

Dear Sir/Madam

Please find overview response below and full report attached. (I also attach a previous paper I wrote prior to the change of government which still may be relevant for the continuing discussion of measurement of 'indirect' emissions.)

Thanks for the opportunity to make this input. Congratulations on a great policy paper, at least from my perspective.

Cheers

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COMMENT ON NATIONAL GREENHOUSE AND ENERGY REPORTING SYSTEM PAPERS OF THE DEPARTMENT OF CLIMATE CHANGE

OVERVIEW AND RECOMMENDATIONS

This commentary relates primarily to the Department of Climate Change Regulations Policy Paper entitled 'National Greenhouse and Energy Reporting System' (Feb. 2008).

It also considers the National Greenhouse and Energy Reporting System Discussion Paper entitled 'Technical Guidelines for the Estimation of Greenhouse Emissions and Energy at Facility Level (Energy, Industrial Process and Waste Sectors in Australia) (Dec. 2007). A related Technical Overview Paper is also considered in later discussion.

All the following comments are those of a retired academic and public servant who spent the last 25 years working in health, rehabilitation and insurance service areas related to industry on one hand and the community on the other. However, I have no other scientific or financial background. I have not read the National Greenhouse and Energy Reporting Act lately to see if the Department of Climate Change Regulations Policy Paper entitled 'National Greenhouse and Energy Reporting System' supports its direction. I assume the act has not passed and may change later - perhaps for the worse.

In general, I have great admiration for the thoughtfully defined clarity of the Regulations Policy Paper but think that the 'Technical Guidelines for the Estimation of Greenhouse Emissions and Energy at the Facility Level' are inadequate to implement scientific requirements. I guess the Technical Guidelines have largely been produced by gathering together existing technical measurement expectations outlined in existing regulations and putting them together as if this could also provide the last word in scientific implementation of the National Greenhouse and Energy Reporting System. The result of this work is not yet clear, lacks key definitions and is flawed scientifically, in my opinion.

I think that further industry consultation on many of the matters the Technical Guidelines deal with must be pursued, in order to align the expected technical input more clearly with the policy and related scientific objectives of the policy paper and related legislation. This could be done during an immediate, experimental, audit

process based on the current Regulations Policy Paper and Technical Guidelines, to test both approaches practically, with industry, before the act is passed. I therefore recommend the following:

1. More consultation with industry and related experts to gain a clearer, better defined and more generally scientific set of expectations on emissions reporting, to meet the objectives of the Regulation Policy Paper and the proposed Act.
2. I think the Regulation Policy Paper is so good that it ought immediately to be turned into a National Industry Code of Practice, to be implemented immediately by industry as a research project. (I am fearful that if lawyers and the less knowledgeable politicians get their hands on such an excellent Regulation Policy Paper, they will want to destroy it with a thousand cuts, if they think it does not conform to their less practical, old fashioned, prescriptive views on legislation.)
3. Turning the Regulation Policy Paper immediately into a National Industry Code of Practice and implementing it as an industry research project would also allow the technical side of the Energy Reporting System to be more consultatively worked upon and tested. This could occur through experimental audit and report.
4. On page 8, the Regulation Policy Paper states that an external audit will be undertaken by an external auditor who may use an audit team. However, no individuals who represent the registered corporation can be members of the audit team. I think this is wrong and recommend that a member of a registered corporation should be present on the external audit team to inform it about any source of confusion. I think this will promote mutual learning and lead to more informed and less vague reports by external auditors, who also cannot escape their responsibility for producing the final report.

The process on page 8, on the other hand, is more likely to lead to lawyers, rather than to mutual education, if the auditors make an unavoidably ignorant mistake in relation to an organization's operations and the latter then takes understandable umbrage and call in lawyers. Then both sides may go into their secretive bunkers, until all come to court.

Everyone can learn and fix mistakes quicker and cheaper without lawyers if everyone shares a more communicative, investigative approach. The concept of Materiality (3.1.4 p. 37) in the Regulations Policy Papers, which is drawn from the Accounting Standard on Materiality (AASB 1037) appears useful to protect all generally honest and communicative work and audit processes. (This is better than legal suit for estoppel?)

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CRITIQUE OF THE LOCAL ADAPTATION PATHWAYS PROGRAM AND THE RELATED RISK MANAGEMENT APPROACH TO CLIMATE CHANGE WHICH IS TAKEN BY THE AUSTRALIAN GREENHOUSE OFFICE

OVERVIEW AND RECOMMENDATIONS ON RISK MANAGEMENT

This submission primarily comments on the Local Adaptation Pathways Program and the related risk management approach to climate change, described by the Australian Greenhouse Office (AGO) in the Department of Environment and Water Resources. However, it is also made to the Climate Change Group in the Department of Prime Minister and Cabinet (PM&C). The investigation has strengthened my support for the policy direction outlined in their paper entitled 'Abatement Incentives Prior to the Commencement of the Australian Emissions Trading Scheme'. I also recommend open and comparative study of risk management education to assist development of greenhouse gas and energy reporting regulation and trading. This is partly necessary because I question the AGO approach to risk management, including for climate change.

I regard the Local Adaptation Pathways Program and the apparently related AGO process of education about climate change impact and risk management as problematic for many reasons. In general, I think the primary focus of risk management should be on business improvement, not climate change, or nothing may ever get done. The AGO approach to risk management first requires that individual organizations describe and list how climate change scenarios impact on each of the key elements of their organization, and then determine how the business should best adapt to meet these problems. I think this approach to risk management puts the cart before the horse in a fashion which is also highly speculative and complex, but not sufficiently pro-active or business focused.

In my view, the organization should first determine how its production methods create risks related to climate change (or other environmental problems) and then determine how their practices could be sustainably changed to remove or reduce the risks identified. In the situation of organizations such as councils, whose work is highly regulatory and relates to improving a total community and environment rather than manufacturing products, a broader approach to reducing risks created by others in the environment as well as itself, is necessary. In the council case, consultation with many outside the organization, in order to identify, prioritize and treat the risks of climate change which arise from regional communities and their environments should come first, followed by discussion of how best to treat or control the risks which have been identified. The approaches I recommend are consistent with activities expected as a result of the passage of state occupational health and safety (OHS) acts on one hand, and with the requirements of health promotion on the other. Related information is attached.

In this paper I address the Local Adaptation Pathways Program and related AGO process of risk management in the light of the imminent introduction of the Abatement Incentives Program described by PM&C. As I understand this proposal, the government will provide an up front free allocation of permits (early action credits) to firms suffering a significantly larger than average loss of asset value as a result of the introduction of an