



**International Federation of Accountants**

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# Agenda Item 6

**Committee:** IAASB  
**Meeting Location:** Brussels  
**Meeting Date:** December 8-11, 2008

## **Assurance Carbon Emissions Information**

### **A. Objectives of Agenda Item**

A1. To provide direction on the matters identified in the attached Issues Paper and on the form of output for this project

### **B. Task Force**

B.1 Prof. Roger Simnett (former IAASB member, and chair of the IFAC Sustainability Experts Advisory Panel) and Caithlin McCabe (IAASB member) have been appointed as co-chairs of the task force.

B2. Given the need for emissions-specific expertise on this project, a Project Advisory Panel of 14 members has been established, and has assisted with the content of the roundtables (see paragraph C.1 below), and the preparation of the Issues Paper. PAP members are:

- Prof. Dr. Peter Eimers, PricewaterhouseCoopers, The Netherlands
- Maria Fatima Reyes, Philippine Institute of CPAs, Philippines
- Dr. Nancy Kamp-Roelands, Ernst & Young, The Netherlands
- Julie Desjardins, CICA, Canada
- Drs. Jeroen Kruijd, PricewaterhouseCoopers, The Netherlands
- Stirling Habbitts, ING Wholesale Banking, The Netherlands
- Yoichi Mori, JICPA, Japan
- James McKenzie, Office of the Auditor General of Canada
- Robert Casamento, Ernst & Young, UK
- Eric Dugelay, Deloitte Conseil, France
- Alun Bowen, KPMG Audit LLC, Kazakhstan
- Richard Spencer, ICAEW, UK
- Eric Koudijs, KPMG Sustainability, The Netherlands
- Beth A. Schneider, Deloitte & Touche, USA

- B.3 Further members will be appointed to the task force after the IAASB's discussion of the Issues Paper.

## C. Background

- C.1 The IAASB approved the project proposal on this topic at its December 2007 (Washington) meeting. Since that time, 4 roundtables have been, or will be, held as follows:

- Two Oceania roundtables, each with around 25-30 participants, were held in Sydney and Melbourne in May. They were held in conjunction with the University of NSW as part of an Australian Research Council grant to explore this topic. The Institute of Chartered Accountants in Australia and CPA Australia hosted the roundtables.

Australia has a number of voluntary and state-based regulatory schemes currently in operation, has recently introduced a National Greenhouse and Energy Reporting Act, and in 2010 will commence a national emissions trading scheme. In October, the Department of Climate Change released an "External Audit Consultation Paper" canvassing such issues as the scope of audits, which standards should be applied, and the qualifications of auditors.

- One North American roundtable, with 30 participants, was held in Toronto in September. The Canadian Institute of Chartered Accountants hosted the roundtable.

Most participants were from Canada. Both the Canadian federal government and the Alberta government have introduced mandatory reporting requirements for major emitters, and have set emissions intensity limits. The Canadian federal government has also set out a regulatory framework to establish a national emissions trading scheme.

- One European roundtable will be held in Brussels on 5 December. It will be hosted by the Fédération des Experts Comptables Européens

Europe has had an emissions trading scheme since 2005. The European Union Greenhouse Gas Emission Trading Scheme (EU ETS) is the largest multi-national emissions trading scheme in the world. It covers more than 10,000 installations in the energy and industrial sectors which are collectively responsible for close to half of the EU's emissions of CO<sub>2</sub> and 40% of its total greenhouse gas emissions. In addition, some member states have additional reporting or trading systems, for example, the UK's Carbon Reduction Commitment (formerly the Energy Performance Commitment).

- C2. The roundtables held to date have had representatives from a diverse range of stakeholders, including:

- Accounting firms and accounting bodies
- Government regulators and policymakers
- Reporting companies

- Auditors-Generals' Offices
  - Non-accounting assurers and standard-setters
  - Institutional investors
  - NGOs
  - Academics, and
  - Legal profession.
- C3. The Oceania roundtables were principally open, exploratory discussions to identify key issues and seek initial direction. The North American roundtable debated key issues identified at the Oceania roundtables, using a "straw man" skeleton ISAE to focus discussions. The European roundtable will discuss the attached Issues Paper. A verbal report on the European roundtable will be provided at the IAASB meeting.

#### **D. Issues**

##### *Technical issues*

- D.1 The IAASB is asked to consider the attached Issues Paper. As well as providing direction on the technical issues raised in the attached, consideration of those issues will help inform the Board's discussion of the following issue, i.e., form of output.

##### *Form of output*

- D.1 The IAASB is asked to provide guidance on the form of output that it expects for this project. When adopting this project, the IAASB noted that the final output is likely to be a new International Standard on Assurance Engagements (ISAE). However, the IAASB recognized the possibility that another form of output may be appropriate, either as an interim step or as a final product, e.g., a practice statement, or a consultation paper.
- D.2 Discussions at the roundtables held to date indicate a desire amongst stakeholders for the IAASB to produce an ISAE, however, a final conclusion on this matter has not yet been formed as the roundtable consultation process is not yet complete. Points raised in consultations to date that are relevant when considering the form of output include:
- If the output of the IAASB project is not a standard, it may not gain general acceptance within the regulatory community.<sup>1</sup>
  - Timing is important – disclosure and associated assurance of GHG emissions is increasing rapidly, and suitable guidance is needed to assist practitioners as soon as possible.
  - The due process to produce a standard or practice statement takes longer to complete than the due process for, e.g., a consultation paper.

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<sup>1</sup> Some regulatory schemes may recognize ISO 1064-3:2006 "Greenhouse gases — Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions" released in 2006 by the International Organization for Standardization.

- GHG assurance is an evolving area, and regulatory overlays in a number of jurisdictions are affecting the direction of that evolution. It is also an area that is relatively new to a number of IAASB members. If the IAASB decides an ISAE or practice statement is appropriate, an interim step such as a consultation paper may be appropriate to ensure the broadest possible range of input prior to releasing an exposure draft.

#### **E. Presentation**

- E.1 Prior to discussion of the Issues Paper an overview of the emissions landscape will be provided in the form a short presentation by the co-chairs of the task force and emissions assurance experts from Europe.

#### **F. Material Presented**

Agenda Item 6-A            Issues Paper

(Pages 3670 – 3698)

Agenda Item 6-B            Example Emissions Inventory

(Pages 3699 – 3700)

Source: <http://fsd.monash.edu.au/files/CarbonNeutralStrategy12Sep08.doc>

#### **G. Action Requested**

- G.1 The IAASB is asked to provide direction on the matters identified in the attached Issues Paper (**Agenda Item 6-A**) and on the form of output for this project.