



Australian Government

**Department of Industry, Innovation,
Climate Change, Science, Research
and Tertiary Education**

National Carbon Offset Standard Carbon Neutral Program

Guidelines

Version 3.0 (5 June 2013)



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ISBN: 978-1-921299-02-5

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1 Introduction

The National Carbon Offset Standard (the Standard), effective on 1 July 2010, provides a benchmark for consumers and businesses to assess claims of carbon neutrality or the credibility of carbon offset products available for sale in the voluntary carbon market.

The National Carbon Offset Standard (NCOS) Carbon Neutral Program (the Program) allows the operations of organisations, products and events held in Australia to be certified as carbon neutral in accordance with the Standard.

Under the Standard carbon neutrality refers to a situation where the net emissions associated with a product or an organisation's activities are equal to zero. This is achieved through the reduction of emissions and, for any remaining emissions, the acquisition and cancellation¹ of carbon offsets that meet stringent criteria.

1.1 Purpose of these Guidelines

The purpose of these guidelines is to outline the steps that must be undertaken to be certified carbon neutral under the Program.

In line with best practice under the Standard, participants are required to:

- measure the carbon footprint of your organisation, product or event;
- monitor and reduce emissions (to the extent possible); and
- purchase and cancel sufficient eligible carbon offset units to offset the remaining emissions associated with the organisation or product.

The Program also requires that the steps taken to measure, reduce and offset emissions are made transparent so that any carbon neutral claims can be objectively assessed by the public.

Through this approach, an organisation's investment in the measurement of its carbon footprint can serve multiple goals including better management of emissions.

These Guidelines and the guidance templates are intended to assist you to achieve and maintain certification of your carbon neutral organisation or product under the Standard.

The Guidelines, in conjunction with the Standard, set out the requirements that applicants must satisfy to achieve certification under the Program. The Guidelines will assist you to manage and achieve your carbon neutral commitments in a consistent, credible and transparent manner.

¹ Some voluntary carbon unit registers refer to cancellation as retirement.

As part of the certification process applicants must execute the *NCOS Carbon Neutral Administration Agreement* and *Certification Trade Mark Licence* (the licence). The licence outlines reporting periods and fees, as well as granting certified participants the right to use the NCOS Carbon Neutral Trade Mark to promote their carbon neutrality. Section 3 of these Guidelines has details on the licence arrangements.

For the guidance templates and further information, refer to the website below:

www.innovation.gov.au

Contact Details

For further information about the NCOS Carbon Neutral Program please contact the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (contact details below).

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2 Key Steps for achieving and maintaining NCOS Carbon Neutral Certification

Participating in the Program encourages best practice to measure, reduce and offset the greenhouse gas emissions associated with the carbon footprint of your organisation or product.

The phases of the Program are:

- preparing an application package,
- auditing,
- certification, and
- ongoing management and reporting of emissions.

The key steps of each phase are outlined in Figure 1.

2.1 Step 1 Calculating your carbon footprint

There are two accepted approaches for calculating a carbon footprint:

- the greenhouse gas (GHG) inventory approach, and
- the life cycle assessment (LCA) approach.

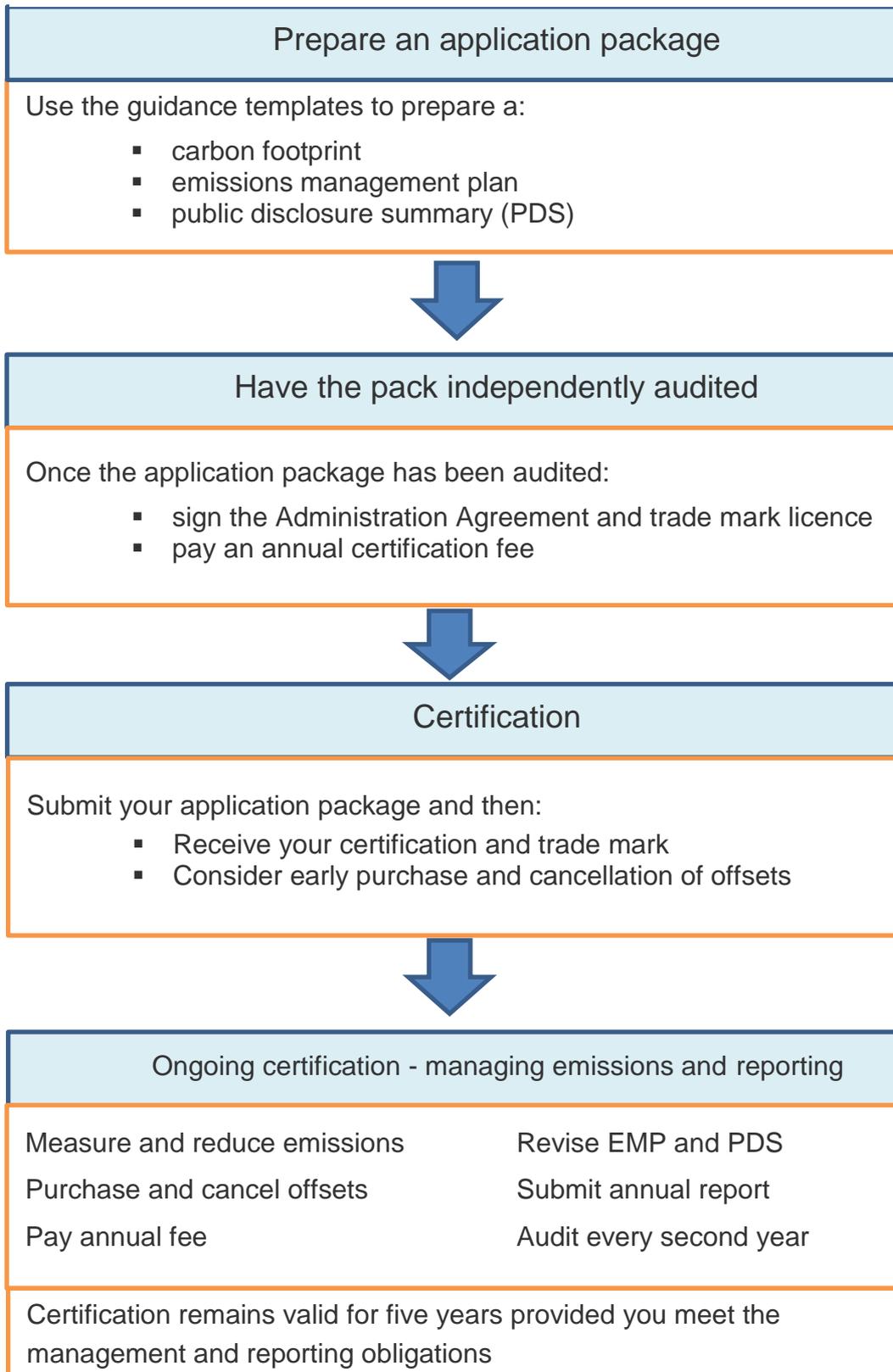
Under the Standard, when calculating the carbon footprint of an organisation or event, either the GHG inventory approach or the LCA approach may be used but the approach selected must be used consistently. When calculating the footprint of products and services the LCA approach must be used.

Section 4.1 of the Standard sets out principles that guide the carbon footprint calculation regardless of the calculation approach used. The principles are:

- relevance,
- completeness,
- consistency,
- transparency, and
- accuracy.

The principles are based on those outlined in the Greenhouse Gas (GHG) Protocol and adopted under the National Greenhouse and Energy Reporting (NGER) scheme. They are consistent with those outlined under other Australian and international standards referenced throughout the Standard, including ISO 14064:2006 and ISO 14040:2006.

Figure 1. NCOS Carbon Neutral Program certification process



For organisations and events, deciding which carbon footprint approach to use may depend on what kind of carbon neutral claim you wish to make and where the boundary of your carbon footprint is likely to be drawn. In such cases, you should contact the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (the Department) to discuss your specific circumstances.

You may choose to prepare your own carbon footprint or engage a consultant to prepare your carbon footprint or provide technical advice. If you choose to engage an external consultant, you should choose a consultant who is experienced in the method you have chosen for your carbon footprint.

2.1.1 Greenhouse gas inventory approach

To calculate a carbon footprint using the GHG inventory approach you will need to follow current domestic and international standards, and the detailed process outlined in section 4.2 of the Standard.

The Australian standard AS ISO 14064.1:2006, the *National Greenhouse and Energy Reporting Act 2007* (NGER Act) and supporting documentation including the NGER (Measurement) Determination 2008, and the GHG Protocol provide guidance for organisations on how to prepare a GHG inventory. Other international standards that draw on the ISO 14064 series may also be applied.

The following sections of the Standard describe the steps you will need to take to complete a carbon footprint using the GHG inventory approach:

- Section 4.2.1: Defining the boundary of an organisation;
- Section 4.2.2: Setting a base year and base year re-calculation policy;
- Section 4.2.3: Emissions sources associated with the organisational boundary;
- Section 4.2.4: Emissions factors and calculation methodology; and
- Section 4.2.5: Emissions attributable to the organisation.

If your organisation reports its scope 1 and 2 emissions under the NGER Act, you can use your NGER report as part of your GHG inventory. Your GHG inventory will therefore need to reference the NGER report where applicable and address scope 3 emissions and other issues not already covered in your NGER report. Some organisations that report under the NGER Act may have scope 1 emission sources that fall below the NGER reportable threshold or are only required to be reported by particular industries. In such cases the information will need to be compiled for inclusion in NCOS Carbon Neutral Program reporting.

An organisation must consider calculation of any significant scope 3 emissions associated with the defined boundary (refer to section 4.2.3 of the Standard for

guidance). If an organisation has any concerns about how they are accounting for scope 3 emissions they should contact the Department.

Organisations should justify exclusion of any emission sources in accordance with section 4.1(b) of the Standard, which relates to the principle of completeness.

For information on the format of the GHG inventory, refer to the guidance template at www.innovation.com.au. Please contact the Department for assistance with using the guidance template.

2.1.2 Life cycle assessment approach

To calculate the carbon footprint of a product you must undertake a greenhouse gas life LCA. Note that the definition of product in these Guidelines includes any goods or service.

The LCA must be performed in accordance with current international standards.

International standard ISO 14040:2006 and ISO 14044:2006 provide guidance on how to undertake an LCA.

Other international standards based on the ISO 14040 series may also be applied, such as the British Standard PAS 2050 and the GHG Protocol- Product Life Cycle Accounting and Reporting Standard (2011).

The ISO 14040 series of standards provide the general framework, principles and requirements for conducting and reporting LCA studies. These standards deal with all the impacts of a product on resources including the use of water, raw materials (such as metals or fibres), and energy.

The LCA required for NCOS Carbon Neutral certification only needs to determine the greenhouse gas emissions attributable to your product. You do not need to calculate the other environmental impacts of your product.

The following sections of the Standard describe the steps you will need to take to complete a carbon footprint using the LCA method:

- Section 4.3.1: Defining the scope, including the system boundary;
- Section 4.3.2: Setting a base year and base year re-calculation policy;
- Section 4.3.3: Emissions sources within the system boundary;
- Section 4.3.4: Life cycle inventory analysis; and
- Section 4.3.5: Emissions attributable to the life cycle of the product.

Refer to NCOS section 4.3.1, for stages of the product life cycle that should be included in an LCA.

Program participants are able to export NCOS Carbon Neutral Certified products bearing the certification trade mark overseas as long as the product's carbon footprint accurately reflects the lifecycle of the product, including transport to overseas destinations and any other stages of the lifecycle as appropriate. It is the exporter's responsibility to ensure compliance with laws relevant to carbon neutral claims in countries to which they export.

Refer to www.innovation.gov.au for a guidance template to assist with preparing an LCA. Please contact the Department for assistance with using the guidance template.

2.1.3 Uncertainty

The Standard requires uncertainty associated with scope 1 emissions to be estimated in accordance with the NGER (Measurement) Determination 2008. This highlights the possible situations where the uncertainty associated with part of your carbon footprint is significant. This may have implications for claiming carbon neutrality. Please contact the Department if you need to discuss this aspect of your carbon footprint.

2.1.4 Emission Factors

Emission factors used in calculating your footprint can change over time. The most recently published version of the National Greenhouse Account (NGA) Factors from the Department should be used. The NGA Factors can be found at: www.innovation.gov.au.

If you are using your NGER report you would be expected to have used the factors under the NGER (Measurement) Determination for the NGER report component of your carbon footprint.

Organisations should refer to the National Greenhouse Accounts (NGA) Factors for scope 1 and 2 emission factors as well as scope 3 emission factors for waste, wastewater, specific solid, liquid and gaseous fuels and electricity. For guidance on factors not available in the NGA Factors, refer to Annex 1. Annex 1 summarises sources for scope 3 emission factors recognised by the Department for the purposes of this Program. If an organisation wishes to use other factors from credible sources, the justification for this choice should be outlined in the carbon footprint and appropriate supporting documentation provided for the auditor's consideration (Annex 1 refers).

2.1.5 Purchasing accredited GreenPower™ and GreenPower™-eligible Renewable Energy Certificates

The purchase of GreenPower™ and the voluntary cancellation of Renewable Energy Certificates (RECs) generated by accredited GreenPower™ generators (GreenPower™-RECs) is considered to be equivalent to the direct use of renewable energy. On that basis, GreenPower™ and voluntary cancellation of GreenPower™ RECs (including where self-generated) are treated as a zero-

emissions electricity source in a product's LCA or an organisation's GHG inventory.

Small-scale Technology Certificates (STCs) are not eligible for the Standard's purposes as they are excluded under the GreenPower™ Program Rules.

Where RECs have been purchased from an entity that has claimed the associated emissions reduction, for this or any other program including as part of NGER reporting obligations, those RECs cannot be used to claim zero emissions.

Organisations should record in their LCA or GHG inventory the total amount of electricity consumed by the organisation or in the production of a product in the reporting period, together with the amount of GreenPower™ purchased and/or the number of GreenPower™-eligible RECs voluntarily cancelled. A zero emissions factor can be applied to the proportion of electricity consumption from GreenPower™ or for which GreenPower™-eligible RECs have been voluntarily cancelled.

Scope 2 indirect emissions from electricity consumption reported in the LCA or the GHG inventory cannot be less than zero. If GreenPower™ is purchased or GreenPower™-eligible RECs voluntarily cancelled are in excess of the amount of electricity consumed, then electricity emissions are recorded as zero in the LCA or GHG inventory. GreenPower™ purchases and the voluntary cancellation of GreenPower™-eligible RECs are not recognised as eligible offsets under the Standard.

Organisations using their NGER report as a basis for their GHG inventory may calculate their gross carbon footprint using the grid factor for all electricity consumed. They may then deduct the portion of scope 2 electricity emissions equivalent to the amount of GreenPower™ purchased or GreenPower™-eligible RECs voluntarily cancelled to produce a carbon footprint net of GreenPower™ or other renewable energy.

Please refer to Annex 2 for worked examples on GreenPower™.

2.1.6 Including NCOS carbon neutral products and services in your calculations

Where products, services and events which are certified as carbon neutral under the NCOS Carbon Neutral Program are used in a participants activities, these contribute zero emissions to your carbon footprint. For example, if the manufacture of a product involves an input that is NCOS-certified carbon neutral, then that input will contribute zero emissions to that product's LCA. While offsets are not required to be cancelled for the emissions from the use of these carbon neutral products, the use of the carbon neutral products must be reported on as part of the LCA to ensure transparency and completeness of the footprint. Participants are not required to quantify the emissions from these sources.

The emissions associated with products that claim to be carbon neutral but are not certified under the NCOS are not considered as zero emissions. They must be included and quantified in the carbon footprint.

2.2 Step 2: Prepare and Emissions Management Plan

The Emission Management Plan (EMP), set out in section 5.1 of the Standard, is an important requirement for achieving carbon neutrality. Some elements of the EMP under section 5.1 of the Standard will be included in your annual report and the public disclosure summary. Please follow the guidance template and the list below when preparing your EMP.

The EMP outlines the management framework, systems and processes you have in place to effectively manage your carbon neutral commitment from start to end. It should indicate how you have measured your carbon footprint and how you will go about identifying, implementing and monitoring emission reductions and purchasing and cancelling eligible offset units. A guidance template is available to assist you to prepare your EMP (refer to www.innovation.gov.au). In summary, your EMP must identify:

- the greenhouse gas emissions attributable to the activities of your organisation or product(s);
- an emissions reduction strategy including emissions reduction measures to be undertaken and quantity of emissions planned to be reduced over a specified timeframe;
- the equivalent quantity of carbon offsets required to offset the remaining emissions attributed to the product or organisation for the reporting period;
- how any changes in the greenhouse gas emissions attributable to the product, organisation or event will be identified and recorded;
- your strategy for purchasing and cancelling eligible carbon offset units for each reporting period;
- the records required, and the process for establishing and maintaining those records, to ensure that the greenhouse gas emissions attributable to your organisation or product, and any changes in these, are recorded in a timely manner;
- quality control practices in place to ensure a high level of data quality; and
- key stakeholders (internal and external) to be engaged in managing and delivering various aspects of your plan, including the processes for selecting and appointing an independent auditor to audit your LCA and/or GHG inventory, EMP and annual reports.

If your organisation reports under the Energy Efficiency Opportunities (EEO) program, you can use your EEO report as part of your EMP. Your EMP will therefore need to reference the EEO report where applicable and address the

remaining issues not already covered in your EEO report. Your independent auditor will need to access your EEO Report to provide assurance that the data is accurately represented in your EMP. The EMP is a living document and should be revised for any changes in measurement methodologies or as new emission reduction opportunities are identified.

Early purchase and cancellation of eligible offset units

To claim carbon neutrality, you must purchase and cancel a sufficient quantity of eligible offset units to offset the total emissions associated with your organisation or product for that reporting year. You are encouraged to purchase and cancel offsets early and regularly. Early purchases of units may be banked for future use.

For more details on the purchase and cancellation of eligible offset units refer to Step 7, section 2 of these Guidelines.

2.3 Step 3: Complete a Public Disclosure Summary

Transparency of information is important for maintaining consumer confidence in carbon neutral claims.

You will be required to complete the Public Disclosure Summary (PDS) in order to meet the requirements set out in section 5.3 of the Standard. The PDS template is available at: www.innovation.com.au.

Your public disclosure summary should be signed off by senior management, for example, by the appropriate Business Unit Leader or Chief Executive Officer.

The PDS will be posted on the Department website and must be made publically available on your own website. The level of detail and explanation required in the public disclosure summary should ensure the reader has a clear understanding of what the company has done to achieve carbon neutral certification in terms of determining the carbon footprint, measures to reduce absolute emissions or emissions intensity over time and offsetting. The public disclosure summary should follow an internal approvals process as if the document were appearing on your own company's website.

Outside of the public disclosure summary, information that you provide to the Department that is 'confidential' (i.e. not in the public domain) will be protected at all times and will not be publicly disclosed or included in public reports without your permission, unless required by law. These conditions are set out further in the licence. Should you have any concerns about disclosure of confidential information, please discuss this with the Department.

The PDS must be updated annually.

2.4 Step 4: Have your application package audited

To meet the requirements of the Standard, you are required to have your GHG inventory or LCA, EMP and public disclosure summary independently audited. These documents, along with the auditor's Independent Audit Report, comprise your 'application package'.

Independent auditing of your initial carbon footprint and EMP, as stated in section 6 of the Standard, confirms the emissions claim associated with your organisation or product and helps ensure the adequacy of your application package. This includes auditing the adequacy of emission methodologies and emission factors, other than those referred to in the Standard. The application package will need to have all the necessary supporting documentation for the auditor's consideration.

Auditors must be appropriately qualified to audit these documents according to the requirements of the Audit section of the Standard.

Suitably qualified auditors include individuals or bodies that:

- are registered under NGER Audit framework. The Register of Greenhouse and Energy Auditors is available on the Clean Energy Regulator website at www.cleanenergyregulator.gov.au; or
- are accredited to the international standard ISO 14065:2007 or recognised international standards based on ISO 14040.

The auditor will use the Audit Report Template specific to the NCOS Carbon Neutral Program to report their audit findings. The audit report will identify any issues or discrepancies in the carbon footprint measurement, EMP, public disclosure summary, offsetting arrangements, or annual report (where appropriate) against the requirements of the Standard.

Auditors will be obliged to check, and therefore have access to, the following as appropriate to your GHG inventory or LCA (further details on these are contained within the Audit Report Template):

- production processes, equipment, execution of services, facilities and personnel required for the operations of your organisation and the manufacture of your product;
- raw materials, semi-finished products, finished products and procured services related to the operations of your organisation and the manufacture of your product;
- records, including monitoring records, utility bills, test reports, failure reports, internal audit and management review records, customer complaints and statistics related to the operations of your organisation and the manufacture of your product; and

- your organisation's NGER report, if it has been used to develop your carbon footprint.

For your EMP, the auditor will be obliged to check that:

- your EMP includes all the elements set out in the guidance template; and
- information from your EEO report is accurately represented, if applicable.

Please note that auditors cannot audit future actions, but claims of reductions achieved in the EMP will have to be audited.

The auditor should state the audit standard to which the audit was carried out. Audit standards that must be applied are ISO 14064-3:2006 Greenhouse gas specification with guidance for the validation and verification of greenhouse gas assertions or ASAE 3000 Assurance Engagement other than Audits or Reviews of Historical Financial Information. If another auditing standard is to be applied the auditor must confirm that it is at least as demanding as these specified.

The expected level of assurance you must achieve as a result of an audit activity is that of a reasonable level. Scope 3 emissions are only required to be verified to a limited level of assurance (please refer to Annex 3 Glossary for definitions of assurance levels).

Auditors may provide applicants with Corrective Action Requests (CAR) and Observations and applicants should be provided with the opportunity to resolve these prior to the closure of the audit activity. If the independent audit has identified any material issues or discrepancies, they will advise whether you need to revise your documents or discuss the issues with the Department before they conclude the audit activity.

2.5 Step 5: Submit the application package

To have your organisation or product certified carbon neutral under the NCOS Carbon Neutral Program and be eligible to use the NCOS Carbon Neutral trade mark you need to submit your verified application package to the Department.

The audited application package includes your:

- GHG inventory or LCA;
- EMP, including evidence of early cancellation of offset units, if relevant;
- public disclosure summary; and
- independent auditors' report (audit of GHG inventory or LCA, EMP and public disclosure summary).

The Department will review the application and confirm that it meets the requirements of the Program Guidelines and the Standard. The Department

may contact you to request clarification or further information to assist with the evaluation.

When submitting your application package, you will be required to pay an annual certification fee to the Department. The Program is being run on a cost recovery basis by the Department and the annual certification fee covers the costs of program administration, support and promotion. Please contact the Department for information on fees. The certification fee applied depends on the size of the carbon footprint associated with the organisation, product or event, and the number of products to be certified.

You are also required to enter into a *NCOS Carbon Neutral Administration Agreement* and *Certification Trademark Licence* with the Department.

The Licence sets out your ongoing obligations in maintaining carbon neutral certification under the NCOS Carbon Neutral Program. When you have achieved certification, the Licence also allows you to use the trade mark for marketing and promotion in accordance with the NCOS Visual Style Guide available from the Department.

The Licence template can be obtained from the Department.

2.6 Step 6: Certification granted

The Department will make a decision on the certification of your organisation or product and will advise you of the decision in writing. If your activity achieves certification, there are ongoing requirements that are outlined in the Step 7.

If the application is unsuccessful, the Department will provide you with an explanation.

2.7 Step 7: Maintain certification

Once certified, the applicant must continue to meet the requirements of the Standard, the Guidelines, the licence, the Rules of Use of the NCOS Certification Trade Mark and the NCOS visual Style Guide. Certification may be revoked by the Department if the requirements are not met. The arrangements for events may differ depending on the event and will be settled through discussions with the Department.

The following steps provide guidance on what is necessary to maintain your certification and right to use the trade mark over the five year period of the Licence:

- Manage emissions;
- Purchase and cancel eligible carbon offset units;
- Report annually;
- Obtain an independent audit at the end of the first reporting period and then every two years; and

- Submit your documentation to the Department.

These steps are outlined in more detail below.

2.7.1 Manage Emissions

Section 5.1 of the Standard requires you to include an outline of the potential emission reduction activities you are going to undertake to reduce the overall carbon footprint of your organisation or product.

Some organisations may have already undertaken significant emissions reduction actions prior to joining the NCOS Carbon Neutral Program. To claim these actions as quantified emissions reductions under the NCOS Carbon Neutral Program you will need to have audited carbon footprints to show this. Other emissions reductions achieved before entering the Program will be considered by the Department and may be taken into account.

There may be circumstances where continuous, year-on-year reductions in emissions may not be either possible or cost effective. Recognising these circumstances, there is no mandatory requirement for year-on-year reductions or specific targets for reducing emissions. Nevertheless, you should achieve emissions reductions where possible and cost effective.

Emissions reductions may be achieved in many ways including:

- increasing energy efficiency, for example by employing energy efficient technologies;
- process changes/improvements, for example upgrading equipment;
- substituting products or inputs with those that are less emissions intensive; and/or
- simply doing less of something that generates emissions, for example flying and driving less and switching off lighting and air-conditioning when not in use.

Given that reduction activities aim to reduce the carbon footprint of your organisation or product, it is important to monitor your emissions each year to determine the quantity of residual emissions to be offset.

At the end of each reporting year, calculate the emissions generated by your organisation or product during that reporting year. Revise your EMP accordingly and review the emissions reduction actions as necessary for the following year.

2.7.2 Purchase and cancel eligible offset units

To claim carbon neutrality, you must purchase and cancel a sufficient quantity of eligible offset units to offset the total emissions associated with your organisation or product for that reporting year. Section 3 of the Standard lists offset units that are eligible under the Standard.

The cancellation of offset units purchased is important to prevent resale and double counting. There are a number of independently managed registers as well as those set up by suppliers and the administrators of the various offset standards. You need to consider the best and most appropriate cancellation approach for your organisation and the type of offset units you intend to purchase. Your cancellation strategy must be outlined in your EMP and public disclosure summary.

Organisations will need to keep records of and disclose the offset units in a registry and record appropriate details to audit this cancelling activity (for example, registry name, serial number, cancellation certificate). These details are required as part of the public disclosure summary.

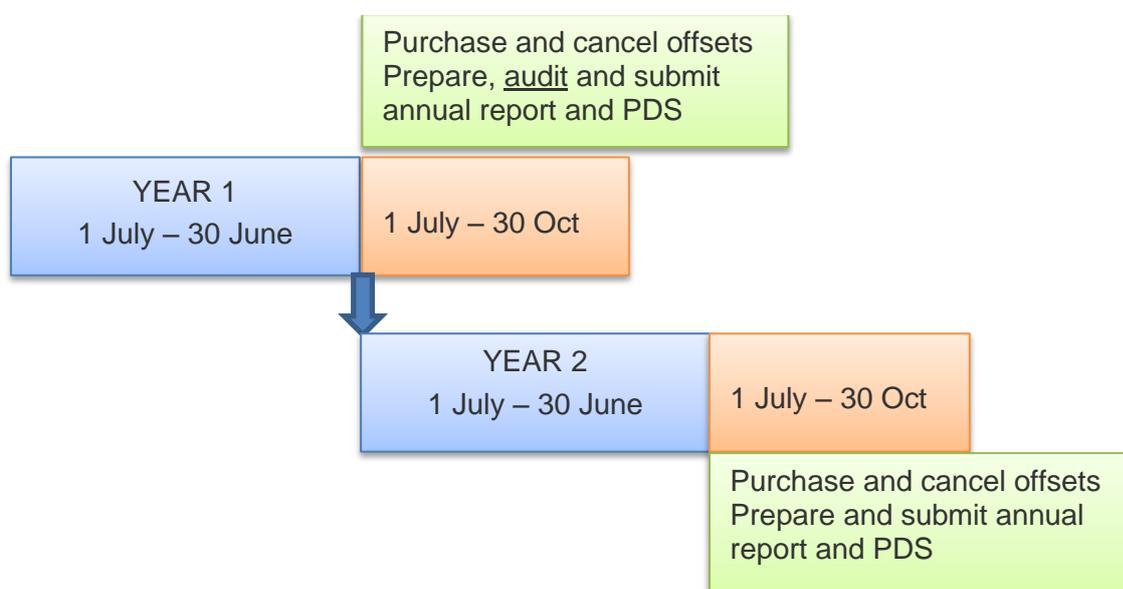
Although the purchase and cancellation of sufficient carbon offsets is not required until the end of the reporting period, you are encouraged to purchase and cancel offsets early and regularly. This means you can choose the timing to meet your business needs, and enables you to obtain a particular type of offset when it is available.

The purchase and cancellation of offsets needs to be completed within four months of the end of the reporting period or at the completion of the event. An example of this, using a financial year reporting approach, is outlined in Figure 2.

Eligible carbon offset units may be purchased for immediate use or they could be banked for future use.

Offsets may be obtained from international projects that meet the NCOS eligibility criteria. For guidance on purchasing international carbon offset units please refer to Annex 4 or contact the Department.

Figure 2. Timeframe for annual reporting, auditing and purchasing of offsets.
A reporting period is any 12 month period-for example a financial year.



2.7.3 Reporting

Annual reporting on your carbon neutral activities (including your public disclosure summary) keeps key stakeholders informed in an open and transparent manner and communicates your achievements in managing emissions.

The reporting timeframe is a twelve month period. You are free to choose the twelve month reporting period (such as financial or calendar year or other). Each reporting period, you must update your carbon footprint, update your EMP, and prepare an annual report and public disclosure summary based on these. You must submit your documentation to the Department within four months of the end of each reporting period.

The annual report guidance template should be used to prepare your report. Refer to: www.innovation.gov.au. Your annual report must include the following:

- the total emissions generated from your organisation or product in the reporting period;
- details of the quantity and type of eligible offset units purchased and cancelled;
- any changes to the carbon footprint calculation (LCA or GHG inventory) for your organisation or product;
- details of the emission management activities undertaken and any emission reductions achieved in the reporting period; and
- a summary of how you have marketed and communicated your carbon neutral certification, including the use of the NCOS Carbon Neutral Certification Trade Mark.

2.7.4 Regular independent audit

Independent auditing confirms your carbon neutral claim for the reporting period (i.e. whether you have accurately calculated the emissions associated with the product sold or generated by your organisation and purchased sufficient eligible carbon offset units to offset this). Auditing also assesses whether changes have occurred which impact your carbon footprint calculation and EMP.

You are required to have your GHG inventory/LCA, EMP, annual report and public disclosure summary independently audited at the end of the first year of certification and then at least every second year thereafter (i.e. at the end of years one, three and five). You can choose to have audit performed on an annual basis if you wish.

Note that in the initial year of certification only, there will most likely be a requirement for two separate audit activities to occur associated with:

- the initial application package, and

- the annual report.

There may be circumstances where this can be merged into the one activity. Please contact to the Department for further advice.

The Department may also require you to complete an audit in an interim year if your circumstances have changed significantly. Examples of significant change include: changes in organisational boundaries due to a merger/acquisition/deconsolidation, a significant change in calculation methodologies, or a significant change to a manufacturing process.

Once the independent auditor has completed their assessment they will provide you with an audit report using the Audit Report Template (refer to: www.innovation.gov.au).

2.7.5 Submit your documentation to the Department

The Department will review your documentation to evaluate whether it meets all the requirements of the Standard and the Guidelines to maintain certification. The Department will then make a decision regarding continued certification of your organisation or product.

A Notice of Continued Certification will be issued if the Department decides to continue certification of your organisation or product and you will need to pay the annual certification fee.

2.8 Step 8 Recertification

At the end of the five year period you will need to complete a recertification process and renew your Licence with the Department to continue to use the Trade Mark.

The Department will contact you closer to the time of the recertification to discuss the specific requirements in relation to the recertification.

3 Other

3.1 The Licence and use of the NCOS Carbon Neutral Certification Trade Mark



NCOS Carbon Neutral Certification allows you to obtain a Licence to use the NCOS Carbon Neutral Certification Trade Mark (the Trade Mark) to help you market and promote your carbon neutral achievement.

Use of the Trade Mark should be in accordance with the *Rules for Use of the NCOS Certification Trade Mark* (Rules of Use) and the *NCOS Visual Style Guide* (available from the Department on confirmation of certification) and is subject to the terms of a Licence. Copies of these documents are available from the Department.

Where any apparent conflict between these Guidelines and the Rules of Use occurs, the Rules of Use take precedence.

The Rules of Use have been approved by the Australian Competition and Consumer Commission. Use of the Trade Mark in accordance with Rules of Use minimises any risk of challenges in relation to your carbon claims.

3.1.1 Consumer Trade Mark

The NCOS Carbon Neutral Program Consumer Trade Mark is intended to signify that an entity has an ongoing purchasing arrangement in relation to a NCOS Carbon Neutral Program certified product or organisation. Use of the NCOS Carbon Neutral Program Consumer Trade Mark shows that an organisation is taking action against climate change by choosing carbon neutral products or organisations as part of their purchasing operations. For more information about using the Consumer Trade Mark, please contact the Department.

3.2 Review of decisions

If you disagree with a decision of the Department (either in relation to a certification decision or the granting and use of the NCOS Carbon Neutral Certification Trade Mark) you 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.innovation.gov.au.

If you are dissatisfied with the way in which the Department handles your complaint you may wish to 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.

Annex 1 – Emissions factors for scope 3 emissions sources

In developing your carbon footprint, the Standard requires you to consider including scope 3 emission sources as described in section 4.2.3 of the NCOS.

In line with the Standard and relevant guidance material, sources of scope 3 emissions can include, but are not limited to, the following:

- Purchased goods and services
- Capital goods
- Fuel and energy related activities (not included in Scope 1 or Scope 2)
- Upstream transportation and distribution
- Waste generated in operations
- Business travel
- Employee commuting
- Upstream leased assets
- Downstream transportation and distribution
- Processing of sold products
- Use of sold products
- End-of-life treatment of sold products
- Downstream leased assets
- Franchises
- Investments

Your consideration should first address whether these emission sources are significant. If you consider that any of the specified scope 3 emissions are not significant, you should include justification of this decision.

Scope 3 emission sources meeting the threshold for an incidental emission in the NGER Reporting Regulations may be considered non-significant, and estimated in-line with the methods set out in the National Greenhouse and Energy Reporting (Measurement) Determination 2008. That is, where:

(a) an individual source of scope 3 emission is less than:

(i) 0.5% of the total amount of scope 3 greenhouse gases emitted;

and

- (ii) a carbon dioxide equivalence of 3 kilotonnes for a year; and
- (b) the total amount of all of the individual sources of scope 3 emissions mentioned in paragraph (a) is less than the lesser of:
 - (i) 2% of the total amount of greenhouse gases emissions; or
 - (ii) a carbon dioxide equivalence of 12 kilotonnes;

The exclusion of a scope 3 emission source should not result in a material discrepancy (see Annex 3 – Glossary for a definition of ‘material discrepancy’). In accordance with Section 4.2.3 of the Standard, the GHG Protocol should be used for guidance on determining the significance of scope 3 emissions. In considering the calculation of scope 3 emissions, an organisation should also refer to the GHG Protocol which provides further guidance for determining the relevance of scope 3 emissions sources.

Acceptable scope 3 emissions factor sources

The preferred and default source of emission factors or other calculation methodologies for use under the NCOS Carbon Neutral Program is the most recently published *NGA Factors* and covers emission factors for specific waste types, wastewater treatment, and specific solid, liquid and gaseous fuels. See Appendix 4 of *NGA Factors*.

- Some scope 1 and 2 emission factors from *NGA Factors* may be adapted for use for scope 3 emission sources, where a specific factor for the relevant emission source is not available.
- In the case that *NGA Factors* does not contain a suitable factor for use, the following table lists scope 3 emission factors from publicly and freely available sources that are accepted for use under the Program. Where updated versions of these factors are available, the most recent version of the factor should be applied.

Given the complexity of the issues and the rapid pace of change in measurement/estimation techniques occurring in Australia and overseas, factors may evolve over time as new information comes to light. This list is therefore subject to review and factors and methodologies may be added or removed by the Department. Prior to utilising these factors, ensure you are referring to the most recent version of these guidelines.

Table 1: Scope 3 emission factors approved for use under the Program

Category	Emission Factor Source
<i>Air travel*</i>	Transparent Noise Information Package (TNIP) Carbon Counter: http://www.infrastructure.gov.au/aviation/environmental/transparent

	<p>noise/tnip_CC.aspx.</p> <p>International Civil Aviation Organization (ICAO) Carbon Emissions Calculator: http://www2.icao.int/en/carbonoffset/Pages/default.aspx</p> <p>National Greenhouse Gas Inventory Analysis of Recent Trends and Greenhouse indicators 1990 to 2005 (printed 2007). Available at: www.climatechange.gov.au/government/initiatives/low-carbon-australia/ncos-carbon-neutral-program.aspx</p> <p>EPA Victoria/GHG Protocol: Flights Worksheet: www.docstoc.com/docs/17892933/WORKSHEET-3-CALCULATING-YOUR-GREENHOUSE-GAS-EMISSIONS-FROM-FLIGHTS</p> <p><i>NB: The use of the radiative forcing index included in this worksheet is not mandatory.</i></p> <p>WRI, GHG Protocol: GHG emissions from transport or mobile sources, available at: http://www.ghgprotocol.org/calculation-tools/all-tools</p> <p>UK Department for Environment, Food and Rural Affairs: 2010 Guidelines to DEFRA / DECC's GHG Conversion Factors for Company Reporting: Methodology Paper for Emission Factors): http://archive.defra.gov.uk/environment/business/reporting/pdf/101006-guidelines-ghg-conversion-factors-method-paper.pdf</p> <p>or alternatively refer to:</p> <p>http://archive.defra.gov.uk/environment/business/reporting/pdf/101006-guidelines-ghg-conversion-factors.pdf</p> <p><i>NB: These guidelines are updated annually and you should always refer to the latest release of these documents. Use of factors should take into account regional differences.</i></p> <p>* Note the above factors generally only account for the combustion of aviation fuel and do not include other indirect emissions attributable to air travel, such as ground and airport services. Consideration of including ground services will depend on whether their exclusion could lead to a material discrepancy in emissions calculations.</p>
Passenger cars	<p>National Greenhouse Gas Inventory Analysis of Recent Trends and Greenhouse indicators 1990 to 2005 (printed 2007). Available at: www.climatechange.gov.au/government/initiatives/low-carbon-australia/ncos-carbon-neutral-program.aspx</p> <p>ABS: Survey of motor vehicle use (page 9): http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/40BA5EB0863D18F8CA2574B2000FD936/\$File/92080_12%20months%20ended%2031%20october%202007.pdf</p>

	<p>or</p> <p>http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/9210.0.55.001Main+Features112%20months%20ended%2031%20October%202007?OpenDocument</p>
Rail/Public Transport	<p>National Greenhouse Gas Inventory Analysis of Recent Trends and Greenhouse indicators 1990 to 2005 (printed 2007). Available at: www.climatechange.gov.au/government/initiatives/low-carbon-australia/ncos-carbon-neutral-program.aspx</p> <p>WRI, GHG Protocol: GHG emissions from transport or mobile sources, available at: http://www.ghgprotocol.org/calculation-tools/all-tools</p>
Paper use	<p>EPA Victoria:</p> <p>http://epanote2.epa.vic.gov.au/EPA/publications.nsf/2f1c2625731746aa4a256ce90001cbb5/a8a9bf6c78cd6225ca257826001028ab/\$FILE/1374.pdf</p> <p><i>NB: Does not provide adjustments for other states and territories</i></p>
Freight	<p>National Greenhouse Gas Inventory Analysis of Recent Trends and Greenhouse indicators 1990 to 2005 (printed 2007). Available at: www.climatechange.gov.au/government/initiatives/low-carbon-australia/ncos-carbon-neutral-program.aspx</p>

Where updated versions of these factors are available, the most recent version of the factor should be applied.

Use of other emission factors

If there is no default scope 3 factor available for your emission source, or if you consider and can justify why the NGA Factors and the factors in the table above are unsuitable for use, other emissions factors from credible sources may be used. If you are using a non-default emissions factor, your auditor will expect you to be able to explain and justify why you have elected to use this emission factor. Your rationale should be documented using the “non-default and/or scope 3 emission factor or method” template, which is available from the Department. This should be provided to the auditor along with any additional supporting information at the time of your carbon footprint audit.

Annex 2 – GreenPower™ worked examples

Examples of the treatment of GreenPower™ and the voluntary cancellation of GreenPower™-eligible RECs (RECs) in GHG inventories and LCAs.

Note: These examples refer only to the calculation of scope 2 (electricity consumption) emissions.

Example 1

An organisation purchases 100 per cent GreenPower™ or voluntarily cancels GreenPower™-eligible RECs equivalent to all its electricity consumption. Under this scenario the organisation's GHG inventory will include zero emissions from electricity consumption.

Electricity consumption	50 MWh
GreenPower™ or number of GreenPower™-eligible RECs voluntarily cancelled	100% GreenPower or 50 RECs
Scope 2 electricity emissions included in GHG inventory	0 tCO₂-e

Example 2

The production of a product requires 1 megawatt hour (MWh) of electricity, and equivalent GreenPower™ is purchased or one GreenPower™-eligible REC is voluntarily cancelled for each unit of product produced. Under this scenario, the organisation's LCA would record zero emissions for electricity consumption.

Electricity consumption per unit of product	1 MWh
GreenPower™ or number of GreenPower™-eligible RECs voluntarily cancelled	100% GreenPower or 1 REC/unit produced
Scope 2 electricity emissions included in LCA	0 tCO₂-e

Example 3

An organisation purchases 50 per cent GreenPower™ or voluntarily cancels GreenPower™-eligible RECs equivalent to half of its electricity consumption. Under this scenario, the organisation's GHG inventory will include electricity emissions equal to half its consumption multiplied by the grid emissions factor.

Electricity consumption	30 MWh
GreenPower™ or number of GreenPower™-eligible RECs voluntarily cancelled	50% GreenPower or 15 RECs
Grid emissions factor for electricity	0.9 tCO ₂ -e/MWh ²
Scope 2 electricity emissions included in GHG inventory	15 MWh x 0.9 tCO ₂ -e/MWh = 13.5 tCO₂-e

Example 4

An organisation purchases 200 per cent GreenPower™ or voluntarily cancels GreenPower™-eligible RECs equivalent to double its electricity consumption. Under this scenario, the organisation's GHG inventory will include zero emissions from electricity consumption. Electricity emissions cannot be negative.

Electricity consumption	100 MWh
GreenPower™ or number of GreenPower™-eligible RECs voluntarily cancelled	200% GreenPower or 200 RECs
Scope 2 electricity emissions included in GHG inventory	0 tCO₂-e

Example 5

An organisation using its NGER report as a basis for their GHG inventory purchases 25 per cent GreenPower™ or voluntarily cancels eligible GreenPower™-eligible RECs equivalent to one quarter of their electricity

² This grid emissions factor is for example purposes only. In practice, use the relevant electricity emissions factors from the latest available National Greenhouse Account (NGA) Factors.

consumption. Under this scenario, the organisation may deduct one quarter of its scope 2 electricity emissions from its NGER reported emissions to produce its NCOS carbon footprint.

NGER reported emissions (includes scopes 1 and 2 only)	75,000 tCO ₂ -e
Electricity consumption	10,000 MWh
GreenPower™ or number of GreenPower™-eligible RECs voluntarily cancelled	25% GreenPower or 2,500 RECs
Grid emissions factor for electricity (as used in NGER report)	0.9 tCO ₂ -e/MWh ³
NCOS carbon footprint (assuming zero scope 3 emissions)	75,000 tCO ₂ -e – (2,500 MWh x 0.9 tCO ₂ -e/MWh) = 72,750 tCO₂-e

Example 6

An organisation purchases 25 per cent GreenPower™. It also generates GreenPower™-eligible RECs equivalent to half its electricity consumption. Under this scenario, the organisation can voluntarily cancel the GreenPower™-eligible RECs it has self-generated and claim an emissions reduction in its greenhouse gas inventory. If the organisation sells the GreenPower™-eligible RECs instead of cancelling them, those certificates cannot be used to claim an emissions reduction for this or any other program including as part of NGER reporting obligations.

Electricity consumption	60 MWh
GreenPower™ or number of GreenPower™-eligible RECs generated	25% GreenPower and

³ This grid emissions factor is for example purposes only. In practice, use the same electricity emissions factors that were used in your NGER report.

	30 RECs
number of GreenPower™-eligible RECs sold	10 RECs
number of GreenPower™-eligible RECs voluntarily cancelled	20 RECs
Grid emissions factor for electricity	0.9 tCO ₂ -e/MWh ¹
Scope 2 electricity emissions included in GHG inventory	25 MWh x 0.9 tCO ₂ -e/MWh =22.5 tCO₂-e

Annex 3 - Glossary

- Activity Data: Source data that quantifies an emission generating activity, such as fuel usage and electricity consumption, and that can be used to determine greenhouse gas emissions
- Additionality: A requirement that a project or activity provide abatement that is additional to any that would occur in the absence of the project or activity, and that is additional to abatement that would occur anyway to meet Australia's carbon price obligations or International Target.
- Base year: The reference year (calendar, financial or other) from which you can track your emissions management progress.
- Business unit: A unit that is recognised by an entity as having administrative responsibility for one or more facilities of the corporation.
- Cancel: Permanently removing carbon offsets from the market so they cannot be reused or re-sold. In some registries, this is referred to as retirement.
- Carbon dioxide equivalent (CO₂-e): A standard measure that takes account of the varying global warming potentials of the six Kyoto Protocol recognised greenhouse gases and expresses the cumulative effect in a common unit of measurement.
- Carbon Farming Initiative: The Carbon Farming Initiative (CFI) is a carbon offsets scheme for the Australian land sector. CFI credits are eligible for use under the NCOS.
- Carbon footprint: A measure of the carbon dioxide equivalent (CO₂-e) emissions attributable to, in the context of these Guidelines, an organisation or product level.
- Carbon neutral: Commonly refers to a situation where the net emissions (after emissions reductions) associated with an organisation or a product's activities are equal to zero through the acquisition and cancellation of carbon offsets that meet additionality criteria.
- Carbon offset unit: A tradeable commodity that represents a reduction in greenhouse gases, or enhancement of greenhouse gas removal from the atmosphere by sinks, relative to a business-as-usual baseline. Carbon offsets are often used to negate (or offset) all or part of another entity's emissions.
- Energy Efficiency Opportunities (EEO) program: The Australian Government's Energy Efficiency Opportunities program encourages large energy-using businesses to improve their energy efficiency. It does this by requiring businesses to identify, evaluate and report publicly on cost effective energy savings opportunities. Information can be found at www.ret.gov.au/energy/efficiency. Emissions management plan (EMP):

A plan which demonstrates that appropriate systems are in place to monitor, reduce and offset the greenhouse gas emissions associated with the organisation (or specified part of the organisation) or product.

- Emission factor: A factor that converts consumption or activity data (such as kilowatt hours of electricity consumed) into a quantity of greenhouse gas emissions.
- Facility: An activity, or a series of activities (including ancillary activities), that involve the production of greenhouse gas emissions, the production of energy or the consumption of energy and that form a single undertaking or enterprise and meet the requirements of the National Greenhouse and Energy Reporting (NGER) Regulations.
- Greenhouse gases (GHG): The atmospheric gases responsible for causing global warming and climate change. The six Kyoto Protocol classes of greenhouse gases are carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆).
- GreenPower™-eligible RECs: Renewable Energy Certificates generated by accredited GreenPower™ generators. These are sometimes referred to as Large-scale Generation Certificates (LGCs). Small-scale Technology Certificates (STCs) are not eligible for the Standard's purposes as they are excluded under the GreenPower™ Program Rules.
- Kyoto Protocol: An international treaty created under the United Nations Framework Convention on Climate Change in 1997. It entered into force in 2005. Among other things, the Kyoto Protocol sets binding targets for the reduction of greenhouse gas emissions by developed countries and countries in transition.
- 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 products "life cycle").
- Limited level of assurance: Is distinguishable from a reasonable level assurance in that there is less emphasis on detailed testing of GHG data and information supplied to support the GHG assertion.
- Material discrepancy: An error (for example 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. (Definition taken from Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard)
- National Greenhouse and Energy Reporting (NGER) System: The national reporting framework for information related to the greenhouse gas emissions, and energy production and use of 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.

- NGER Act: National Greenhouse and Energy Reporting Act 2007.
- NGER Measurement Determination: National Greenhouse and Energy Reporting (Measurement) Determination 2008 (as amended).
- Offset: The activity of retiring carbon offset units.
- Organisation: Company, corporation, firm, enterprise, authority or institution, or part or combination thereof, whether incorporated or not, public or private, that has its own functions and administration.
- the Department: Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education.
- Product: Any goods or service.
- Reasonable level of assurance: The auditor provides a reasonable, but not absolute, level of assurance that the responsible party's GHG assertion is materially correct.
- Rules of Use: The Rules of Use for the NCOS Certification Trade Mark outline the conditions under which the Trade Mark may be used and applied in the market place. The Rules of Use for the NCOS Certification Trade Mark consist of two documents- the Rules for use of the National Carbon Offset Standard Certification Trade Mark and the NCOS Visual Style Guide.
- Scope 1 emissions: The release of greenhouse gas into the atmosphere as a direct result of activities at a Facility.
- Scope 2 emissions: The release of greenhouse gas as a result of electricity generation, heating, cooling or steam that is consumed by a Facility.
- Scope 3 emissions: The release of greenhouse gas into the atmosphere that is generated in the wider economy as a consequence of a facility's activities but that are physically produced by another Facility.
- Sequestration: The removal of atmospheric carbon dioxide, either through biological processes (for example, photosynthesis in plants and trees), or geological processes (for example, storage of carbon dioxide in underground reservoirs).
- The Standard: National Carbon Offset Standard.

Annex 4 – Purchasing international offset units for carbon neutrality

A range of Australian government and international units are eligible for use under the NCOS Carbon Neutral Program as listed in Section 3.2 of the Standard.

There are a number of ways to arrange the purchase of international offset units, although not all units can be traded in all ways:

- directly from a project;
- through a broker; or
- over an exchange.

In all cases there is a process to open an account on the appropriate registry in order to ensure that units can be tracked to cancellation. The cancellation process can be conducted in most cases on the registry where the account is held.

Purchasing Kyoto compliance units

In order to purchase or trade in Kyoto compliance units such as CERs or ERUs it will be necessary to establish an account on a Kyoto Registry. Organisations or individuals that wish to hold Kyoto units in Australia are required to have an Australian National Registry of Emissions Units (ANREU) account. For more information about the ANREU see: www.cleanenergyregulator.gov.au.

Purchasing voluntary units

Voluntary carbon units can be purchased in Australia through a number of brokers, retailers or through trading platforms.

For information on Greenhouse Friendly units see www.innovation.gov.au. The Government will cancel Kyoto units for Greenhouse Friendly credits issued and cancelled during the Kyoto commitment period, that is, by 1 July 2013. After this date Greenhouse Friendly units will not be eligible for use under the NCOS.

The two main voluntary standards recognised under the NCOS are the Verified Carbon Standard (VCS) and the Gold Standard (GS).

For information on Voluntary Carbon Units (VCUs) issued by the VCS, see the VCS website: www.v-c-s.org.

For information on Voluntary Emissions Reductions (VERs) issued by the Gold Standard, see the Gold Standard website: www.cdmgoldstandard.org.

It is important to note that where credits are issued for reduced emissions from deforestation and degradation projects (REDD+) in developing countries, they must apply methodologies approved under the Standard. Proponents wishing to have a methodology approved must submit it to the Department for consideration.