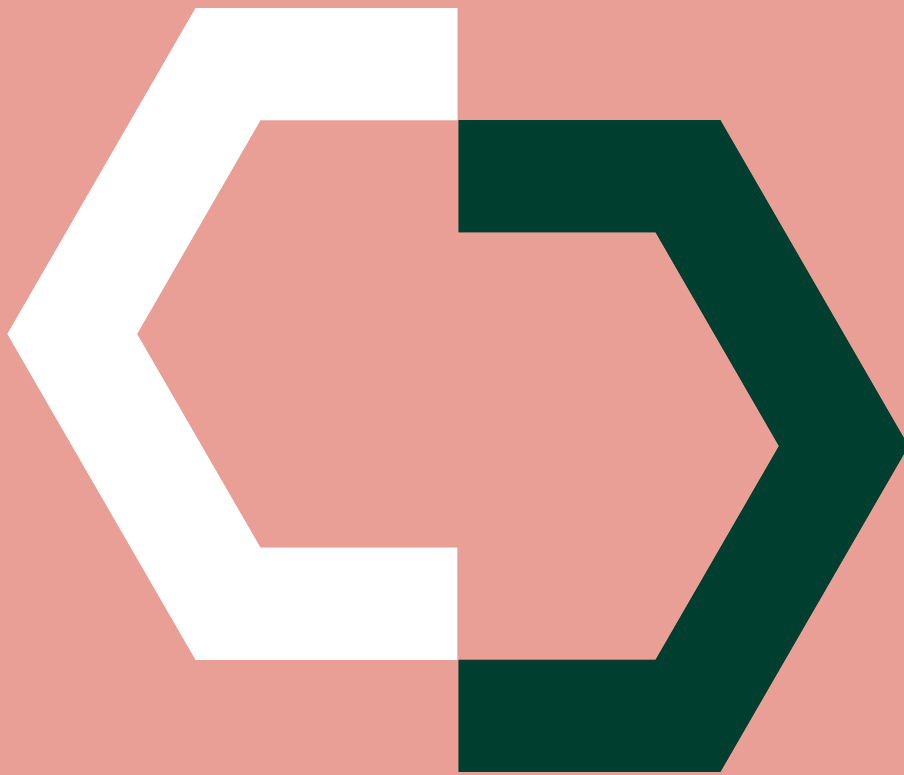


CARBON NEUTRAL ORGANISATIONS



**Climate Active
Carbon Neutral
Standard
for Organisations**





An Australian Government Initiative



IMPORTANT NOTE & DISCLAIMER

The Climate Active Carbon Neutral Standard for Organisations (Organisation Standard) is a voluntary standard to manage greenhouse gas emissions and to achieve carbon neutrality. It provides best-practice guidance on how to measure, reduce, offset, validate and report emissions that occur as a result of the operations of an organisation.

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1. Overview and principles

1.1 Introduction

Australians all have a role to play in protecting our unique and fragile environment.

As the world moves towards a low carbon future, the business case for being Climate Active is clear as a means to help generate revenue, reduce costs and meet stakeholder expectations. Leading organisations are choosing to reduce their climate impact to zero by becoming carbon neutral.

Carbon neutral means reducing emissions where possible and compensating for the remainder by investing in carbon offset projects to achieve net zero overall emissions (Figure 1). Offsets are generated from an activity that prevents, reduces or removes greenhouse gas emissions from being released into the atmosphere.

The *Climate Active Carbon Neutral Standard for Organisations* (Organisation Standard) is a voluntary standard to manage greenhouse gas emissions and achieve carbon neutrality. It provides best-practice guidance on how to measure, reduce, offset, validate and report emissions that occur as a result of the operations of an organisation.

The Organisation Standard has been designed to accommodate a wide variety of organisations with operations in Australia. From large-scale organisations with thousands of employees to local businesses, the Organisation Standard can be used to achieve carbon neutrality and showcase climate leadership.

The Organisation Standard can be used in a number of ways. It can be used to better understand and manage carbon emissions, to credibly claim carbon neutrality and to seek carbon neutral certification.

For organisations certified by the Australian Government (Section 3), the Climate Active Carbon Neutral Certification Trade Mark (the certification trade mark) is available for use. The trade mark provides at-a-glance proof to clients and stakeholders that an organisation is committed to credible, low emissions operations.

What does it mean to be carbon neutral.

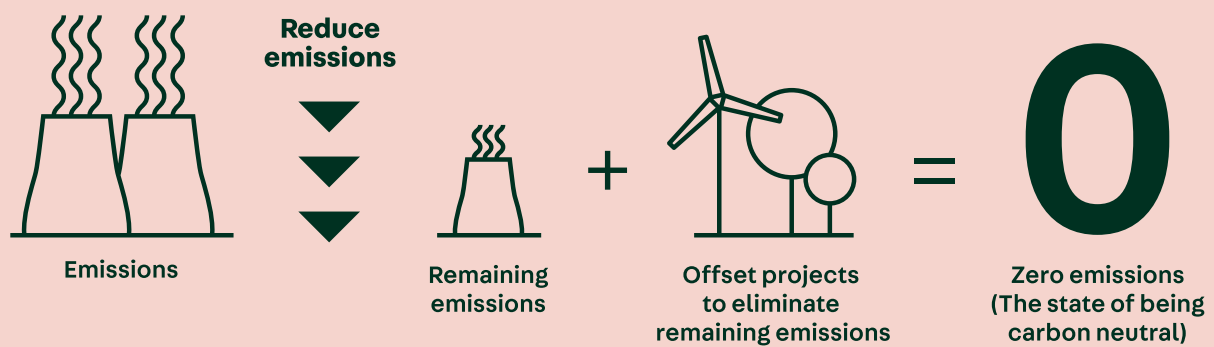


Figure 1: The process of carbon neutrality

1.2 Development of the Organisation Standard

The National Carbon Offset Standard and Carbon Neutral Program were launched by the Australian Government in 2010 to provide a credible framework for managing emissions and achieving carbon neutrality. It was first designed for organisations, products and services and expanded to events, buildings and precincts in 2017 (Box 1). The initiative was rebranded under the Climate Active name in 2019.

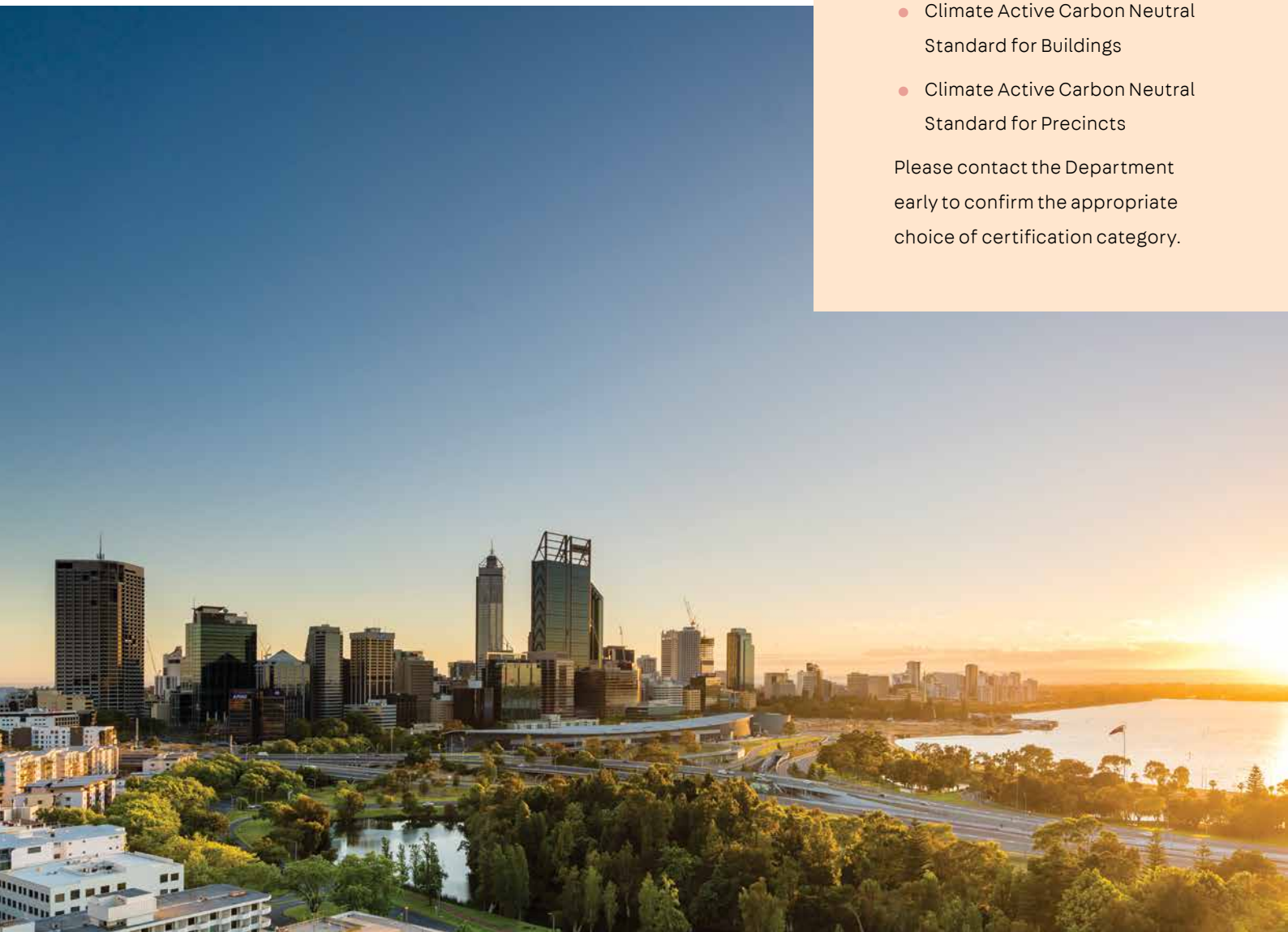
Climate Active is Australia's collective initiative for climate action. Driven by members and activated by consumers, it is the only Government backed program to enable all levels of Australian society to work together to reduce carbon emissions. Further information is available at www.climateactive.org.au.

The Organisation Standard is developed and administered by the Australian Government Department of Industry, Science, Energy and Resources.

Box 1: Categories of the Climate Active Carbon Neutral Standard

- Climate Active Carbon Neutral Standard for Organisations
- Climate Active Carbon Neutral Standard for Products & Services
- Climate Active Carbon Neutral Standard for Events
- Climate Active Carbon Neutral Standard for Buildings
- Climate Active Carbon Neutral Standard for Precincts

Please contact the Department early to confirm the appropriate choice of certification category.



1.3 Core principles

The Organisation Standard is based on international standards and tailored to the Australian context. The Australian and international standards that form the basis for the Organisation Standard are listed in *Section 4: References*.

The requirements of the Organisation Standard (Section 2) are underpinned by carbon accounting and offsets integrity principles.

1.3.1 Carbon accounting principles

The following principles are considered best practice when calculating a carbon account. If seeking to claim carbon neutrality against the Organisation Standard, the carbon account of an organisation must be calculated according to these principles:

- *Relevance*: ensure the greenhouse gas inventory of an organisation appropriately reflects the greenhouse gas emissions attributable to that organisation and serves the decision-making needs of users – both internal and external.
- *Completeness*: account for and report all greenhouse gas emissions sources and activities within the defined boundary of the organisation. Disclose and justify all exclusions.
- *Consistency*: use consistent methodologies to allow for meaningful comparisons of greenhouse gas emissions over time. Transparently document any changes to the data, boundary, methods or any other relevant factors in the time series.
- *Transparency*: compile, analyse and document greenhouse gas information clearly and coherently so that auditors and the public may evaluate its credibility. Disclose any relevant assumptions and make appropriate references to the calculation methodologies and data sources used.
- *Accuracy*: ensure the quantification of greenhouse gas emissions is unbiased (not systematically over or under actual emissions) and uncertainties are reduced as far as practicable. Achieve sufficient accuracy to enable users to make decisions with reasonable assurance as to the integrity of the reported information. Where uncertainty is high, use conservative values and assumptions.

These principles are based on those outlined in the *GHG Protocol – Corporate Standard* (WBCSD and WRI, 2004) and international standards, including the AS ISO 14064 and ISO 14040 series (listed in *Section 4: References*).

1.3.2 Offsets integrity principles

Organisations can use offset units to support their emissions management activities. For example, organisations seeking to become carbon neutral can use eligible offset units to compensate for emissions that cannot be completely reduced through energy efficiency, the procurement of renewable energy or supply chain management.

The purchase of offset units supports projects that reduce or remove emissions from the atmosphere, such as through reforestation, renewable energy or energy efficiency. Many of these projects also deliver other environmental, social and economic benefits; for example, improved water quality, increased biodiversity and increased Indigenous employment. Organisations often seek offset projects that provide these benefits to align with their organisational or corporate values.

The projects and offset units are verified by independent auditors through internationally recognised standards. These standards ensure the projects are implemented, run and managed properly and the credits they generate represent real and actual emissions sequestered or avoided.

One offset unit is issued for each tonne of emissions avoided or removed from the atmosphere.

The Department reviews the credibility of publicly available offset units. Only offset units that have met the integrity principles below are eligible for use in a carbon neutral claim against the Organisation Standard.

The integrity principles are based on the offsets integrity framework for Australian Carbon Credit Units (ACCUs) as set out in the *Carbon Credits (Carbon Farming Initiative) Act 2011*. The offsets integrity principles ensure that any unit used to offset emissions as part of a carbon neutral claim against the Organisation Standard represents a genuine and credible emissions reduction.



For a unit to be eligible for use under the Organisation Standard, it must meet the following requirements:

- **Additional:** it must result in emissions reductions that are unlikely to occur in the ordinary course of events, including due to any existing commitment or target publicly agreed by the entity responsible for issuing the units. It must represent abatement that has not been double counted.
- **Permanent:** it must represent permanent reductions in greenhouse gas emissions. In the case of sinks, this requires that the carbon stored is sequestered and will not be released into the atmosphere for a period of 100 years. Where a period of less than 100 years is applied to sequestration units, an appropriate discount must be applied.
- **Measurable:** methods used to quantify the amount of emissions reductions generated must be supported by clear and convincing evidence.
- **Transparent:** consumers and other interested stakeholders must have access to information about the offset project that generated the abatement, including the applied methodology and project-monitoring arrangements.
- **Address leakage:** the system responsible for generating the offset unit must provide deductions for any material increases in emissions elsewhere which nullify or reduce the abatement that would otherwise be represented by the offset unit.
- **Independently audited:** the circumstances responsible for the generation of the unit must be verified by an independent, appropriately qualified third party and not found to be in contradiction with these integrity principles.
- **Registered:** the offset unit must be listed and tracked in a publicly transparent registry.

The Department uses a decision framework based on the offsets integrity principles to determine the eligibility of offset units under the Organisation Standard. A list of offset units that have met the integrity principles and are eligible for use under the standard is provided in *Appendix A: Eligible offset units*.

Appendix A may be updated as new information or different offset units become available. This may result in the addition of new offset units or the removal of existing ones.

1.4 Using the Organisation Standard

The Organisation Standard is a voluntary standard and can be used in a number of ways. Firstly, it can be used to better understand and manage the greenhouse gas emissions that occur as a result of the operations of an organisation. This can be achieved by following the best-practice guidance provided in Section 2 which covers a range of topics, including how to measure, reduce, offset, validate and report emissions. Secondly, it can be used as a framework to credibly claim carbon neutrality by following all of the requirements outlined in Section 2. Thirdly, it can be used as a pathway to be certified as carbon neutral by the Australian Government, as detailed in Section 3.

The Department may issue minor policy and accounting updates or other clarifications to the Organisation Standard from time to time. The Organisation Standard must be applied and used consistently with all such guidance material which is published at www.climateactive.org.au.

1.4.1 Making carbon neutral claims

When making a carbon neutral claim against the Organisation Standard (Box 2), the responsible entity must be mindful of its obligations under Australian Consumer Law. Australian Consumer Law applies to all forms of marketing, including claims on packaging, labelling and in advertising and promotions across all media (print, television, radio and online).

Consumers and investors are entitled to rely on any carbon neutral claim made in reference to the Organisation Standard and expect these claims to be truthful. The responsible entity must ensure any claim made regarding compliance with the Organisation Standard is accurate and appropriately substantiated.

Box 2: Carbon neutral claims against the Organisation Standard

Where the Organisation Standard is being used as the basis for a claim of carbon neutrality, the user must fully disclose and provide transparency as to the actions behind the carbon neutral claim. This allows the public to develop an informed opinion on the validity of the claim. The requirements detailed in Sections 2.2–2.7 must be followed, regardless of whether or not the claim is certified.

Certification of carbon neutral claims can be sought through the Australian Government as described in Section 3.

Important note: The Climate Active Carbon Neutral Certification Trade Mark can only be used when certification has been granted by the Department (Section 3).

1.4.2 Carbon neutral certification

Carbon neutral certification against the Organisation Standard can be sought through the Australian Government by applying to the Department (Section 3). Australian Government certification allows for the use of the certification trade mark, which can be used to showcase the organisation's carbon neutrality.

Organisations considering carbon neutral certification should contact the Department early to confirm the appropriate choice of certification category (organisations, products & services, buildings, precincts or events). The Department retains the right to determine the certification category for an application.

1.4.3 Use of the certification trade mark

The Climate Active Carbon Neutral Certification Trade Mark (the certification trade mark) can be used under licence to show an organisation complies with the Organisation Standard.

The certification trade mark is only available to entities that are certified by the Australian Government and have executed a Climate Active Certification Trade Mark Licence (licence agreement) with the Department. The certification trade mark is not available for organisations that self-declare against the Organisation Standard.

The certification trade mark can only be used in direct relationship with the category of certification. For example, an organisation retailing products and services cannot use the certification trade mark on marketing for those products and services or in any other way that suggests the certified claim of carbon neutrality applies to the products or services (unless the products or services are individually certified against the *Climate Active Carbon Neutral Standard for Products & Services*).

2. Requirements of the organisation standard

2.1 Context for the requirements

The requirements of the Organisation Standard are written from the perspective of a reader who is seeking to achieve carbon neutrality. Where an organisation chooses to claim carbon neutrality, the standard must be applied consistently and fully.

Throughout this document, the term 'must' is used to signify what is required to make a carbon neutral claim in accordance with the Organisation Standard. The terms 'can' or 'may' are used where an organisation can apply its own discretion and choose from several options, all of which are acceptable under the Organisation Standard. The term 'should' is used to indicate a recommendation by the standard, in line with best practice.

An organisation is a company, corporation, firm, enterprise, authority or institution, or a combination thereof, whether incorporated or not, public or private, that has its own functions and administration. This may also include an organisation that shares functions and/or administration with another organisation.

The responsible entity is the person or organisation that has taken responsibility for making a carbon neutral claim or seeking carbon neutral certification. The responsible entity must be clearly identified and able to meet the requirements of the Organisation Standard, including carbon accounting, regular reporting and purchasing of eligible offset units as required to make the carbon neutral claim.

The Organisation Standard only covers greenhouse gas emissions. Other environmental impacts of the organisation do not need to be assessed for the purpose of the standard.

2.2 Achieving and maintaining carbon neutrality

To achieve and maintain a valid and credible carbon neutral claim against the Organisation Standard, the responsible entity must:

- Calculate emissions (Section 2.3)
- Develop and implement an emissions reduction strategy (Section 2.4)
- Purchase offsets to compensate for remaining emissions (Section 2.5)
- Arrange independent validation (Section 2.6)
- Publish a public statement of the carbon neutral claim (Section 2.7)

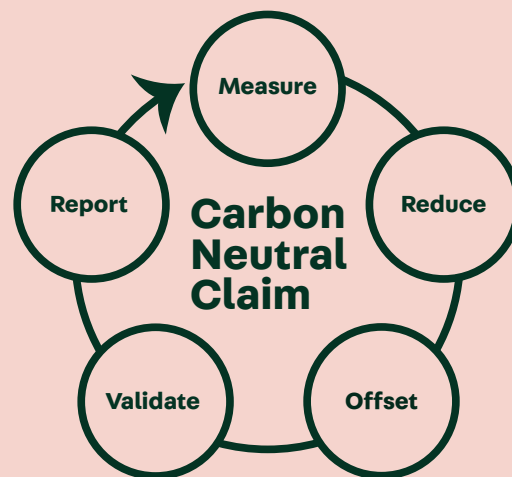


Figure 2: The cycle of activities for carbon neutral claims

A key element of a carbon neutral claim for organisations is investor and customer confidence in the validity of the claim. The requirements of the Organisation Standard have been designed to provide stakeholders with transparent information on the actions taken to achieve carbon neutral status.

Each of the stages (see Figure 2) must be completed annually (with the exception of the independent validation), to support the validity and transparency of the carbon neutral claim.

Sections 2.3–2.7 describe the requirements of the Organisation Standard and provide guidance on how to meet those requirements to achieve carbon neutrality.

Certification against the Organisation Standard can be sought through the Department (Section 3).

2.3 MEASURE: Calculate emissions

Preparing a carbon account involves the following steps:

Step 1

Establish the emissions boundary.

Step 2

Set a base year.

Step 3

Collect data on identified emissions sources.

Step 4

Calculate the total carbon account attributable to the organisation.

The responsible entity may choose to prepare its own carbon account, or may engage a consultant to prepare the carbon account or to provide technical advice.

The Department maintains a register of consultants with relevant expertise at

www.climateactive.org.au.

2.3.1 Step 1: Establish the emissions boundary

Defining the emissions boundary is the first step in the carbon accounting process.

The emissions boundary refers to the coverage and extent of the carbon account.

The boundary is established using a set of criteria to identify emissions sources and which of the identified sources are to be included or excluded. Refer to Figure 3 for an example of an emission boundary.

The organisation's emissions boundary must be documented transparently and disclosed, along with the reasoning for choosing the boundary. Where significant exclusions are made, they must be clearly stated, and the reasons for and implications of the exclusions must be justified. A disclosure statement, including reason and justification for any exclusions, must be part of the published statement of the carbon neutral claim (Section 2.7).

To establish an emissions boundary of an organisation:

- Define the organisation through its Australian Business Number (ABN).
- Identify all emissions that the organisation has direct control or ownership of using the control approach.
- Identify all emissions that are a consequence of the organisation's activities but are outside of its direct ownership or control.
- Determine which emissions are relevant (including all emissions deemed relevant by the Organisation Standard) by applying the relevancy test to all identified emissions.
- Consider if any emission sources should be identified within the emissions boundary but not quantified in the carbon account.

Define the organisation and identify emission sources

For an organisation, the emissions boundary must include all relevant emissions sources (see relevance test below). This includes all emissions under the direct control or ownership of an organisation (e.g. stationary energy), as well as emissions that are a consequence of the organisation's activities but outside of its direct ownership or control (e.g. waste and transport). Figure 3 below provides an example of a hypothetical organisational emission boundary.

An organisation is defined by its Australian Business Number (ABN) or group of ABNs which sits under a parent company. The ABN helps to transparently identify the emissions an organisation has responsibility for.

Control approach

The control approach sets the basis for determining what emissions are considered to be under the direct control of the organisation.

1. Financial control, whereby the organisation reports 100 per cent of operations over which it has 'the ability to direct the financial and operating policies of the latter with a view to gaining economic benefits from its activities' (*GHG Protocol – Corporate Standard* (WBCSD and WRI, 2004)); or
2. Operational control, whereby the organisation reports 100 per cent of the operations over which it has 'the full authority to introduce and implement its operating policies' (*GHG Protocol – Corporate Standard* (WBCSD and WRI, 2004)).
3. Equity share approach, which requires an organisation to account for greenhouse gas emissions according to its share of equity in the operations.

The most common approach for organisations seeking certification through the Australian Government is the operational control approach.

The ABN and selected control approach provide a clear definition of the entity seeking to become carbon neutral. It therefore establishes the emissions the organisation has direct control of and which emissions are outside of its direct control, but can be influenced by the business operations of the entity.

Scopes of emissions

To help differentiate between different emissions sources, emissions may be classified into the following scopes (adapted from the *GHG Protocol – Corporate Standard* (WBCSD and WRI, 2004)):

- Scope 1 emissions include all direct greenhouse gas emissions from sources that are within the organisation's control boundary. These could be emissions from fuel use, refrigerants and on-site electricity generation.
- Scope 2 emissions include purchased electricity, heat, cooling and steam (i.e. energy produced outside the organisation's control boundary but used within the organisation).
- Scope 3 emissions are all indirect emissions that occur as a result of the activities of the organisation, but occur from sources outside the organisation's control boundary.

Relevance

The criterion of relevance (adapted from the *GHG Protocol – Corporate Standard* (WBCSD and WRI, 2004)), ensures the carbon account appropriately reflects the emissions of the organisation and meets the expectations of consumers and stakeholders – both internal and external to the organisation.

All emissions identified as occurring as a consequence of an organisation's business activities must be considered for relevance using the relevance test below. This includes emissions which the entity has direct control over as well as emissions that are not under the entity's direct control. The Organisation Standard deems certain emissions sources to be relevant.

Emissions deemed to be relevant

The following emissions sources are deemed to be relevant to all organisations:

- All stationary energy and fuels used in buildings, equipment, machinery or vehicles in the organisation's control (e.g. natural gas, fuels used in generators or vehicles).
- All electricity consumed by buildings, equipment, machinery or vehicles in the organisation's control (this includes servers or other machines off-site if the associated emissions are likely to be large relative to other emissions deemed relevant by the Organisation Standard).

Important note: All other direct and indirect emissions identified as arising as a consequence of an organisation's business activities must be assessed for relevance.

Relevance test

Emissions sources are relevant when any two of the following conditions are met (adapted from the *GHG Protocol – Corporate Standard* (WBCSD and WRI, 2004)):

- the emissions from a particular source are likely to be large relative to the organisation's electricity, stationary energy and fuel emissions
- the emissions from a particular source contribute to the organisation's greenhouse gas risk exposure (i.e. will the impacts of climate change pose a serious risk to the viability of this emission source over a timeframe suitable to the organisation)
- the emissions from a particular source are deemed relevant by key stakeholders
- the responsible entity has the potential to influence the reduction of emissions from a particular source
- the emissions are from outsourced activities that were previously undertaken within the organisation's boundary or from outsourced activities that are typically undertaken within the boundary for comparable organisations.

Important note: All emissions assessed as relevant must be included within an organisation's emission boundary. Emissions that are determined as not relevant can be excluded from the emissions boundary. Excluded emissions should be disclosed in the public reporting documents (Section 2.7).

Non-quantification of relevant emissions

Relevant emission sources must be quantified unless justification can be provided to demonstrate that quantification would not be technically feasible, practicable or cost effective relative to its significance.

Responsible entities are encouraged to include, measure and report as many emissions sources as possible. The following methods can be used if primary data cannot be sourced:

- taking an initial measurement as a basis for projecting emissions for future years of that source; or
- estimating and projecting an emissions source (e.g. using input-output analysis tools, approximation through extrapolation or applying an uplift factor to the carbon account).

Where relevant emissions are non-quantified because of data or other estimation issues, a data management plan should be developed to outline how more rigorous quantification can be achieved within a reasonable timeframe. This could include setting in place appropriate data collection processes and negotiating with stakeholders who have access to accurate data.

Materiality

An emission source that constitutes 1 per cent or more of the total carbon account is considered to be material under the Organisation Standard. Emissions sources that are relevant but estimated to constitute less than 1 per cent of the total carbon account can be non-quantified.

In applying the 1 per cent materiality threshold, the total amount of emissions to be non-quantified must not exceed 5 per cent of the total carbon account. To estimate materiality of these emissions sources, tools based on input-output analysis can be useful.

Important note: Non-quantified emission sources must be included within the emissions boundary and disclosed as non-quantified. Non-quantified emissions do not need to be included in the carbon account (see Section 2.3.4).



Figure 3: Example of an organisation's emissions boundary

2.3.2 Step 2: Set a base year

According to the principle of consistency (Section 1.3.1), the carbon account must allow for meaningful comparison of emissions over time. A base year provides a starting point for these emission comparisons.

The responsible entity must collect data to calculate the organisation's carbon account for a full calendar or financial year before a carbon neutral claim can be made. This is known as the base year. The base year carbon account must be independently validated (Section 2.6).

To establish a base year, the most recent year for which verifiable carbon emissions data are available should be selected. Where no relevant data exists or where data does not provide a meaningful comparison, base year data can be estimated or projected. Any estimated data must be representative.

2.3.3 Step 3: Collect data on emissions sources

Once the responsible entity has established the emissions boundary, the type of data available for different emissions sources must be identified, bearing in mind the emissions calculations that it will need to undertake (Section 2.3.4).

Measured data should be used whenever possible, with conservative estimates used only where data is unavailable. For example, operational energy data should be obtained from energy meters such as electricity and gas meters (from utility bills). Where estimates are used, they must be appropriately justified with respect to data availability and the relative size and nature of the estimated emission source.

Data management and record keeping

The quality of data is key to the integrity of a carbon account. Quality control procedures must be in place when collecting data to ensure a high level of data quality.

The responsible entity must maintain appropriate records for an audit trail of how the carbon account was created. Records should be kept for seven years after the end of the carbon neutral period. For responsible entities seeking certification against the Organisation Standard, records must be kept for the period of time specified in the licence agreement.

2.3.4 Step 4: Calculate the carbon account

The responsible entity must calculate the greenhouse gas emissions attributable to each emission source in its emissions boundary, unless the source is identified as non-quantified (Section 2.3.1).

The carbon account should be set out to allow for easy interpretation. The calculation methods and the emission factors used must be disclosed clearly and completely.

Types of greenhouse gas emissions

The carbon account must include emissions of carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃).

Emission factors

Emission factors are used to convert a unit of activity into its emissions equivalent. The responsible entity must use credible and reliable emission factors when determining the carbon account. Where a factor is available in the *National Greenhouse Accounts Factors* (NGA Factors, Department of Industry, Science, Energy and Resources) that is applicable to an emissions source, this factor should be used unless more accurate emission factors or calculation methodologies are available.

The NGA Factors is an annual publication by the Department and includes factors for scope 1 and 2 emissions sources and scope 3 emission factors for waste; solid, liquid and gaseous fuels; and electricity.

Factors used should either be the most up to date available at the time of preparing the carbon account or align with the relevant time period during which the emissions occurred.

Treatment of renewable energy

The carbon account must include renewable energy (used or generated).

The requirements when accounting for renewable energy and energy efficiency schemes under the Organisation Standard are explained in guidance documents available at www.climateactive.org.au.

Accounting for carbon neutral supply chains

If the organisation's carbon account includes an activity that has been certified as carbon neutral against any of the other categories of the Climate Active Carbon Neutral Standard (see Box 1), the activity or product is considered to contribute zero emissions to the organisation's carbon account. This is because the emissions of the activity or product have already been accounted for and offset by another entity.

The use of the activity or product must still be reported (in the form of activity data) to ensure transparency and completeness of the carbon account. The activity data should be recorded as having an emission factor of zero.

For example, if carbon neutral retail electricity is used, the carbon account for the organisation would record the amount of electricity used with an associated emission factor of zero. Therefore, the calculated emissions from the use of this electricity would also be zero.

A carbon neutral activity or product in the organisation's supply chain could include:

- use of products and services (e.g. retail electricity or flights) certified against the Climate Active Carbon Neutral Standard for Products & Services; or
- accommodation in a carbon neutral building certified against the Climate Active Carbon Neutral Standard for Buildings; or
- accommodation in a carbon neutral precinct certified against the Climate Active Carbon Neutral Standard for Precincts.

Emissions over time and base year recalculation

Significant changes (± 5 per cent) in the carbon account between reporting years that are not attributed to emissions reduction actions by the organisation's operations must be disclosed as part of the annual public report (Section 2.7).

Factors that may lead to significant changes in the carbon account between reporting years might include changes in:

- operational boundaries
- ownership and control of greenhouse gas sources and sinks
- calculation methods
- business growth
- changes in emission factors.

Significant errors discovered over time should also be disclosed and their impact on the carbon accounts of the affected years should be calculated.

Transparent documentation of changes and errors is important to allow stakeholders to understand factors driving year-on-year emissions variation.

In some instances, significant changes may trigger a base year recalculation. A base year recalculation is required where there have been structural changes in the reporting organisation that have a significant impact on the company's emissions boundary and/or a change of greater than 10 per cent to total emissions. Structure changes include:

- mergers, acquisitions, and divestments
- outsourcing and insourcing of emitting activities
- changes in activity data calculation or revisions to emission factors that result in a significant impact on total emissions, and
- discovery of significant errors, or a number of cumulative errors, that are collectively significant.

Chapter 5 of the *GHG Protocol – Corporate Standard* (WBCSD and WRI, 2004) provides additional guidance on base year recalculation approaches that can be used as a guide for such disclosure.

2.4 REDUCE: Develop and implement an emissions reduction strategy

An organisation seeking to become carbon neutral must develop and maintain an emissions reduction strategy. The emissions reduction strategy must identify the emissions reduction measures to be undertaken over a specified timeframe and should quantify expected emissions reductions, where possible.

At the end of each reporting year, the responsible entity should review its success in achieving emissions reductions.

In some cases, it may not be possible or practicable to achieve emissions reductions every year. Recognising these circumstances, there is no mandatory requirement for year-on-year reductions or specific targets for reducing emissions. Nevertheless, the responsible entity should aim to achieve emissions reductions wherever possible.

A summary or outline of the emissions reduction strategy must be included in the annual Public Disclosure Statement or other public report (Section 2.7).

2.4.1 Emissions reduction activities

Maintaining a comprehensive carbon account can help an organisation to better understand its sources of greenhouse gas emissions and to identify the most cost-effective opportunities for reducing emissions. Once a carbon account has been measured, reductions in emissions can be calculated by comparing changes in the carbon account over time relative to previous years.

The Organisation Standard requires that emissions reduction activities are undertaken within the organisation where possible, before compensating for emissions through the purchase and cancellation of eligible offset units (Section 2.5).

As such, an organisation seeking carbon neutrality should follow the carbon reduction hierarchy of energy efficiency, onsite renewable energy generation and offsite renewable energy generation before undertaking carbon offsetting.

Disclosing emissions reduction initiatives and reporting on achievements contributes to transparency and is in line with best practice carbon management.

Emissions reductions may be achieved in many ways, including by:

- increasing energy efficiency (e.g. by installing energy efficient lighting and appliances)
- switching to renewable energy sources
- substituting products or inputs with those that are less emissions intensive (e.g. by switching from conventional vehicle fleets to electric or hybrid vehicle fleets)
- changing practices to replace emissions intensive activities with those that generate fewer emissions (e.g. reducing flights to business meetings through using teleconferencing)
- encouraging and optimising the responsible treatment of waste (e.g. through source separation and procurement of waste treatment services with biogas capture).

2.5 OFFSET: Purchase offsets to compensate for remaining emissions

Any remaining emissions must be compensated for each year through cancelling (also known as retiring) an equivalent number of eligible offset units (see figure 4).

Two approaches to offsetting are allowed under the Organisation Standard:

1. Forward offsetting: this involves estimating emissions for the coming reporting year and cancelling that number of eligible offset units at the start of the year. This must be followed by an annual true-up process to ensure that the number of cancelled eligible offset units is at least equal to actual emissions.
2. Offsetting in arrears: this involves cancelling offset units for the claim period after it has finished.

The responsible entity should develop and maintain a strategy for purchasing and cancelling eligible offset units for each year that is the subject of a claim of carbon neutrality.

This strategy may include decisions regarding the types of offset units to be purchased.

The strategy should also consider the timing of offset cancellation, especially if seeking certification (Section 3).



How does offsetting work?

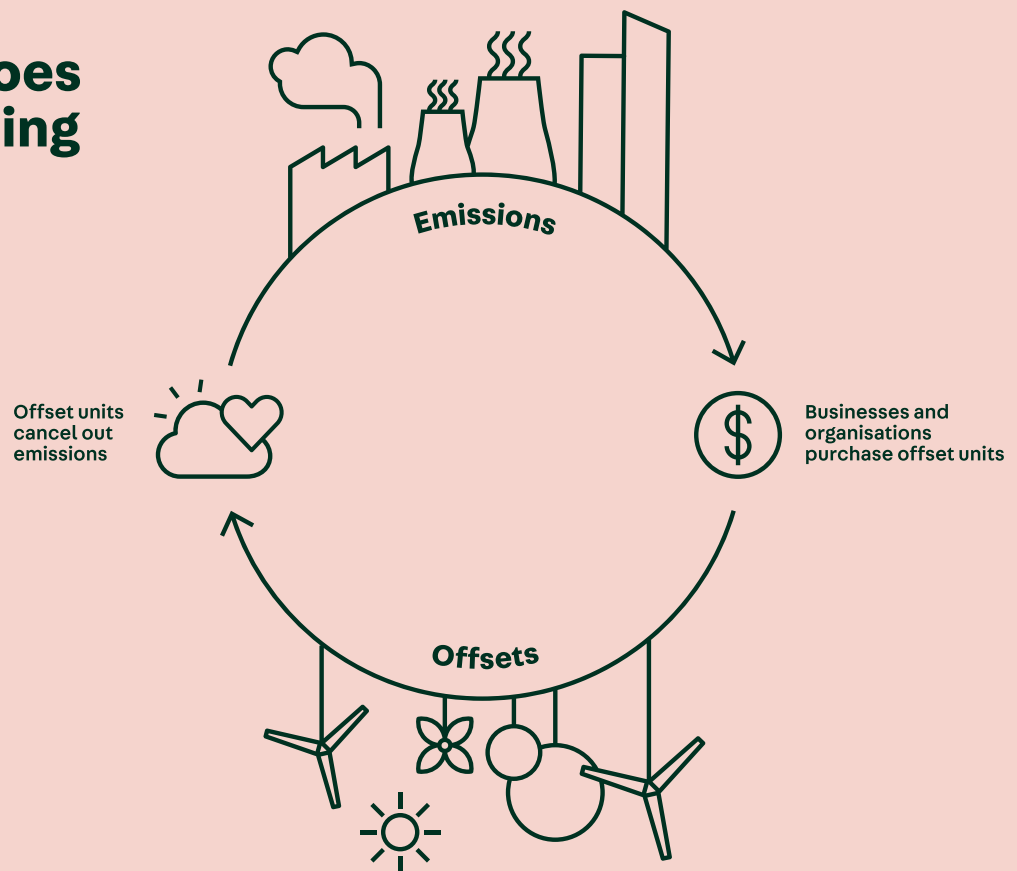


Figure 4: How offsetting works

2.5.1 Eligible offset units

Offset units eligible for use as part of a carbon neutral claim against the Organisation Standard are listed in Appendix A. Only these units can be used as part of a carbon neutral claim against the standard.

These units have met the offset integrity principles of the Organisation Standard (Section 1.3.2). Appendix A may be updated as new information or offset units become available. This may result in the addition of new eligible offset units or the removal of existing ones.

The purchase of eligible offset units supports projects that reduce or remove emissions from the atmosphere. Many carbon offset projects deliver positive outcomes in addition to emissions reductions. The responsible entity may choose to purchase units from projects that align with corporate goals or values or those that deliver specific social or environmental outcomes.

Before choosing to use any units for offsetting purposes, the responsible entity should undertake its own due diligence assessment of the originating projects and underpinning methodologies, as well as consult the Climate Active website www.climateactive.org.au for any updates to the eligibility of offset units.

2.5.2 Proof of cancellation of offset units

Eligible offset units must be cancelled via an offsets registry. The cancellation should be clearly attributed to the carbon neutral claim and the organisation or responsible entity making the claim. The cancellation and attribution of eligible offset units is important to prevent resale or double counting of offset units.

Attributing units to the particular carbon neutral claim should be done via a note within the registry explaining that the units have been 'cancelled on behalf of Organisation XYZ to meet its carbon neutral claim against the Climate Active Carbon Neutral Standard for FY2018-19'.

There are several independently managed registers for offset units, as well as those set up by suppliers and the administrators of the various offset standards. Units may be purchased and cancelled by the responsible entity or by a consultant or carbon service provider.

Eligible offset units may be purchased and cancelled for immediate use or they may be banked for use against a future carbon neutral claim. Early purchase and/or cancellation of units allow the responsible entity to choose the timing of purchase to meet its needs and to obtain a particular type of offset when it is available.

All eligible offset units cancelled to support a carbon neutral claim against the Organisation Standard must be reported transparently in the annual public report (section 2.7). The annual public report must include the following information about each cancelled unit or unit block that is part of the carbon neutral claim:

- the publicly viewable registry in which the units were cancelled (e.g. APX, ANREU, Markit);
- the name and type of the abatement project (e.g. Acme Wind Farm Project, China);
- the serial numbers of the units; and
- the vintage year of the units.

To aid transparency, the annual public report should also include a hyperlink to the record of the cancellation in the public registry, and the date the cancellation was completed.

Important note: The registry used to cancel units should be publicly accessible, otherwise a screenshot providing evidence of the cancellation should be included in public reporting documents.



2.6 VALIDATE: Arrange independent validation

Independent third party validation ensures the accuracy and completeness of carbon calculations, including the appropriateness of emissions boundaries, methodologies and calculations.

The carbon account, emissions over time and carbon offsets must be reported and independently audited or verified on a regular basis. A carbon neutral claim against the Organisation Standard must be subject to independent validation (i.e. audit or verification) by an environmental auditor or carbon consultant at least once every three years. The independent validation report findings and/or assurance statement should be made publicly available.

The first review (of the base year, Section 2.3.3) must include assessment of the adequacy and appropriateness of the emissions boundary setting, emissions methodologies and emission factors.

As appropriate to the carbon account, the auditor or verifier may need reasonable access to:

- facilities, equipment and personnel required for the operations within the organisation's emissions boundary
- records, including monitoring records, utility bills, test reports, failure reports, internal audit and management review records, customer complaints and statistics related to the activities within the emissions boundary
- any additional reporting or information source used to develop the carbon account.

The responsible entity making a carbon neutral claim is responsible for maintaining appropriate records for auditing or verifying and bearing the associated costs.



2.7 REPORT: Publish a public statement of your carbon neutral claim

An annual report must be made publicly available to communicate progress on emissions reduction activities and offsetting as part of a carbon neutral claim. Annual reporting keeps the public and other interested parties informed in an open and transparent manner and communicates achievements in managing emissions.

The annual public report must include the following:

- the total gross and net greenhouse gas emissions of the organisation for the base year and current reporting period (taking into account any renewable energy and certified carbon neutral activities) and an explanation of any significant changes that are not attributed to emissions reduction actions
- an emissions summary table showing high level emissions sources and total emissions for each source type
- disclosure of any non-quantified emissions within the emissions boundary and any plans to improve the consistency and completeness of the carbon account in the future
- disclosure of any excluded emission sources from the emissions boundary that stakeholders would expect to be included and the justification for the exclusion
- a summary of the emissions reduction strategy and of the activities undertaken in accordance with the strategy as per section 2.4.
- records to prove that sufficient eligible offset units have been cancelled to offset the organisation's emissions (including the name of the registry in which the units were cancelled, vintage year, the project type and serial numbers of the relevant units) as per section 2.5.

The level of detail and explanation required in a public report must ensure the reader has a clear understanding of what has been done to achieve carbon neutrality in terms of determining the carbon account, the actions to reduce absolute emissions or emissions intensity over time and offsetting of remaining emissions.

The public report should be signed off by senior management (e.g. the appropriate business unit leader or chief executive officer) and must be published on the responsible entity's website.

The public report can be in the format of a Public Disclosure Statement or another document more suitable for communication with organisation stakeholders.

For organisations that are certified by the Australian Government against the Organisation Standard (Section 3), the public report will be automatically published on the Climate Active website when certification has been granted.

3. Certification against the organisation standard

Carbon neutral certification against the Organisation Standard can be sought through the Australian Government.

Certification may be granted upon:

- the Department's approval of an application for carbon neutral certification against the requirements of the Organisation Standard (Section 3.1)
- the responsible entity agreeing to the obligations for certification (Section 3.2) and the terms and conditions of the licence to use the certification trade mark, by entering into a licence agreement with the Department (Section 3.3).

The Department will make a decision on the certification of the organisation and will advise the responsible entity of the decision in writing. If certification is granted, the responsible entity will receive a notice of certification.

Details of the certification, including the public report, will be placed on the Climate Active website.



Getting & staying certified.

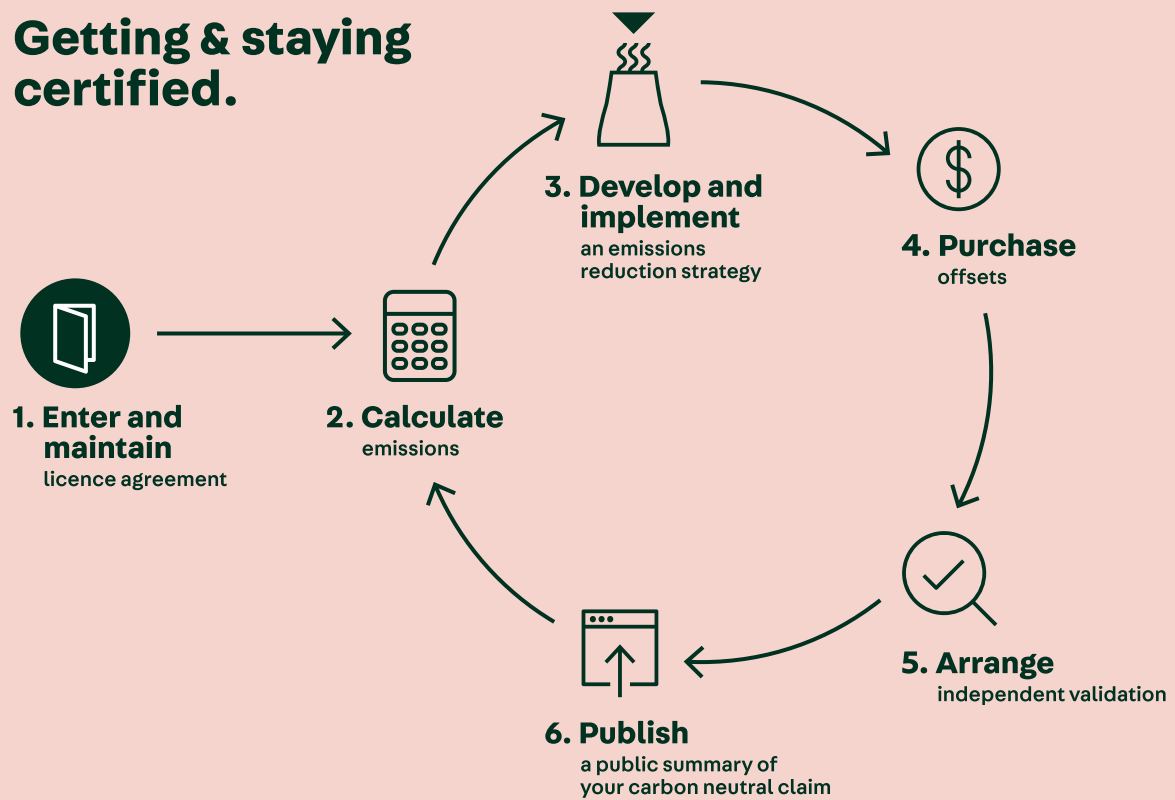


Figure 5: Applying for and maintaining carbon neutral certification

3.1 Application for certification

Responsible entities considering applying for carbon neutral certification should contact Climate Active (www.climateactive.org.au or climate.active@industry.gov.au) for detailed information on the application process and to discuss the suitability of the Organisation Standard for their circumstances.

An application must include a carbon account for the base year (Section 3.1.1), a public report (Section 3.1.2) and independent validation (Section 3.1.3). The Department may request other supporting documentation to assess an application may also require other supporting documentation. If an application is unsuccessful, the Department will provide an explanation of the reasons.

3.1.1 Carbon account for the base year

The responsible entity seeking carbon neutral certification must have all relevant data and must be able to calculate the organisation's carbon account for a full year before applying for carbon neutral certification. This is known as the base year.

The base year carbon account:

- demonstrates an understanding of what must be included in the organisation's carbon account, and what data must be collected and reported annually to maintain certification
- provides a starting point for comparing emissions over time
- sets the timing of the annual reporting obligations (either on a financial or calendar year cycle) that will have to be met to maintain carbon neutral certification.

Either a financial or calendar year can be chosen as the base year, depending on which best suits the timing for carbon account data collection or aligns with business processes.

The requirements for establishing a base year and the process for calculating the carbon account are described in Section 2.3.

Optional certification of the base year

Arrangements can be made to certify the base year.

If an organisation seeks to backdate the timing of certification so that it is certified as having been carbon neutral during its base year, eligible offset units equivalent to the base year emissions must be cancelled before certification is granted.

Please contact the Department to discuss arrangements for base year certification before preparing your application.

3.1.2 Public report

Transparency of information is important for maintaining consumer confidence in carbon neutral claims. An organisation seeking certification by the Climate Active team must prepare a public report as described in Section 2.7 as part of the application for carbon neutral certification and on an annual basis thereafter.

3.1.3 Independent validation

An organisation applying for carbon neutral certification must have the source data in the carbon account (base year) independently audited or verified. An organisation may also be required to have the carbon neutral claim (such as inclusions and exclusions from the emissions boundary) independently assessed.

The requirements for source data and other independent assessments and validation checks, including who is eligible to undertake them, vary depending on the size and complexity of the organisation seeking certification. These requirements are outlined in the Licence Agreement and further information is available at www.climateactive.org.au.

All independent validation requirements must be arranged and paid for by the responsible entity. The responsible entity must submit any validation reports and/or assurance statements, plus the list of any outstanding Corrective Action Requests and Observations, to the Department as part of the application. The Department may request clarification or further information from the independent validator to assist with the assessment of the application.



3.2 Obligations

3.2.1 Agreement with obligations

The Department will only grant certification after the responsible entity has agreed to the obligations for certification, as contained in the licence agreement (Section 3.3.1).

The licence agreement also specifies reporting due dates, annual licence fees and third-party validation obligations.

Once executed, the licence agreement legally binds the responsible entity to the obligations for certification for the agreed duration of the certification (Section 3.3.1).

3.2.2 Obligations for certification

The Organisation Standard requires measuring, reducing, offsetting and reporting of emissions to be conducted annually. Independent validation may also be required periodically. Maintaining certification against the Organisation Standard is based on this cycle.

Obligations for certification include:

1. *Submission of an annual report which must include:*

- a Public Disclosure Statement as detailed in section 2.7
- a Carbon Account (base year for application) as detailed in section 2.3
- proof of meeting validation requirements as detailed in section 2.6.

2. *Payment of the licence fee*

An invoice for the licence fee is issued at the start of each reporting year.

The invoice must be paid within 30 days of receipt.

Information on fees is available on the Climate Active website at

www.climateactive.org.au.

3. *Compliance with ongoing independent validation of the carbon account and public report*

The Department may require the responsible entity for a certified carbon neutral organisation to complete an independent validation of the carbon account or public report if circumstances have changed significantly. Examples of significant change include if a base year recalculation is required as detailed in Section 2.3.4.

The Department may also require the entity responsible to cooperate with any audits undertaken by the Department, including by providing documents and information.

These conditions are detailed in the Licence Agreement.

3.2.3 Annual review and granting of continuing certification

The Department reviews and monitors the obligations for certification (Section 3.2.2) and evaluates whether the requirements of the Organisation Standard have been met by the responsible entity.

A notice of continuing certification is issued by the Department when the responsible entity's annual obligations for certification have been met.

Certification and trade mark use may be suspended or terminated by the Department if the obligations for certification are not met.

3.3 Licence to use the certification trade mark

3.3.1 Licence agreement

The licence agreement is an agreement between the responsible entity and the Department that stipulates the obligations for certification and the terms and conditions for the use of the certification trade mark.

The licence agreement legally binds the responsible entity to the agreed terms for the timeframe specified in the agreement and provides the responsible entity with a licence to use the certification trade mark subject to achieving and maintaining certification.

To be granted certification and licence to use the certification trade mark, the responsible entity must agree to the licence agreement.

A copy of the licence agreement can be requested from the Department at any time.

3.3.2 Permission to use the certification trade mark

If certification is granted, the responsible entity will be sent a notice of certification by the Department.

Once the notice of certification has been issued, the carbon neutral certification and permission to use the certification trade mark are valid continually for the time specified in the licence agreement, subject to all obligations being met (Section 3.2.2).

As per Section 3.2.3, a notice of continuing certification will be issued by the Department when the responsible entity's annual obligations for certification have been met.

The duration of the licence to use the certification trade mark is specified in the licence agreement. If the entity responsible for an organisation wishes to continue using the certification trade mark after this time, it must agree to a new licence with the Department.

Use of the certification trade mark must be in accordance with the User Guide for the Climate Active Carbon Neutral Certification Trade Mark (User Guide). Use of the certification trade mark in accordance with the User Guide minimises risks of challenges in relation to the carbon neutral claim.

The User Guide can be found at www.climateactive.org.au.

Digital versions of the certification trade mark are provided by the Department to the responsible entity upon issuance of the notice of certification.

3.4 Other administrative arrangements

3.4.1 Timing of offset unit cancellation

The responsible entity seeking carbon neutral certification is not required to proceed with the purchase and cancellation of eligible offset units until after the application has been independently validated and the licence agreement has been executed. Offsets must be purchased prior to final submission of the application to the Department.

Timing of eligible offset unit cancellation depends on the approach chosen (either in arrears or up-front).

Offsets cancellation (in arrears)

An organisation offsetting in arrears must cancel eligible offset units at the end of each reporting year, starting with the first year of certification.

Details of the cancelled eligible offset units must be included in the annual public report submitted to the Department at a time specified in the licence agreement (usually within four months of the end of the reporting period) (Section 2.7).

Offsets cancellation (upfront and true-up)

Upfront offsetting requires cancelling eligible offset units at the start of each reporting year, of sufficient quantity to offset the certified organisation's total expected emissions for the coming reporting year. A true-up is then performed at the end of the reporting year to ensure that a sufficient quantity of units has been cancelled.

Guidance on how to record the details of offsets in the public report is available on the Climate Active website at www.climateactive.org.au.

3.4.2 Review of decisions

If the responsible entity disagrees with a decision of the Department (either in relation to a certification decision or the granting and use of the certification trade mark), it may request an internal review of the decision.

See the Department's service charter for details on the internal review processes. The charter can be found at www.industry.gov.au.

If the responsible entity is dissatisfied with the way in which the Department handles a complaint, it may complain to the Commonwealth Ombudsman. The Ombudsman will usually decline to investigate a complaint unless the matter has been raised directly with the Department first. Details of how to make a complaint to the Commonwealth Ombudsman can be found at www.ombudsman.gov.au.

3.4.3 Confidentiality

Information that is provided to the Department that is confidential will not be disclosed to any third party without the responsible entity's permission, except under limited circumstances that are required for the administration of certification against the Organisation Standard set out in the licence agreement, or if required by law. This does not apply to the public reports, which are public documents.

Information is regarded as confidential if it is information that:

- is inherently confidential and not in the public domain
- the responsible entity notifies the Department is to be treated in confidence; and
- is not in the possession or knowledge of the Department independently of its disclosure by the responsible entity.

Confidentiality conditions are detailed further in the licence agreement. If there are any concerns about disclosure of confidential information, please discuss this with the Department.

4. References

The following existing Australian and international standards and Australian legislation provide the basis for the Organisation Standard. These documents also provide further detailed information on how to develop a carbon account.

- Australian Standard (AS) ISO 14064 series, including:
 - AS ISO 14064.1:2006 – *Greenhouse gases Part 1: Specification with guidance at the organisation level for the quantification and reporting of greenhouse gas emissions and removals*
 - AS ISO 14064.2:2006 – *Greenhouse gases Part 2: Specification with guidance at the project level for quantification and reporting of greenhouse gas emission reductions and removal enhancements*
 - AS ISO 14064.3:2006 – *Greenhouse gases Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions*
- International Standard ISO 14040 series, including:
 - ISO 14040:2006 – *Environmental management – Life cycle assessment – Principles and frameworks*
 - ISO 14044:2006 – *Environmental management – Life cycle assessment – Requirements and guidelines*
 - Other international standards that are based on the ISO 14040 series, including PAS 2050:2011 – *Specification for the assessment of the life cycle greenhouse gas emissions of goods and services*
- ISO 14065:2013 – *Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation of other forms of recognition*

- The British Standards Institution's (BSI) Specifications, including:
 - BSI's PAS 2060:2014 – Specification for the demonstration of carbon neutrality
- The Greenhouse Gas (GHG) Protocol standards, including:
 - GHG Protocol – A Corporate Accounting and Reporting Standard (2004)
 - The GHG Protocol for Project Accounting (2005)
 - GHG Protocol – Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011)
 - GHG Protocol – Product Life Cycle Accounting and Reporting Standard (2011)
 - GHG Protocol – Scope 2 Guidance (2015)
- The National Greenhouse and Energy Reporting Act 2007 (NGER Act) and supporting legislation and documentation, including:
 - National Greenhouse and Energy Reporting Regulations 2008
 - National Greenhouse and Energy Reporting (Measurement) Determination 2008
 - National Greenhouse and Energy Reporting (Audit) Determination 2009
 - National Greenhouse and Energy Reporting Technical Guidelines
 - National Greenhouse Accounts Factors

All standards and legislation are subject to revision. Responsible entities must use the most recent version or editions of any listed standards, guidance material or legislation.

5. Glossary

Activity data

Source data from a generating activity, such as fuel usage and electricity consumption, and can be used to determine greenhouse gas emissions.

Additionality

A requirement that a project or activity results in carbon abatement unlikely to occur in the ordinary course of events in the absence of the project or activity, including due to any existing commitment or target publicly agreed by the entity responsible for issuing the units.

Abatement must not be double counted under another system.

Approved certifier

Any entity approved by the Department to certify organisations, products & services, buildings, precincts and events as carbon neutral against the Climate Active Carbon Neutral Standard. Approved certifiers are a credible and reputable entity chosen by the Department due to their experience and expertise in the relevant sector. Approved Certifiers have a contractual arrangement in place with the Department which sets out the role and responsibility of the approved certifier.

Attributable processes

Service, material and energy flows that become the product, make the product, and carry the product through its life cycle.

Australasian EPD Programme

A platform for environmental information operating in alignment with the International EPD System.

Australian Carbon Credit Unit (ACCU)

An emissions unit issued under the *Carbon Credits (Carbon Farming Initiative) Act 2011*.

Base year

The reference year (calendar, financial or other) from which changes in emissions can be tracked over time. This is usually a year's worth of emissions data that is audited before certification is granted.

Building operations

One of the criterion for determining the inclusion and exclusion of emissions from a building's carbon account. Emissions generated from the day-to-day running of a building are considered to be part of the building operations.

Cancellation

Transfer of a unit to a cancellation account so that it may not be used for any further purpose. Also known in some schemes as 'retirement'.

Carbon account

A measure of the carbon dioxide equivalent emissions attributable to an activity. A carbon account can relate to the emissions of an individual, household, organisation, product, service, event, building or precinct. This can also be known as a carbon footprint or emissions inventory.

Carbon dioxide equivalence (CO₂-e)

A standard measure that takes account of the global warming potential of different greenhouse gases and expresses the effect in a common unit.

Carbon neutral

A situation where the net emissions associated with an activity are equal to zero because emissions have been reduced and offset units cancelled to fully account for all emissions.

Carbon sink

A natural or man-made reservoir, such as a forest, that stores carbon.

Certification trade mark

See Climate Active Carbon Neutral Certification Trade Mark.

Certified Emission Reduction (CER)

A Kyoto Protocol unit corresponding to one metric tonne of carbon dioxide equivalent emissions, and issued for verified emissions reductions or removals achieved by a project approved under the Clean Development Mechanism (CDM). CDM projects undertaking afforestation and reforestation activities are issued temporary (tCERs) and long-term units (lCERs), which expire and must be replaced after a specified period.

City

Any geographically discernible subnational entity, with a local government, such as a community, town, city or province, and covers all levels of subnational jurisdiction as well as local government as legal entities of public administration.

Clean Development Mechanism (CDM)

A carbon offset mechanism established under Article 12 of the Kyoto Protocol. Countries with emissions targets under the Kyoto Protocol can meet their obligations using credits from greenhouse gas abatement projects established under Article 12 in countries that are party to the Protocol but do not have an emission target.

Climate Active Carbon Neutral Certification Trade Mark (certification trade mark)

The Climate Active Carbon Neutral Certification Trade Mark IP Australia Reference Number 2042153 (for Licence agreements after 15 November 2019), or the National Carbon Offset Standard Certification Trade Mark IP Australia Reference Number 1369520 (for Licence agreements before 15 November 2019).

Climate Active Carbon Neutral Standard

A standard for making carbon neutral claims; maintained by Australian Government Department of Industry, Science, Energy and Resources; sets rules for measuring, reducing, validating and reporting emissions. The standard is available for organisations, products and services, buildings, precincts and events.

Conservative approach

An approach that reduces the risk of emissions being underestimated in the carbon account.

Department (the)

Australian Government Department of Industry, Science, Energy and Resources.

Eligible offset unit

An offset unit that has been deemed to meet the Climate Active Carbon Neutral Standard's offsets integrity principles, and is listed in Appendix A to this standard.

Emission factor

A factor that specifies the kilograms of CO₂-e emissions per unit of activity.

Emissions abatement or carbon abatement

Either the removal of one or more greenhouse gases from the atmosphere or the avoidance of emissions of one or more greenhouse gases.

Equity share

One of the approaches described in the *GHG Protocol – Corporate Standard* (WBCSD and WRI, 2004) for setting an organisational boundary. See Section 2.3.1 for further details.

Event

A planned and organised occasion.

Event Organiser

The entity that assumes control of the event's planning and documentation.

Financial control

One of the control approaches described in the *GHG Protocol – Corporate Standard* (WBCSD and WRI, 2004) for setting an organisational boundary. See Section 2.3.1 for further details.

Functional unit

A means of expressing the greenhouse gas emissions of a product or service in a way that is meaningful for the product or service being investigated (e.g. kilograms of CO₂-e per unit of product).

Geographic boundary

The physical and locational border that separates a building or a precinct from other areas not considered a part of that same building or precinct. The geographic boundary is the main criterion for defining the emissions boundary of a building or precinct. Refer to Section 2.3.1 for further details.

Green Building Council of Australia (GBCA)

The Green Building Council of Australia (GBCA) is the nation's authority on sustainable buildings and communities. The GBCA's mission is to accelerate the transformation of Australia's built environment into one that is healthy, liveable, productive, resilient and sustainable. The GBCA works with industry and government to encourage policies and programs that support its mission. The Council educates thousands of people each year on how to design and deliver sustainable outcomes for Australia's buildings and communities and it operates Australia's only national, voluntary, holistic rating system for sustainable buildings and communities – Green Star.

Greenhouse gases (GHG)

The atmospheric gases responsible for causing global warming and climate change. The Kyoto Protocol lists six greenhouse gases – carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur-hexafluoride (SF₆) – with the addition of nitrogen trifluoride (NF₃) from the beginning of the protocol's second commitment period.

Green Star

Green Star is an internationally recognised holistic sustainability rating system which provides independent verification of sustainable outcomes throughout the life cycle of the built environment.

Input-output analysis

A method of estimating carbon emissions using aggregate economic and emissions data which are categorised into different industry sectors. The analysis takes into account the economic flows between these sectors, and is usually presented in input-out tables (or databases) as an emissions intensity per dollar of economic activity (or business spending) in any given industry sector.

International EPD System

A global program for environmental declarations based on ISO 14025 and EN 15804.

Kyoto Protocol

An international treaty that was created under the United Nations Framework Convention on Climate Change (UNFCCC) in 1997 and entered into force in 2005.

The Kyoto Protocol sets binding targets for the reduction of greenhouse gas emissions by developed countries and countries in transition.

Kyoto unit

Emissions units created under the Kyoto Protocol. Kyoto units include Assigned Amount Units (AAUs), Certified Emission Reductions (CERs, including tCERs and ICERs), Emission Reduction Units (ERUs) and Removal Units (RMUs).

Licence agreement

An agreement in place between the responsible entity and the Department which contains terms and conditions for the use of the certification trade mark. The responsible entity must agree to and comply with the obligations and rules contained in the licence agreement in order to use the certification trade mark.

Life cycle

Consecutive and interlinked stage of a product system, from raw material acquisition or generation from natural resources to final disposal.

Life cycle assessment (LCA)

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 product's 'life cycle').

Large event

Greater than 10,000 unique attendees at a single-day event; or greater than 5,000 unique attendees over the course of a multi-day event.

Material

The status of an emissions source when it constitutes 1 per cent or more of the total carbon account. Refer to Section 2.3.1 for further details.

Material discrepancy

An error (e.g. from an oversight, omission or miscalculation) that results in the reported quantity being significantly different to the true value to an extent that will influence performance or decisions. This definition is taken from the *GHG Protocol – Corporate Standard* (WBCSD and WRI, 2004).

Materiality

See Material.

National Administrator for the National Australian Built Environment Rating System (the NABERS Administrator)

NABERS is a national program managed by the NABERS National Administrator, the NSW Government's Department of Planning, Industry and Environment (DPIE), and overseen by a National Steering Committee. The NSW DPIE manages the operation and development of NABERS throughout Australia on behalf of the National Steering Committee.

National Australian Built Environment Rating System (NABERS)

A national rating system that measures the environmental performance of Australian buildings and tenancies. Put simply, NABERS measures the energy efficiency, water usage, waste management and indoor environment quality of a building or tenancy and its impact on the environment.

National Greenhouse and Energy Reporting (NGER) Scheme

The national reporting framework for information related to greenhouse gas emissions, energy production and use by 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.

National Carbon Offset Standard

The previous name of the Climate Active Carbon Neutral Certification Standard.

NGER Act

National Greenhouse and Energy Reporting Act 2007.

Non-attributable processes

Processes and services, materials and energy flows that are not directly connected to the studied product because they do not become the product, make the product, or directly carry the product through its life cycle.

Notice of Certification

A formal letter of acknowledgement from the Department to the responsible entity informing it that its application for Climate Active certification has been successful.

Notice of Continuing Certification

A formal letter of acknowledgement from the Department to the responsible entity informing it that its annual obligations for Climate Active certification has been met.

Offsetting

The activity of cancelling offset units.

Offset unit

Represents reductions of greenhouse gases or removals of greenhouse gases from the atmosphere by sinks, relative to a business-as-usual baseline. Offset units are tradeable and can be used to negate (or offset) all or part of another entity's emissions.

Organisation

A company, corporation, firm, enterprise, authority or institution, or a combination thereof, incorporated or not, public or private, that has its own functions and administration. This may also include an organisation that shares functions and/or administration with another organisation.

Permanence

A requirement that offset units represent reductions in emissions or an increase in carbon sequestration that is permanently maintained and is not re-released into the atmosphere.

Precinct

A precinct or district is a discernible area 'more than a building and less than a city' and is primarily defined by its geographic boundaries, which, at a minimum, must incorporate public infrastructure beyond a single building.

Process map

An illustration which shows the different processes where materials and energy are brought together to move a product or service through its lifecycle. See Figure 7.2 of the *GHG Protocol – Corporate Standard* (WBCSD and WRI, 2004) for a sample process map.

Product

A tangible (and usually physical) good.

Relevance

Concept adapted from the This definition is taken from the *GHG Protocol – Corporate Standard* (WBCSD and WRI, 2004) for ensuring the carbon account of a subject appropriately reflects the emissions of that subject and meets the expectations of users and stakeholders. See Section 2.3 for further details.

Relevance test

Qualitative test for determining whether certain emissions sources are or are not considered relevant. See Section 2.3 for further details.

Removal Unit (RMU)

A unit created under the Kyoto Protocol corresponding to one metric tonne of carbon dioxide equivalent emissions sequestered and issued for removals of carbon dioxide from the atmosphere by eligible land use, land-use change and forestry activities.

Responsible entity

The organisation or person (with appropriate delegation to sign on behalf of the organisation) that has taken responsibility for making a carbon neutral claim or seeking carbon neutral certification.

Scope

The categorising of emissions sources into direct and indirect sources. See individual definitions for scope 1 emissions, scope 2 emissions and scope 3 emissions. Further details in Section 2.3.2.

Scope 1 emissions

The release of greenhouse gases into the atmosphere as a direct result of activities occurring within a responsible entity's control (or geographic boundary).

Scope 2 emissions

The release of greenhouse gases into the atmosphere from the consumption of electricity, heating, cooling or steam that is generated outside of a responsible entity's control (or geographic boundary).

Scope 3 emissions

Greenhouse gases emitted as a consequence of a responsible entity's activities but emitted outside the responsible entity's control (or geographic boundary).

Sequestration

The removal of atmospheric carbon dioxide, either through biological processes (e.g. photosynthesis in plants and trees) or geological processes (e.g. storage of carbon dioxide in underground reservoirs).

Service

A transaction in which no physical good is transferred between the seller and buyer.

Significant emissions

Emissions that make up more than five per cent of the total carbon account for an event certification and always includes electricity, attendee travel, food and drink, and accommodation.

Small event

Less than 5,000 unique attendees over the course of a multi-day event; or less than 10,000 unique attendees at a single-day event.

True-up

The calculation to determine if additional eligible offset units must be purchased after the measurement of a post-event carbon account

Uplift factor

A factor used to increase the estimated emissions from an activity, usually by a risk-adjusted proportion or percentage, and mitigate the risk of emissions being underestimated in the *carbon account*

User Guide for the Climate Active Carbon Neutral Certification Trade Mark (User Guide)

Sets out the rules that govern how and when the certification trade mark can be used.

Verified Carbon Unit (VCU)

A unit corresponding to one metric tonne of carbon dioxide equivalent emissions reduced or avoided, as certified and issued under the Verified Carbon Standard.

Verified Emissions Reduction (VER)

A unit corresponding to one metric tonne of carbon dioxide equivalent emissions reduced or avoided, as certified and issued under the Gold Standard, a global standard for projects that deliver carbon abatement and other social and environmental benefits.

Vintage

Refers to the date of issuance of an offset unit.

Appendix A:

Eligible offset units

Eligible offset units

All units must have a vintage year later than 2012.

The following offset units are eligible under the Climate Active Carbon Neutral Standard:

- Australian Carbon Credit Units (ACCUs) issued by the Clean Energy Regulator in accordance with the framework established by the *Carbon Credits (Carbon Farming Initiative) Act 2011*.
- Certified Emissions Reductions (CERs) issued as per the rules of the Kyoto Protocol from Clean Development Mechanism projects, with the exception of:
 - long-term (LCERs) and temporary (tCERs); and
 - CERs from nuclear projects, the destruction of trifluoromethane, the destruction of nitrous oxide from adipic acid plants or from large-scale hydro-electric projects not consistent with criteria adopted by the EU (based on the World Commission on Dams guidelines).
- Removal Units (RMUs) issued by a Kyoto Protocol country on the basis of land use, land-use change and forestry activities under Article 3.3 or Article 3.4 of the Kyoto Protocol.
- Verified Emissions Reductions (VERs) issued by the Gold Standard.
 - Abatement recognised by the Gold Standard may be subject to the possibility of double counting; for example, where the abatement occurs in a host country or region that is affected by international or national emissions trading, cap and trade or carbon tax mechanisms. Please see the Gold Standard's Double Counting Guideline for full details.
 - Where the additionality of a VER is ensured through the cancellation of an Eligible Cancellation Unit (as defined by the Gold Standard), that VER is only eligible for use under the Climate Active Carbon Neutral Standard where the applicable Eligible Cancellation Unit would also have been eligible under the Climate Active Carbon Neutral Standard.
- Verified Carbon Units (VCUs) issued by the Verified Carbon Standard.

This list of eligible offset units will be updated as new information or new offset units become available. This may result in the addition of new offset units or the removal of existing ones.

A decision framework based on the offset integrity principles (Section 1.3.1) is used to determine the eligibility of new offset units and to review the eligibility of existing units.

Australian Carbon Credit Units

If a responsible entity is generating Australian Carbon Credit Units (ACCUs) within their emissions boundary, any reductions from the ACCU project can only be counted as a reduction in the carbon account if the ACCUs from the project are voluntarily retired on behalf of the responsible entity. Otherwise, the responsible entity is required to account for the ACCU project's emissions reductions by purchasing offsets equivalent to the reductions from the ACCU project (i.e. as though the projects has never occurred).

Additional guidance on offset units is available at www.climateactive.org.au.

