

Credit where credit **is** DUE

By Gayle Bryant

> Climate change is now recognised as the most serious environmental problem the world has faced, but schemes are being implemented to help deal with the problem - and forests will play a major role.

There has been widespread recognition of the role of forests in reducing levels of carbon dioxide in the atmosphere and this recognition was given a boost when the Kyoto Protocol was signed in 1997. The protocol allows countries to include, in meeting their commitments, the removal of greenhouse gases from the atmosphere by afforestation and reforestation activities.

Although Australia has not ratified the Kyoto Protocol, the NSW Government has set up the NSW Greenhouse Gas Abatement Scheme in Australia (see breakout box). Through the scheme, greenhouse gas (GHG) emissions have a financial value so that any reductions in emissions (referred to as credits) can be traded like other commodities.

KPMG's Sustainability Advisory Services division is one of the accredited companies on the audit panel of the scheme, and can provide audit services for projects to create credits, as well as help in the design of these projects.

'Under the scheme, participants are required to reduce their emissions to meet mandatory targets between 2003 and 2012,' says Stirling Habbitts, senior manager with KPMG's Sustainability Advisory Services division. 'Participants may generate or purchase NSW GHG Abatement Credits to meet their targets, which are created from the implementation of GHG abatement projects.'



> NSW is leading the way in Australia in developing a market for carbon credits to combat climate change <

The scheme includes carbon sequestration, which means a dollar value can be assigned to the contribution that forests make to reducing atmospheric carbon dioxide levels. To be allowable under the scheme, carbon sequestration activities must occur in NSW, meet the definition of afforestation or reforestation as outlined in the Kyoto Protocol, and demonstrate the capability for the abatement to be maintained for 100 years.

'Our role as auditors is to confirm that when a company says that it has reduced CO₂ emissions, it has actually done so,' Habbitts says. 'At KPMG we look at both the actual emissions and the financial side - there are specific rules about what qualifies as a reduction.'

Habbitts says that NSW is leading the way in Australia with the GHG Abatement Scheme but other states are considering their own. However, he says it is important that Australia adopts a consistent approach to climate change across the states. 'It is no good having a carbon trading scheme if credits can't be exchanged between states, and internationally, as we will be left out of the international market,' he says.



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THE NSW GREENHOUSE GAS ABATEMENT SCHEME

In 2002, the NSW government announced it would implement a mandatory greenhouse benchmark scheme for the electricity sector. From January 1, 2003, electricity retailers would have four years to progressively reduce their emissions by 5 per cent from per capita levels of 1989-1990.

To minimise the financial impact on NSW consumers, the policy included introducing greenhouse abatement certificates, tradable as abatement currency across all eligible abatement activities. Greenhouse gas emissions in excess of a participant's benchmark can also be offset by buying and surrendering abatement certificates that have been generated by other accredited abatement certificate providers.