



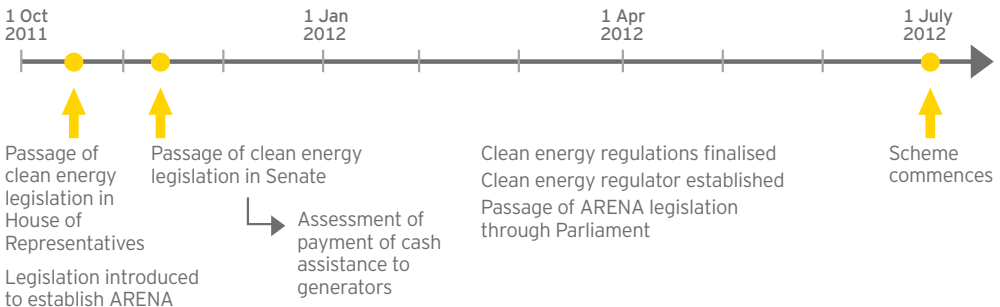
Helping you navigate the complexities of carbon pricing policy

Assessing your carbon risks, liabilities, costs and opportunities will enhance the competitiveness of your business as you navigate the challenges of carbon pricing policy.

The challenge is clear. With the passage of the *Clean Energy Bill 2011* through Parliament in November 2011, we will have a price on carbon in Australia.

The timetable for implementation is extremely challenging. With a starting date of 1 July 2012, there is little time to develop and

implement a comprehensive strategy that reduces risks and maximises opportunity in the new business environment. Given the expected impact of the cost of carbon across the economy and timing, your business may have considerable value at stake. Are you ready?



Helping you navigate the complexities

Ernst & Young's multidisciplinary climate change team is ready to work with you. Our insights, experience and pragmatic advice will accelerate and strengthen your response to future climate change legislation, supporting you through this challenging process.

Understand your greenhouse gas emissions profile

As we look ahead, having a robust and reliable greenhouse gas emissions tracking process will become as important as accurately reporting company earnings. This is important not just for those liable entities, but for those other impacted companies who will be exposed to a carbon, and therefore the flow on effects of carbon price, across the value chain.

Our understanding of and experience with greenhouse gas emissions profiles enables us to offer services that will create value and help you avoid problems in the future.

We have provided assurance over greenhouse gas accounts, National Greenhouse and Energy Reporting System (NGERS) reports and emission intensive trade exposed (EITE) assistance data to liable and impacted companies across all industries, including oil and gas, mining and resources, power and utilities and manufacturing.

We have also assisted companies in developing their greenhouse gas calculations, monitoring and reporting systems in their own business as well as their supply chains.



Navigate the legislation and identify implications to your business

The Clean Energy Legislation Package is complex. Industry sectors will be impacted to varying degrees based on the nature of their activities and the way in which the legislation seeks to administer a price on carbon.

Using an advisor who understands the “ins and outs” of the legislation and has experience of the regulatory requirements of carbon markets can help ensure that you realise the impacts to your business and meet **your** compliance obligations.

We have advised on the development of the NSW Abatement Scheme, the development and administration of NGERs, the previously proposed Carbon Pollution Reduction Scheme (CPRS) and more recently aspects of the administration of the current Clean Energy Legislation Package.

We have also supported our clients in various stages of their journey as they seek to understand the intricacies of the legislation and use this knowledge to build a platform for making strategic decisions about operating in a carbon constrained economy.

This includes assistance and advice with:

- ▶ Identifying liabilities
- ▶ Understanding options available to transfer or take on liability to better manage obligations
- ▶ Quantifying direct and indirect impacts of carbon prices, including development, or review, of carbon price models
- ▶ Understanding obligation requirements
- ▶ Identifying options for purchasing credits to meet liability (e.g., Carbon Farming Initiative credits)
- ▶ Understanding and identifying options available to leverage grant funding, tax incentives and other assistance available

Whatever your challenge, our team has the right skills and industry knowledge to support you on capitalising opportunities and reducing risks in a carbon economy

Prepare for implementation and beyond

A carbon price will have an impact on the operation of most functions of a business (e.g., finance, information technology and legal). Without successful planning and consideration of what changes are required within your business, you may find your business is unprepared for a 1 July 2012 start date. So how do you coordinate a response and ensure you are ready?

We can help you manage your implementation program and beyond – whatever the size or structure of your business. We have experience on the implementation of frameworks, policies, processes and controls to support you with doing business in changing business environments.

We have previously supported companies preparing for the CPRS and have experience assisting leading players in international carbon markets including the European Union Emissions Trading Scheme and New Zealand Emissions Trading Scheme.

Whether you are seeking advice on your accounting policy, governance structures, changes to supply/customer contracts and pricing strategies, management of permits, asset impairment tests or monitoring and compliance systems we can help.

Quick “10 step” implementation checklist for liable and impacted companies

To help in planning for the implementation of the fixed price period commencing 1 July 2012, businesses should consider undertaking the following tasks, if not already completed:

- 1 Establish a Governance Committee or equivalent to help ensure all issues are effectively managed
- 2 Identify your direct obligations and develop processes for managing compliance
- 3 Look at joint venture agreements and confirm or agree who will take on liability
- 4 Determine asset valuations and perform fully costed impairment tests
- 5 Develop or review your model to assess the impact of carbon from upstream suppliers
- 6 Assess strategies to pass on the carbon pricing costs to downstream customers and markets
- 7 Develop your accounting treatment policy
- 8 Validate the quality of your emissions data
- 9 Develop a Marginal Abatement Cost Curve to assess the internal cost of reducing emissions to establish a hierarchy of investment
- 10 Be prepared to identify and apply for the various grant schemes where you could be eligible to receive funding

For more information contact:



Mathew Nelson
Oceania Leader
Climate Change and
Sustainability Services
Tel: +61 3 9288 8121
mathew.nelson@au.ey.com



Matt Honey
Partner
Assurance
Tel: +61 3 9288 8914
matt.honey@au.ey.com



Michele Villa
Partner
Climate Change and
Sustainability Services
Tel: +61 8 9429 2193
michele.villa@au.ey.com



Richard Keany
Partner
Advisory
Tel: +61 3 9655 2933
richard.keany@au.ey.com



Matthew Bell
Executive Director
Climate Change and
Sustainability Services
Tel: +61 2 9248 4216
matthew.bell@au.ey.com



Michael Daly
Partner
Transaction Advisory Services
Tel: +61 3 9288 8343
michael.daly@au.ey.com



Peter Ferguson
Executive Director
Tax
Tel: +61 8 9429 2186
peter.ferguson@au.ey.com

www.ey.com/au/climatechange

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