Fact Sheet

Carbon Reduction Scheme

Scheme overview

Over the past 12 months the voluntary carbon market in Australia has grown exponentially. While there has been a surge in the number of carbon offset products available, there has been limited information regarding how the carbon credits supporting some of these products are assessed and how the carbon credits are managed to ensure they are not used again or double counted.

To address these concerns, Origin Energy has developed a Carbon Reduction Scheme (CRS). The CRS aims to:

- Encourage activities that reduce greenhouse gas emissions,
- Recognise the greenhouse gas emission reduction from those activities through the creation of carbon credits, and
- Enable the development of a range of carbon offset products and to ensure sufficient greenhouse gas emissions associated with those products have been reduced.

Origin's Carbon Reduction Scheme is designed to provide consumers with confidence that carbon credits created and carbon offset products sold through the CRS, meet transparent and independently verified standards.

Scheme operation – *How does this scheme work?*

The CRS is supported by a governance structure and set of rules. The CRS Governance Structure provides the framework and principles relating to eligible greenhouse gas reduction projects ("Eligible Abatement") and the development of carbon offset products. The CRS Rules define specific conditions relating to how and what carbon credits ("Verified Emission Reductions" or "VERs") can be created and mechanisms for ensuring VERs are taken out of circulation once they have been sold to consumers in the form of carbon offset products. There are currently four Rules addressing Compliance (Rule 1), Verification (Rule 2), Renewable and Low Emissions Generation (Rule 3), and other Emission Reduction Activities (Rule 4).

A number of voluntary and mandatory schemes and associated frameworks already exist to facilitate the reduction in greenhouse gas emissions and the uptake of renewable energy. The CRS has been designed to augment these schemes. In particular, the following sources are acknowledged;

- ISO 14064:2 and ISO 14064:3;
- The GHG Protocol for Project Accounting;
- The Gold Standard accredited emission reductions;
- The proposed IETA Voluntary Carbon Standard;
- The NSW Greenhouse Gas Abatement Scheme;
- The Australian Mandatory Renewable Energy Target; and
- The Australian Greenhouse Friendly™ Initiative.

The CRS is overseen by the CRS Steering Committee and supported by the CRS Administrator, who is responsible for managing the assessment, audit, reporting and compliance requirements of the scheme.

The CRS Steering Committee and CRS Administrator will initially be comprised of representatives from Origin Energy, however independent representation will be considered after an initial period of 12 months.

Scheme participants - *Who can participate?*

Participation in the CRS is voluntary. Any party carrying out activities which reduce greenhouse gas emissions and meet CRS Eligible Abatement requirements can seek accreditation as a CRS Accredited Abatement Provider in order to create Verified Emission Reductions.

Parties wishing to sell or provide carbon offset products can seek accreditation as a CRS Accredited Product Provider by submitting an application outlining the nature, scope and magnitude of the product's greenhouse gas emissions and offset those emissions using CRS approved Verified Emission Reductions.

Participation under both scenarios requires the party to enter into a contract with the CRS Scheme Administrator and agree to be bound by the CRS Rules.

All types of companies, organisations and individuals looking to reduce their greenhouse impact can purchase Origin CRS Accredited Products. We offer activity based offsets, such as car travel, product based offsets, such as gas or electricity, or carbon offset only products, which can be attributed to offsetting a portion of a company's emissions profile.

Sources of emission reductions – *What constitutes eligible abatement?*

The CRS provides a framework for recognizing greenhouse gas reductions from a range of activities and projects. Activities may create VERs if they result in lower greenhouse gas emissions than would have occurred in the absence of the project and are beyond measures required to meet legal or statutory requirements. The activities may take place in any geographical location as long as they are consistent with relevant local laws and regulations.

Projects which are eligible to create VERs include:

- Generation of electricity from renewable sources,
- sequestration from forests, as certified under the NSW Greenhouse Gas Abatement Scheme,
- Increasing the efficiency of energy use,
- Substitution of high emission fuel or energy sources with lower emissions fuel or energy sources,
- Direct reductions in emissions from industrial processes;
- deductions in fugitive emissions,
- Abatement of emissions from greenhouse gases otherwise destined for release into the atmosphere.

Projects will be excluded if they:

- Reduce the quality or scope of a service or product,
- Result in emissions being transferred to another location,
- Achieve abatement through the use of an energy source for which greenhouse gas emissions have already been wholly or partially offset (e.g. using Green Power),
- Lead to any significant adverse social or environmental outcome,
- Reduce emissions though generation of electricity from native wood waste,
- Result in abatement which cannot be verified to an acceptable standard.

Independence – *How is quality ensured?*

To ensure the integrity and credibility of the scheme, the CRS Governance Structure requires independent validation and verification of CRS Products, CRS Projects, Verified Emissions Reductions and Eligible Abatement.

Compliance – *How does the CRS demonstrate its claims?*

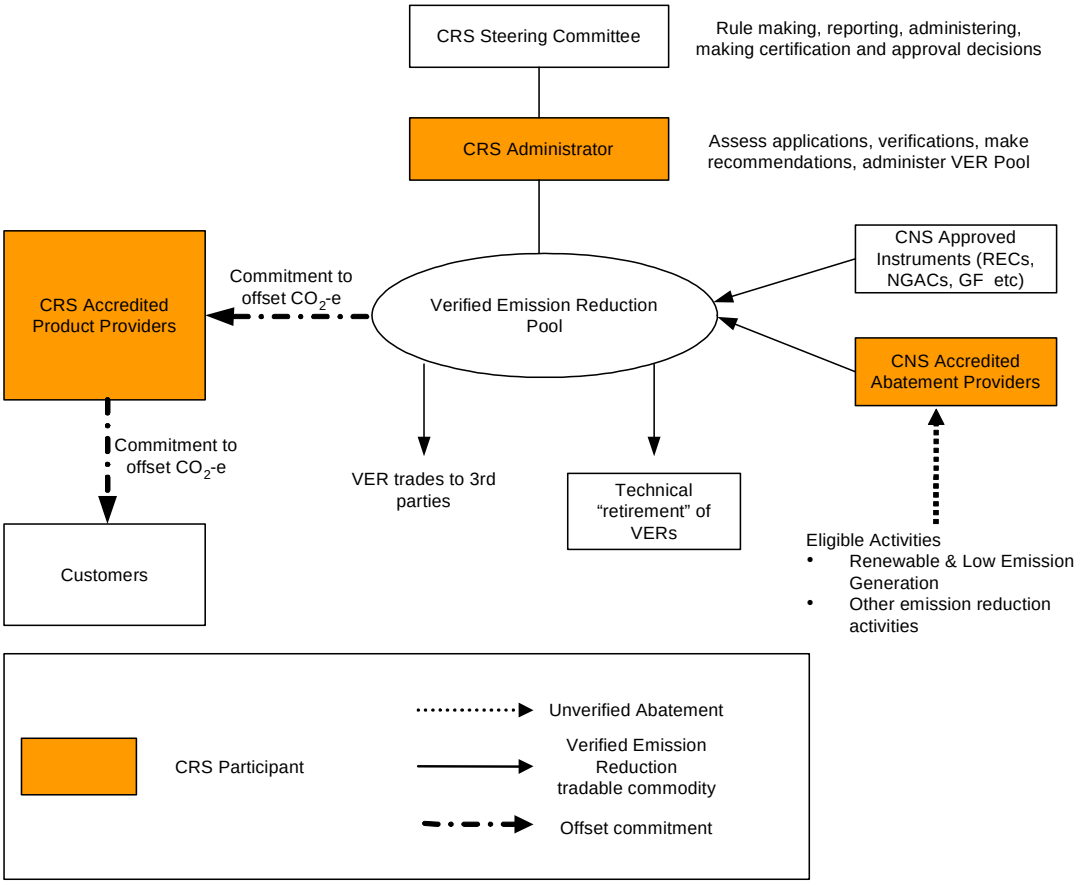
All CRS Accredited Product Providers must submit an annual Compliance Statement to the CRS Administrator, setting out the amount of CRS Product sold in the calendar year and the amount of greenhouse gas abatement required to offset the CRS Product emissions.

The CRS Administrator is responsible for ensuring that all Verified Emission Reductions relating to the CRS Products sold have been permanently retired or acquitted so that they cannot be re-used or double counted.

Public reporting

The CRS Administrator will prepare an annual CRS Public Report documenting whole of scheme compliance. An independent audit will be conducted by Ernst & Young to confirm that offsets have met the scheme's standards and principles, and that the amount of offsets undertaken or purchased, equals or exceeds the offset commitments made to CRS customers (measured in tonnes of CO2-e). A report by Ernst & Young will be publicly reported on our website.

Scheme structure and participants



Context for this fact sheet

The CRS Administrator has prepared this Fact Sheet as a general overview of relevant parts of:

- The Carbon Reduction Scheme Governance Structure March 2007
- The Carbon Reduction Scheme Rules March 2007:
  - Compliance Rule (Rule 1)
  - Verification Framework (Rule 2)
  - Renewable & Low Emissions Generation (Rule 3)
  - Other Emissions Reduction Activities (Rule 4)

This Fact Sheet should not be relied upon as a substitute for legal advice, and is designed to be read in conjunction with the documents above.