

Submissions
Climate Change Authority
GPO Box 1944
Melbourne VIC 3001

31 October 2014

Dear Sir/Madam,

Re: Clear Environment Submission to the Carbon Farming Initiative Review Issues Paper (October 2014)

Thank you for the opportunity to provide this Submission to the Climate Change Authority on the current Carbon Farming Initiative (CFI) Review.

Clear Environment is a niche environmental consulting firm that is active in the provision of assurance services under various 'Green Schemes'. We have conducted over 150 assurance engagements under various schemes in the past three years. This includes the conduct of approximately 20 CFI assurance engagements.

This submission is in relation to the proposed 'Audit Frameworks'. In particular, the proposal that "the CER will determine the level of assurance, frequency and scope of audits required for a project or type of project...project owners will be required to submit a minimum of three audits over the crediting period, and that additional audits would be determined by the CER using a risk based approach."

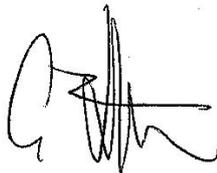
We disagree with the above proposal and believe that **audits should be mandatory prior to the issue of credits on each occasion**. This is for the following reasons:

- The current approach to audit and verification achieves the right balance in managing risks. From our experience of conducting CFI assurance engagements, nearly half of those engagements have identified material misstatements that were corrected during the course of the engagement.
- If project owners were issued credits prior to audit, and material issues were identified in the subsequent audit, this would introduce significant administrative issues to the regulator and potential hardship to project owners from 'make good' provisions. Providing assurance prior to the issue of credits, on each occasion, provides certainty to both the regulator and the project owner.
- In our experience, the cost of audit is low in relation to the value of credits. Typically the audit fees of engagements that we have conducted have ranged from 0.5% to 2.0% of the value of the credits. This does not present a significant barrier to uptake of the CFI. We acknowledge that that some Methodologies are less cost effective than others. However, when analysing project feasibility, audit fees can easily be taken into account by project owners.
- The proposed approach would significantly increase the administrative burden on the Regulator. It would also make it more difficult for project owners to assess project feasibility, as the Regulator would determine audit and assurance requirements on a 'case-by-case' basis.

The audit function is essential to maintaining the integrity of credits under the CFI. As such, the audit function should not be weakened. This is consistent with the goal of ensuring “genuine emissions reductions”.

Thank you for the opportunity to provide this submission.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'G Loftus', with a stylized flourish at the end.

Greg Loftus
Director
Clear Environment Pty Ltd