be considered as the base year for reporting against your emissions reduction strategy.

If your organisation reports its scope 1 and 2 emissions under the NGER Act, you can use your NGER report as part of your GHG Inventory. Your GHG Inventory will therefore need to reference the NGER report where applicable and address scope 3 emissions and other issues not already covered in your NGER report.

An organisation should consider inclusion of scope 3 emissions in their GHG Inventory (refer to section 4.2.2 (b) of the Standard for guidance). When considering scope 3 you should include emissions from business travel, waste and paper (as outlined in the Standard).

Organisations should refer to the National Greenhouse Accounts (NGA) Factors for waste emissions factors. For guidance on factors not in the NGA Factors, refer to Annex 2: Emission Factors for scope 3 Emission Sources. If an organisation wishes to use other factors from credible sources they should be submitted to the Program Administrator for consideration.

Organisations should justify exclusion of any scope 3 emission sources in accordance with section 4.2.2 (b) of the Standard.

The AS ISO 14064.1:2006 standard is available from Standards Australia at: www.standards.org.au.

Refer to the guidance template at www.climatechange.gov.au/government/initiatives/australian-carbon-trust/ncos-carbon-neutral-program.aspx for guidance on preparing a GHG Inventory. Please contact the Program Administrator for assistance with using the guidance template.

b) Prepare your Product Life Cycle Assessment

To calculate the carbon footprint of a product you should undertake a carbon life cycle assessment (LCA). You may choose to conduct your LCA in-house or engage a consultant to either prepare your product LCA or to provide technical advice. Consultancy costs will be negotiated between you and the consultant. If you choose to engage an external consultant to prepare your LCA, you should choose a consultant that is qualified to perform LCAs.

The LCA must be performed in accordance with current international standards.

- International standard ISO 14040:2006 and ISO 14044:2006 provide guidance on how to undertake an LCA.
- Other international standards based on the ISO 14040 series may also be applied, such as the British Standard PAS 2050.

The ISO 14040 series of Standards provide the general framework, principles and requirements for conducting and reporting LCA studies. These Standards deal with all the impacts of a product on resources including the use of water, raw materials (such as metals or fibres), and energy.

The LCA required for NCOS Carbon Neutral certification only needs to determine the greenhouse gas emissions attributable to your product. You do not need to calculate the other environmental impacts of your product.

The ISO 14040 series is available from Standards Australia at: www.standards.org.au.

Refer to www.climatechange.gov.au/government/initiatives/australian-carbon-trust/ncos-carbon-neutral-program.aspx for a guidance template to assist with preparing an LCA. Please contact the Program Administrator for assistance with using the guidance template.

Emissions factors

Emission factors used in calculating your footprint can change over time and reference should be made to the latest available (at the time of compiling carbon footprints) National Greenhouse Account (NGA) Factors from the DCCEE. These can be found at: www.climatechange.gov.au. If you are attaching your NGER report you would be expected to have used the factors under the NGER (Measurement) Determination for the NGER report component of your carbon footprint.

Purchasing accredited GreenPower™ and carbon neutral products

The purchase of GreenPower™ and the voluntary cancellation of Renewable Energy Certificates (RECs) generated by accredited GreenPower™ generators (GreenPower™-eligible RECs) is considered to be equivalent to the direct use of renewable energy. On that basis, GreenPower™ and voluntary cancellation of GreenPower™-eligible RECs are treated as a zero-emissions electricity source in a product's LCA or an organisation's GHG Inventory.

Organisations should record in their LCA or GHG Inventory the total amount of electricity consumed by the organisation or in the production of a product in the reporting period, together with the amount of GreenPower™ purchased and/or the number of

GreenPower™-eligible RECs voluntarily cancelled. A zero emissions factor can be applied to the proportion of electricity consumption from GreenPower™ or for which GreenPower™-eligible RECs have been voluntarily cancelled.

Scope two indirect emissions from electricity consumption reported in the LCA or the GHG Inventory cannot be less than zero. If GreenPower™ is purchased or GreenPower™-eligible RECs voluntarily cancelled in excess of the amount of electricity consumed, then electricity emissions are recorded as zero in the LCA or GHG Inventory. GreenPower™ purchases and the voluntary cancellation of GreenPower™-eligible RECs are not recognised as eligible offsets under the Standard.

Organisations using their NGER report as a basis for their GHG inventory may calculate their gross carbon footprint using the grid factor for all electricity consumed. They may then deduct the portion of scope 2 electricity emissions equivalent to the amount of GreenPower™ purchased or GreenPower™-eligible RECs voluntarily cancelled to produce a carbon footprint net of GreenPower™ or other renewable energy.

Please refer to Annex 3 for worked examples on GreenPower™.

Products certified as carbon neutral under the NCOS Carbon Neutral program also contribute zero emissions to a product's LCA or an organisation's GHG Inventory. For example, if the production of a product involves an input that is NCOS-certified carbon neutral, then that input will contribute zero emissions to that product's LCA. The emissions associated with products that claim to be carbon neutral but are not certified under the NCOS must be included in a product's LCA or an organisation's GHG Inventory.

Step 2: Prepare an Emission Management Plan

The Emission Management Plan (EMP), set out in section 5.1 of the Standard, is an important requirement for achieving carbon neutrality. Some elements of the EMP under section 5.1 of the Standard will be included in your annual report. Please follow the guidance template and the list below when preparing your EMP.

The EMP outlines the management framework, systems and processes you have in place to effectively manage your carbon neutral commitment from start to end. It should indicate how you have measured your carbon footprint and how you will go about identifying, implementing and monitoring emission reductions and purchasing and cancelling eligible offset units.

A guidance template is available to assist you to prepare your EMP (refer to: www.climatechange.gov.au/government/initiatives/australian-carbon-trust/ncos-carbon-neutral-program.aspx). In summary, your EMP must identify:

- the greenhouse gas emissions attributable to the activities of your organisation or product/s;
- an emissions reduction strategy including emissions reduction measures to be undertaken;
- your strategy for purchasing and cancelling eligible carbon offset units for each reporting period;
- the records required, and the process for establishing and maintaining those records, to ensure that the greenhouse gas emissions attributable to your organisation or product, and any changes in these, are recorded in a timely manner;
- quality control practices in place to ensure a high level of data quality; and

- key stakeholders (internal and external) to be engaged in managing and delivering various aspects of your plan, including the processes for selecting and appointing an independent verifier to verify your LCA and/or GHG Inventory, EMP and Annual Reports.

If your organisation reports under the Energy Efficiency Opportunities (EEO) program, you can use your EEO report as part of your EMP. Your EMP will therefore need to reference the EEO report where applicable and address the remaining issues not already covered in your EEO report. The EMP is a living document and should be revised for any changes in measurement methodologies or as new emission reduction opportunities are identified.

Early purchase and cancellation of eligible offset units

To claim carbon neutrality, you must purchase and cancel a sufficient quantity of eligible offset units to offset the total emissions associated with your organisation or product for that reporting year. Although the purchase and cancellation of sufficient carbon offsets is not required until the end of the reporting period, you are encouraged to purchase and cancel offsets early and regularly. Early purchases of units may be banked for future use.

For more details on the purchase and cancellation of eligible offset units refer to Step 7, section 2 of these Guidelines.

Step 3: Complete Public Disclosure Summary

Transparency of information is important for maintaining consumer confidence in carbon neutral claims.

You will be required to complete the Public Disclosure Summary (at: www.climatechange.gov.au/government/initiatives/australian-carbon-trust/ncos-carbon-neutral-program.aspx) in order to meet the requirements set out in section 5.3 of the Standard.

Outside of the Public Disclosure Summary, information that you provide to the Program Administrator that is 'confidential' (i.e. not in the public domain) will be protected at all times and will not be publicly disclosed or included in public reports without your permission, unless required by law. These conditions are set out further in the Sublicence. Should you have any concerns about disclosure of confidential information, please discuss this with the Program Administrator.

Step 4: Verify your application package

Independent verification of your initial carbon footprint (either LCA or GHG Inventory) and EMP, as stated in the Audit section of the Standard, confirms the emissions claim associated with your organisation or product and helps ensure the adequacy of your EMP. It also establishes the base year and your baseline data. You need to specify the first year for which the carbon footprint has been completed – this will be considered as the base year for reporting against your emissions reduction strategy (contained within the EMP).

To meet the requirements of the Standard, you are required to engage and pay for independent verification of your GHG Inventory or LCA, EMP and Public Disclosure Summary (collectively referred to as your 'application package'). Verifiers should be appropriately qualified to verify these documents according to the requirements of the Audit section of the Standard. These requirements are repeated and clarified in the list below.

Suitably qualified verifiers or auditors include individuals or bodies that:

- are registered under the greenhouse and energy audit framework established by the Department of Climate Change and Energy Efficiency for the NGER Act. The Register of Greenhouse and Energy Auditors will soon be available on the DCCEE website: www.climatechange.gov.au; or
- have demonstrated knowledge and expertise in the relevant Australian and international standards, specifically AS ISO 14064 and ISO 14040 series (knowledge and expertise in the relevant Australian and international standards can be demonstrated through provision of relevant referee reports or evidence of work history such as production of reports and analysis in the relevant field); or
- are accredited to the international standard ISO 14065:2007 or recognised international standards based on ISO 14040.

Verifiers will be obliged to check, and therefore have access to, the following information as appropriate to your GHG Inventory or LCA:

- production processes, equipment, execution of services, facilities and personnel required for the operations of your organisation and the manufacture of your product;
- raw materials, semi-finished products, finished products and procured services related to the operations of your organisation and the manufacture of your product;
- records, including monitoring records, utility bills, test reports, failure reports, internal audit and management review records, customer complaints and statistics related to the operations of your organisation and the manufacture of your product; and
- your organisation's NGER report if it has been used to develop your carbon footprint.

For your EMP, verifiers will be obliged to check that:

- your EMP includes all the elements set out in the guidance template;
- your EMP has been signed off by senior management – for example by the appropriate Business Unit Leader or Chief Executive Officer.

The verifier will use a Verification Report Template specific to the NCOS Carbon Neutral Program to report their verification findings. The expected level of assurance you must achieve as a result of a verification activity is that of a reasonable level. However, scope 3 emissions for organisations (or specified part of an organisation) are only required to be verified to a limited level of assurance (please refer to Annex 4 Glossary for definitions of assurance levels).

Step 5: Submit application package

Before submitting your application package, you will be required to pay an annual certification fee to the Program Administrator and enter into a NCOS Carbon Neutral Administration and Trademark Sublicence (the 'Sublicence') with the Program Administrator. The Program is being run on a cost recovery basis by the Program Administrator and the annual certification fee covers the costs of program administration, support and promotion. The fee does not cover consultancy and verification costs incurred by you or the purchase of carbon offsets. Please contact the Program Administrator for information on fees.

The Sublicence sets out your ongoing obligations in maintaining carbon neutral certification under the NCOS Carbon Neutral Program. When you have achieved certification, the Sublicence also allows you to use the trademark for marketing and promotion in

accordance with the NCOS Carbon Neutral Program Trademark Visual Style Guide available from the Program Administrator.

The Sublicence template can be obtained from the Program Administrator.

To have your organisation or product certified carbon neutral under the NCOS Carbon Neutral Program and be eligible to use the NCOS Carbon Neutral trademark you need to submit your verified application package to the Program Administrator.

The verified application package includes your:

- organisation GHG Inventory or product LCA;
- EMP, including record of early cancellation of offset units, if relevant;
- completed Public Disclosure Summary; and
- the independent verifiers report (verification of GHG Inventory or LCA, EMP and Public Disclosure Summary).

The Program Administrator will review and assess your application to evaluate whether you have met the requirements of the Guidelines and the Standard. The Program Administrator may contact you to request clarification or further information to assist with the evaluation.

Step 6: Certification granted

The applicant must meet the requirements of the Guidelines and the Standard.

The Program Administrator will make a decision on the certification of your organisation or product and will advise you of its decision in writing.

If the application is unsuccessful, the Program Administrator will provide you with an explanation for this.

Step 7: Maintain Certification

The following steps provide guidance on what is necessary to maintain your certification and right to use the Trademark over the five year period of the Sublicence:

1. Monitor and reduce emissions;
2. Purchase and cancel eligible carbon offset units;
3. Report annually;
4. Obtain independent verification biennially; and
5. Submit your documentation to the Program Administrator.

These steps are outlined in more detail below:

1. Monitor and reduce emissions

Section 5.1 of the Standard requires you to include an outline of the potential emission reduction activities you are going to undertake to reduce the overall carbon footprint of your organisation or product.

However, some organisations may have already undertaken significant emissions reduction actions prior to joining the NCOS Carbon Neutral Program. To claim these actions as

quantified emissions reductions under the NCOS Carbon Neutral Program you will need to have verified carbon footprints to show this. Other emissions reductions achieved before entering the Program will be considered by the Program Administrator and may be taken into account on a qualitative basis.

Also, there may be circumstances where continuous, year-on-year reductions in emissions may not be either possible or cost effective. Recognising these circumstances, there is no mandatory requirement for year-on-year reductions or specific targets for reducing emissions. Nevertheless, you should achieve emissions reductions where possible and cost effective.

Emissions reductions can be achieved in a number of ways:

- increasing energy efficiency, for example by employing energy efficient technologies;
- process changes/improvements, for example the flaring of vented gas or upgrading equipment;
- substituting products with products that contain less embodied GHG emissions; and/or
- simply doing less of something that generates emissions, for example flying and driving less and switching off lighting and air-conditioning when not in use.

Given that reduction activities aim to reduce the carbon footprint of your organisation or product, it is important to monitor your emissions each year to determine the quantity of residual emissions to be offset.

At the end of each reporting year, monitor and calculate the emissions generated by your organisation or product during that reporting year. Revise your EMP accordingly and reset emission reduction objectives as necessary for the following year.

2. Purchase and cancel eligible offset units

To claim carbon neutrality, you must purchase and cancel a sufficient quantity of eligible offset units to offset the total emissions associated with your organisation or product for that reporting year. Although the purchase and cancellation of sufficient carbon offsets is not required until the end of the reporting period, you are encouraged to purchase and cancel offsets early and regularly. This means you can choose the timing to meet your business needs, and enables you to obtain a particular type of offset when it is available.

The purchase and cancellation of offsets needs to be completed within four months of the end of the reporting period. An example of this, using a financial year reporting approach, is outlined in Figure 2.

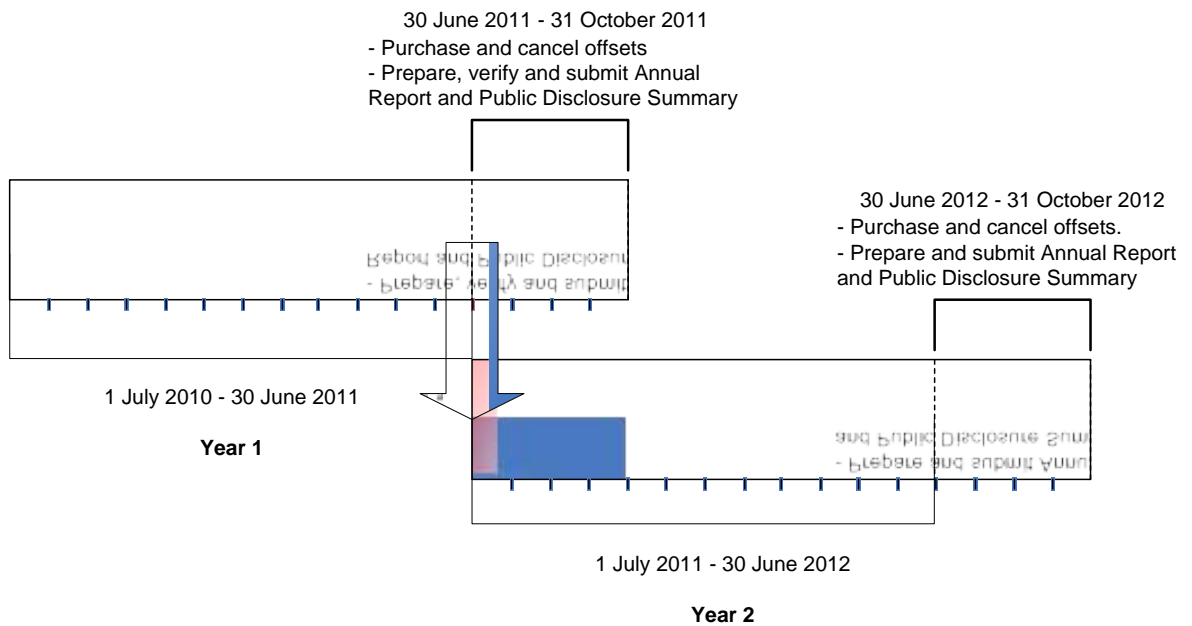


Figure 2: Timeframe for purchasing and cancelling offsets, reporting and verification

Eligible carbon offset units may be purchased for immediate use or they can be banked for future use. Please refer to section 3 of the Standard for offset units that are eligible under the Standard.

The cancellation of offset units purchased is important to prevent resale and double counting. There are a number of independently managed registers as well as those set up by suppliers and the administrators of the various offset standards. You need to consider the best and most appropriate cancellation approach for your organisation and the type of offset units you intend to purchase. Your cancellation strategy should be outlined in your EMP.

For guidance on purchasing international carbon offset units please refer to the guidance at: www.climatechange.gov.au/government/initiatives/australian-carbon-trust/ncos-carbon-neutral-program.aspx.

Organisations will need to keep records of and disclose the offset units in a registry and record appropriate details to verify this cancelling activity (i.e. registry name, serial number, cancellation certificate, etc). These details are required as part of the Public Disclosure Summary.

3. Report annually

Annual reporting on your carbon neutral activities (including your Public Disclosure Summary) keeps key stakeholders informed in an open and transparent manner and communicates your achievements in managing emissions.

The reporting timeframe is a twelve month period. You are free to choose the twelve month reporting period (such as financial or calendar year or other). You must prepare an Annual Report and complete the Public Disclosure Summary and submit both to the Program Administrator within four months of the end of each reporting period.

The Annual Report guidance template should be used to prepare your report. Refer to: www.climatechange.gov.au/government/initiatives/australian-carbon-trust/ncos-carbon-neutral-program.aspx.

Your Annual Report must include the following:

- the total emissions generated from your organisation or product in the reporting period;
- details of the quantity and type of eligible offset units purchased and retired;
- any changes to the carbon footprint calculation (LCA or GHG Inventory) for your organisation or product;
- details of the emission management activities undertaken and any emission reductions achieved in the reporting period; and
- a summary of how you have marketed and communicated your carbon neutral certification, including the use of the Trademark.

4. Obtain independent verification

You are required to have your Annual Report and completed Public Disclosure Summary independently verified at the end of the first year of certification and then at least every second year thereafter (i.e. at the end of years one, three and five). Note that in the initial year of certification only, there will most likely be a requirement for two separate verification activities to occur associated with: (i) the initial application package and (ii) the Annual Report. There may be circumstances where this can be merged into the one activity. Please refer to the Program Administrator for further advice.

You can choose to perform verification on an annual basis if you wish. The Program Administrator may also require you to undergo verification in an interim year if your circumstances have changed significantly. Examples of significant change include: changes in organisational boundaries due to a merger/acquisition/deconsolidation, a significant change in calculation methodologies, or a significant change to a manufacturing process.

Independent verification confirms your carbon neutral claim for the reporting period (i.e. whether you have accurately calculated the emissions associated with the product sold or generated by your organisation and purchased sufficient eligible carbon offset units to offset this). Verification also assesses whether changes have occurred which impact your carbon footprint calculation and EMP.

To meet the requirements of the Standard, verifiers will be obliged to check the following details contained in your Annual Report:

- the quantity of emissions generated for the stated reporting period is materially correct;
- emission management and reduction activities have been undertaken in line with the EMP;
- the quantity of eligible offset units cancelled, matches or exceeds the emissions generated for the same period;
- the offset units cancelled are eligible under the Standard; and
- your Public Disclosure Summary remains accurate and up to date.

Once the independent verifier has completed their assessment of these elements of your Annual Report and Public Disclosure Summary, they will provide you with a verification report using the Verification Report Template (refer to: www.climatechange.gov.au/government/initiatives/australian-carbon-trust/ncos-carbon-neutral-program.aspx) and discuss it with you.

If the independent verifier has identified any material issues or discrepancies, they will advise whether you need to revise your documents or discuss the issues with the Program Administrator before they conclude the verification activity.

5. Submit your documentation to the Program Administrator

In the years where verification occurs (disregarding the initial year of certification when you must submit your entire Application Package) the Program Administrator only requires participants to submit their verified Annual Report, Public Disclosure Summary and Verification Report.

In the years where no verification occurs, you need to submit your entire package to the Program Administrator (GHG Inventory or LCA, EMP, Public Disclosure Summary and Annual Report).

The Program Administrator will review your documentation to evaluate whether you have met all the requirements of the Standard and the Guidelines. The Program Administrator will then make a decision regarding continued certification of your organisation or product.

A Notice of Continued Certification will be issued if the Program Administrator decides to continue certification of your organisation or product and you will need to pay the annual certification fee.

3 Other

Use of the NCOS Carbon Neutral Trademark

NCOS Carbon Neutral Certification allows you to obtain a Sublicence to use the NCOS Carbon Neutral Trademark to help you market and promote your carbon neutral achievement.

Use of the Trademark should be in accordance with the Trademark Visual Style Guide (available from the Program Administrator) and is subject to the terms of a Sublicence from the Program Administrator.

Consumer Trademark

The NCOS Carbon Neutral Program Consumer Trademark is intended to signify that an entity has an ongoing purchasing arrangement in relation to a NCOS Carbon Neutral Program certified product or organisation. For more information about using the Consumer Trademark, please refer to the National Carbon Offset Standard Visual Style Guide, which can be obtained from the Program Administrator.

Review of decisions

If you disagree with a decision or action of the Program Administrator, you may request a review of the decision or action. The Program Administrator will review the decision or action using a competent person who was not part of the original decision or action. You will be notified in writing of the decision that is reached and this decision will be final.

Recertification

At the end of the five year period you will need to complete a recertification process and renew your Sublicence with the Program Administrator to continue to use the Trademark.

As part of this process you will be required to:

- review, and if relevant, revise the LCA of your product / GHG Inventory of your organisation;
- review, and if relevant, revise your EMP;
- review, and if relevant, revise your Public Disclosure Summary;
- have the LCA/GHG Inventory, EMP and Public Disclosure Summary independently verified; and
- submit these documents (the recertification application package) to the Program Administrator.

All applications will be assessed in accordance with the current version of the Guidelines and the Standard.

Once your organisation or product is recertified, you will need to review and revise your Sublicence as determined by the Program Administrator, and meet ongoing Program obligations.

Annexe 1 - Roles and responsibilities

Role of the Department of Climate Change and Energy Efficiency (DCCEE)

- develops, reviews and revises the Standard as required;
- manages the Offset portion of the Standard;
- oversees the NCOS Carbon Neutral Program Administrator;
- promotes the Standard; and
- licenses the use of the Trademark to the Program Administrator.

Role of the NCOS Carbon Neutral Program Administrator

- answers enquiries about NCOS Carbon Neutral Program and the Guidelines;
- processes initial (and recertification) application packages;
- processes and monitors annual reporting;
- monitors and fosters compliance with the NCOS Carbon Neutral Program and the Guidelines;
- promotes the NCOS Carbon Neutral Program;
- enters into a NCOS Carbon Neutral Administration and Trademark Sublicence with carbon neutral participants; and
- reports to DCCEE on the overall management of the NCOS Carbon Neutral Program.

Role of organisations and product providers

To achieve certification:

- prepares a Greenhouse Gas Emissions Inventory (GHG Inventory) for an organisation or a product Life Cycle Assessment (LCA) for a product;
- prepares an Emissions Management Plan (EMP);
- completes the Public Disclosure Summary;
- organises and pays for independent verification of the LCA, GHG Inventory, EMP and Public Disclosure Summary (collectively known as the Application Package);
- prepares and submits a verified Application Package to the Program Administrator, comprising LCA or GHG Inventory, EMP and Public Disclosure Summary;
- completes and signs the NCOS Carbon Neutral Administration and Trademark Sublicence;
- pays the NCOS Carbon Neutral Program certification fee to the Program Administrator.

To maintain certification:

- monitors and reduces emissions;
- revises the LCA/GHG Inventory and EMP as required;
- purchases and cancels eligible carbon offset units;
- revises the Public Disclosure Summary as required;

- maintains appropriate records to allow emission reductions and carbon neutral claims to be audited;
- organises the verification of the Annual Report and Public Disclosure Summary at the end of the first year of certification and every second year thereafter; and
- submits the Annual Report, Public Disclosure Summary, revised GHG Inventory and EMP to the Program Administrator each year (with the corresponding Verification Report every second year).

Role of Independent Verifiers

- provide independent verification of an organisation's GHG Inventory or product LCA, EMP, annual reports;
- validate the claims about the emissions associated with the organisation's or product's carbon footprint; and
- prepare a verifier's report and identifies any issues or discrepancies in the carbon footprint measurement, EMP, offsetting arrangements, or annual report (where appropriate) against the requirements of the Standard.

Annexe 2 - Emission factors for scope 3 emission sources

In developing your organisation's GHG Inventory or your product's LCA, the Standard requires you to consider including scope 3 emission sources.

The Standard states that organisations should at a minimum include consideration of scope 3 emissions from business travel, disposal of waste and use of paper. In line with ISO 14064-1:2006, sources of scope 3 emissions can include, but are not limited to, the following:

- Business travel by employees;
- Transportation of an organisation's products, materials or waste by another organisation;
- Outsourced activities;
- Waste;
- Use and disposal phases of the organisation's products and services;
- Extraction, production and transport of purchased energy products (fuels);
- Extraction, production and transport of purchased raw or primary materials.

Your consideration should first address whether these emission sources are material. If you consider that any of the specified scope 3 emissions are not material, you should include justification of this decision.

Acceptable scope 3 emission factor sources

There are two sources for accepted emission factors for use under the NCOS Carbon Neutral program:

- The emission factors provided in the most recently published *NGA Factors* are the default emission factors and preferred for use under the NCOS Carbon Neutral Program and cover energy and waste emission factors.
 - o Some scope 1 and 2 emission factors from *NGA Factors* may be adapted for use for scope 3 emission sources, where a specific factor the relevant emission source is not available. See Appendix 4 of *NGA Factors*.
- The list of accepted scope 3 emission factors included in the table below, are from publicly and freely available sources. These factors are accepted for use under the NCOS Carbon Neutral Program. Where updated versions of these factors are available, the most recent version of the factor should be applied.

Given the complexity of the issues and the rapid pace of change in measurement/estimation techniques occurring in Australia and overseas, factors may evolve over time as new information comes to light. This list is therefore subject to review and factors and methodologies may added and removed by the Department. Prior to utilising these factors, ensure you are referring to the most recent version of these guidelines.

Category	Reference
Air travel	<p>NGGI Analysis of Recent Trends and Greenhouse Indicators, 2007. Available at: www.climatechange.gov.au/government/initiatives/australian-carbon-trust/ncos-carbon-neutral-program.aspx</p> <p>Victorian EPA/GHG Protocol: Flights Worksheet: http://www.epa.vic.gov.au/climate-change/carbon-management/Worksheet_3-Flights.pdf</p> <p><i>NB: The use of the radiative forcing index included in this worksheet is not mandatory.</i></p> <p>WRI, GHG Protocol: GHG emissions from transport or mobile sources, available at: http://www.ghgprotocol.org/calculation-tools/all-tools</p> <p>UK Dept for Environment, Food and Rural Affairs: 2008 Guidelines to DEFRA's GHG Conversion Factors: Methodology Paper for Transport Emission Factors: http://www.defra.gov.uk/environment/business/reporting/pdf/passenger-transport.pdf <i>NB: Use of these factors should take into account regional differences</i></p>
Passenger cars	<p>NGGI Analysis of Recent Trends and Greenhouse Indicators, 2007. Available at: www.climatechange.gov.au/government/initiatives/australian-carbon-trust/ncos-carbon-neutral-program.aspx</p> <p>ABS: Survey of motor vehicle use (page 9): http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/40BA5EB0863D18F8CA2574B2000FD936/\$File/92080_12%20months%20ended%2031%20october%202007.pdf</p>
Rail/Public Transport	<p>NGGI Analysis of Recent Trends and Greenhouse Indicators, 2007. Available at: www.climatechange.gov.au/government/initiatives/australian-carbon-trust/ncos-carbon-neutral-program.aspx</p> <p>WRI, GHG Protocol: GHG emissions from transport or mobile sources, available at: http://www.ghgprotocol.org/calculation-tools/all-tools</p>
Paper use	<p>Victorian EPA/Centre of Design, RMIT University: http://www.epa.vic.gov.au/climate-change/carbon-management/Worksheet_4-Paper.pdf</p> <p><i>NB: Does not provide adjustments for other states and territories.</i></p>

Approval for use of other emission factors

Emission factors from other sources may be considered for use under the Program. The factor should be submitted to the NCOS Carbon Neutral Program Administrator. The Program Administrator will be able to provide confirmation on whether the factor or methodology is already accepted. Where updated versions of these factors are available, the most recent version of the factor should be applied.

The Program Administrator will forward factors that are not yet accepted for use to the Department for consideration.

Annexe 3 – GreenPower™ worked examples

Examples of the treatment of GreenPower™ and the voluntary cancellation of GreenPower™-eligible Renewable Energy Certificates (RECs) in GHG Inventories and LCAs

Example 1

Suppose an organisation purchases 100 per cent GreenPower™ or voluntarily cancels GreenPower™-eligible RECs equivalent to all its electricity consumption, then its GHG Inventory will include zero emissions from electricity consumption.

Electricity consumption	50 MWh
GreenPower™ or number of GreenPower™-eligible RECs voluntarily cancelled	100% GreenPower or 50 RECs
Scope 2 electricity emissions included in GHG Inventory	0 tCO₂-e

Example 2

Suppose the production of a product requires 1 megawatt hour (MWh) of electricity, and equivalent GreenPower™ is purchased or one GreenPower™-eligible REC is voluntarily cancelled for each unit of product produced, then the LCA would record zero emissions for electricity consumption.

Electricity consumption per unit of product	1 MWh
GreenPower™ or number of GreenPower™-eligible RECs voluntarily cancelled	100% GreenPower or 1 REC/unit produced
Scope 2 electricity emissions included in LCA	0 tCO₂-e

Example 3

Suppose an organisation purchases 50 per cent GreenPower™ or voluntarily cancels GreenPower™-eligible RECs equivalent to half of its electricity consumption, then its GHG Inventory will include electricity emissions equal to half its consumption multiplied by the grid emissions factor.

Electricity consumption	30 MWh
GreenPower™ or number of GreenPower™-eligible RECs voluntarily cancelled	50% GreenPower or 15 RECs
Grid emissions factor for electricity	0.9 tCO ₂ -e/MWh ¹
Scope 2 electricity emissions included in GHG Inventory	15 MWh x 0.9 tCO ₂ -e/MWh = 13.5 tCO₂-e

Example 4

Suppose an organisation purchases 200 per cent GreenPower™ or voluntarily cancels GreenPower™-eligible RECs equivalent to double its electricity consumption, then its GHG Inventory will include zero emissions from electricity consumption. Electricity emissions cannot be negative.

Electricity consumption	100 MWh
GreenPower™ or number of GreenPower™-eligible RECs voluntarily cancelled	200% GreenPower or 200 RECs
Scope 2 electricity emissions included in GHG Inventory	0 tCO₂-e

¹ This grid emissions factor is for example purposes only. In practice, use the relevant electricity emissions factors from the latest available National Greenhouse Account (NGA) Factors.

Example 5

For an organisation using its NGER report as a basis for their GHG inventory suppose that it purchases 25 per cent GreenPower™ or voluntarily cancels eligible GreenPower™ eligible-RECs equivalent to one quarter of their electricity consumption, it may deduct one quarter of its scope 2 electricity emissions from its NGER reported emissions to produce its NCOS carbon footprint.

NGER reported emissions (includes scopes 1 and 2 only)	75,000 tCO ₂ -e
Electricity consumption	10,000 MWh
GreenPower™ or number of GreenPower™-eligible RECs voluntarily cancelled	25% GreenPower or 2,500 RECs
Grid emissions factor for electricity (as used in NGER report)	0.9 tCO ₂ -e/MWh ²
NCOS carbon footprint (assuming zero scope 3 emissions)	75,000 tCO ₂ -e – (2,500 MWh x 0.9 tCO ₂ -e/MWh) = 72,750 tCO₂-e

² This grid emissions factor is for example purposes only. In practice, use the same electricity emissions factors that were used in your NGER report.

Annexe 4 - Glossary

- Activity Data: Source data that quantifies an emission generating activity, such as fuel usage and electricity consumption, and that can be used to determine greenhouse gas emissions
- Additionality: A requirement that a project or activity provide abatement that is additional to any that would occur in the absence of the project or activity, and that is additional to abatement that would occur anyway to meet Australia's Carbon Pollution Reduction Scheme cap or International Target.
- Australian Emissions Unit (AEU): An emissions unit issued under the Carbon Pollution Reduction Scheme (CPRS), also referred to as a 'carbon pollution permit'.
- Base year: The reference year (calendar, financial or other) from which you can track your emissions management progress.
- Business unit: A unit that is recognised by an entity as having administrative responsibility for one or more facilities of the corporation.
- Cancel: Permanently removing carbon offsets from the market so they cannot be reused or re-sold.
- Carbon dioxide equivalent (CO₂-e): A standard measure that takes account of the varying global warming potentials of the six Kyoto Protocol recognised greenhouse gases and expresses the cumulative effect in a common unit of measurement.
- Carbon footprint: A measure of the carbon dioxide equivalent (CO₂-e) emissions attributable to, in the context of these Guidelines, an organisation or product level.
- Carbon neutral: Commonly refers to a situation where the net emissions (after emissions reductions) associated with an organisation or a product's activities are equal to zero through the acquisition and cancellation of carbon offsets that meet additionality criteria.
- Carbon offset unit: A tradeable commodity that represents a reduction in greenhouse gases, or enhancement of greenhouse gas removal from the atmosphere by sinks, relative to a business-as-usual baseline. Carbon offsets are often used to negate (or offset) all or part of another entity's emissions.
- Emission factor: A factor that converts consumption or activity data (such as kilowatt hours of electricity consumed) into a quantity of greenhouse gas emissions.
- Facility: An activity, or a series of activities (including ancillary activities), that involve the production of greenhouse gas emissions, the production of energy or the consumption of energy and that form a single undertaking or enterprise and meet the requirements of the National Greenhouse and Energy Reporting (NGER) Regulations.
- Greenhouse gases: The atmospheric gases responsible for causing global warming and climate change. The six Kyoto Protocol classes of greenhouse gases are carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆).

- Kyoto Protocol: An international treaty created under the United Nations Framework Convention on Climate Change in 1997. It entered into force in 2005. Among other things, the Kyoto Protocol sets binding targets for the reduction of greenhouse gas emissions by developed countries and countries in transition.
- Life cycle assessment: The compilation and evaluation of the inputs, outputs and the potential environmental impacts of a product system throughout its production, use, transport and disposal (the products “life cycle”).
- Limited level of assurance: Is distinguishable from a reasonable level assurance in that there is less emphasis on detailed testing of GHG data and information supplied to support the GHG assertion.
- National Greenhouse and Energy Reporting (NGER) System: The national reporting framework for information related to the greenhouse gas emissions, and energy production and use of corporations operating in Australia. The framework is established under Commonwealth legislation, which makes registration and reporting mandatory for corporations whose greenhouse gas emissions or energy production or use meet certain thresholds.
- Offset: The activity of retiring carbon offset units.
- Organisation: Company, corporation, firm, enterprise, authority or institution, or part or combination thereof, whether incorporated or not, public or private, that has its own functions and administration.
- Program Administrator: The Australian Carbon Trust Limited
- Product: Any goods or service.
- Reasonable level of assurance: The verifier provides a reasonable, but not absolute, level of assurance that the responsible party's GHG assertion is materially correct.
- Scope 1 emissions: The release of greenhouse gas into the atmosphere as a direct result of activities at a Facility.
- Scope 2 emissions: The release of greenhouse gas as a result of electricity generation, heating, cooling or steam that is consumed by a Facility.
- Scope 3 emissions: The release of greenhouse gas into the atmosphere that is generated in the wider economy as a consequence of a facility's activities but that are physically produced by another Facility.
- Sequestration: The removal of atmospheric carbon dioxide, either through biological processes (for example, photosynthesis in plants and trees), or geological processes (for example, storage of carbon dioxide in underground reservoirs).
- The Standard: National Carbon Offset Standard.

Annexe 5 - Contacts

For further information about the NCOS Carbon Neutral Program please contact:

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