



Carbon Reduction Scheme Governance Structure

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Origin Energy Electricity Limited

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1. Overview

Origin Energy has developed a Carbon Reduction Scheme™ (CRS) to provide a framework to:

- encourage activities that reduce greenhouse gas emissions;
- translate emission reductions into “Verified Emission Reductions” (VERs);
- enable products to be accredited (CRS Products) as carbon offsets in accordance with the public assertions made by the CRS Accredited Product Provider; and
- ensure that the CRS Accredited Product Provider has offset sufficient greenhouse gas emissions associated with all sales of the CRS Product as referred to in the Greenhouse Reduction Assertion.

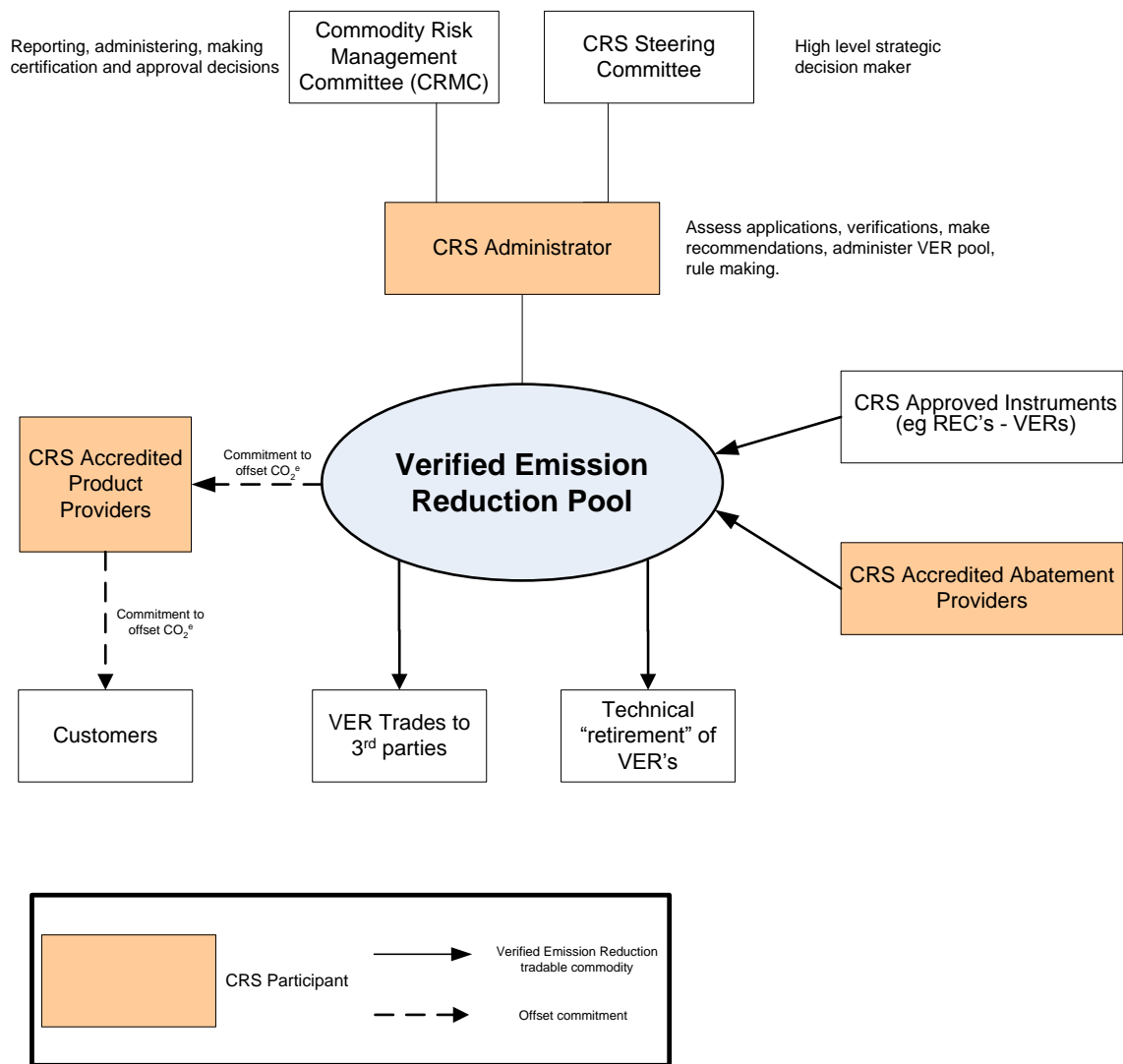


Figure 1. Carbon Reduction Scheme™ Framework

Under the CRS Framework, customers will have confidence that:

- Emission offsets have been created in accordance with the CRS Governance Structure and Rules, and
- Product Providers' assertions regarding the reduction in emissions associated with products conform with the requirements of the CRS Scheme; and
- Sufficient emissions have been offset by each Product Provider for CRS Product sales.

Participation in the CRS is voluntary. Each CRS Accredited Abatement Provider and CRS Accredited Product Provider shall be deemed to have entered into a contract with the CRS Administrator under which the CRS Accredited Abatement Provider and CRS Accredited Product Provider agrees to be bound by the Scheme Rules.

In light of a dynamic regulatory environment the Carbon Reduction Scheme™ will rely on the Origin Energy website to communicate any changes to the scheme and build upon this Governance Structure.

1.1 Definitions

Abatement Verification Report	means a report issued by a CRS Category 2 Auditor as per Appendix B Section 2 Rule 2 Verification Framework
ACCU (Australian Carbon Credit Unit)	means a unit issued pursuant to the <i>Carbon Credits (Carbon Farming Initiative) Act 2011</i> and is equal to one metric tonne of carbon dioxide equivalent.
Acquittal	means the successful surrender, or retirement of VERs
CDM (Clean Development Mechanism)	means the mechanism referred to in Article 12 of the Kyoto Protocol
CDM Gold Standard	means the clean development mechanism established by the Gold Standard
CERs (Certified Emission Reduction units)	means a unit issued pursuant to Article 12 of the Kyoto Protocol as well as all other relevant international UNFCCC/Kyoto Protocol Rules and is equal to one metric tonne of carbon dioxide equivalent (t CO ₂ -e), calculated in accordance with the international UNFCCC/Kyoto Protocol Rules
CFI (Carbon Farming Initiative)	means the scheme for the issue of Australian carbon credit units in relation to eligible offsets projects established by the <i>Carbon Credits (Carbon Farming Initiative) Act 2011</i> .
Compliance Year	means 1 January to 31 December in any given year
CRMC	Commodity Risk Management Committee. This committee analyses environmental commodities, identifies risks and mitigation solutions
CRS (Carbon Reduction Scheme™)	means the scheme set out in this Governance Structure and the Scheme Rules

CRS Accredited Abatement Provider	means an abatement provider accredited under Appendix C of the Governance Structure
CRS Accredited Product Provider	means product provider accredited under Section 5 of the Governance Structure
CRS Accredited VERs	means VERs created under the CRS as per Section 4 of the Governance Structure equal to 1 tonne CO ₂ -e abated
CRS Administrator	means the person appointed under Section 8.2.2
CRS Auditors	means auditors selected and engaged in accordance with Section 2.5 of Rule 2 Verification Framework
CRS Category 1 Auditor	Is defined in section 8.3.1 a)
CRS Category 2 Auditor	Is defined in section 8.3.1 b)
CRS Carbon Offset	means a contractual undertaking between CRS Accredited Product Provider and customer to permanently retire or acquit VERs equivalent to the number of metric tonnes of CO ₂ -e (t CO ₂ -e) to be offset, which may include a specification of the type of offset required. 1 CRS Carbon Offset is equal to 1 VER (see Attachment A) which is equal to 1 t CO ₂ -e abated.
CRS Commencement Date	1 January 2006
CRS Administrator Compliance Statement	means a statement prepared by the Scheme Administrator detailing the amount of CRS Carbon Offset sold by CRS Accredited Product Providers and the amount and source of VERs used to meet this requirement. See Section 4.3 of Rule 2 Verification Framework
CRS Product Compliance Statement	means a report provided by a CRS Category 2 Auditor verifying a CRS Product (detailing product sold and abatement obtained). See Section 4.2 of Rule 2 Verification Framework
CRS Product Compliance Date	means 31 December of the year immediately after the relevant Compliance Year
CRS Products	means products accredited in accordance with Section 5.1
CRS Project	means a project accredited under Section 1 of Appendix C
CRS Product Validation Report	means a report provided by a CRS Category 2 Auditor validating an application for a CRS Product. Refer Section 4.1 of Rule 2 Verification Framework
CRS Project Validation Report	means a report verified under Section 2 of Appendix C
CRS Project Verification Report	means a report verified under Section 2 of Appendix C
CRS Steering Committee	means the committee appointed under Section 8.1
DOE	means Designated Operational Entities as approved by the UN CDM Executive Board
Eligible Abatement	means abatement that is sourced from an Eligible Activity
Eligible Activity	means an activity referred to in Section 3.1

	and which meets the criteria set out in section 3.2
Encumbrance	All VERs used within the CRS must be able to demonstrate that they are free from any encumbrance, meaning they have not previously been sold, transferred, assigned, licensed, disposed of, granted or create any other interest in the unit other than what was granted to the current owner.
GGAS (NSW Greenhouse Gas Abatement Scheme)	means the NSW Greenhouse Gas Emissions Abatement Scheme established by Part 8A of the Electricity Supply Act 1995 (NSW) and which ended on 30 June 2012
Gold Standard	means the Gold Standard Foundation a non profit foundation established under Swiss Law
Governance Structure	means this document
Greenhouse Reduction Assertion	means an assertion made by a CRS Accredited Product Provider as to the scope, nature and magnitude of greenhouse gas emissions which are offset through the CRS.
Greenhouse Friendly	means the Greenhouse Friendly™ Initiative established by the Australian Greenhouse Office on behalf of the Commonwealth and which ended on 30 June 2010.
IETA Voluntary Carbon Standard	means the voluntary carbon standards developed by the International Emissions Trading Association
Independent Offset Standards	means any published offset standard developed externally to Origin for use in the Voluntary Carbon Market
ISO 14064:2	means the International Standard Organisation Standard 14064, Greenhouse gases - Part 2: Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements
ISO 14064:3	means the International Standard Organisation Standard 14064, Greenhouse gases - Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions
Kyoto Protocol	means the protocol adopted under the UNFCCC on 11 December 1997
Kyoto Protocol Rules	means the rules established pursuant to the Kyoto Protocol
Large Hydro	as defined by DOE (>50MW at 19 September 2009)
RET (Renewable Energy Target)	means the Renewable Energy Target scheme established under the Renewable Energy (Electricity) Act 2000 (Cwlth)
Pre-Approved Unit	means a unit of abatement that has been verified under a framework listed in Appendix A.
Product Provider	means CRS Accredited Product Provider.

REC (Renewable Energy Certificate)	means a certificate created, registered and transferable under Part 2 of the Renewable Energy (Electricity) Act 2000 (Cwlth)
Rule	means either Rule 1 Compliance, Rule 2 Verification Framework or Rule 3 Renewable & Low Emission Generation
Scheme Rules	means the Governance Structure, Rule 1 Compliance, Rule 2 Verification Framework and Rule 3 Renewable & Low Emission Generation
The GHG Protocol for Project Accounting	means the document “The GHG Protocol for Project Accounting” available from www.ghgprotocol.org
UNFCCC (United Nations Framework Convention on Climate Change)	means the United Nations Framework Convention on Climate Change adopted in New York on May 9, 1992
Verification Framework	means CRS Rule 2
VERs (Verified Emission Reduction units)	means one metric tonne of carbon dioxide equivalent which is either a CRS Accredited VER (i.e. unit created by Eligible Abatement) or a Pre-Approved Unit (see Attachment A).
VER Pool	pool of VERs owned by Origin Energy Electricity

1.2 Purpose of this document

1.2.1 This document provides a framework for the provision of CRS Products and Verified Emission Reduction units (VERs) resulting from greenhouse gas abatement projects.

1.2.2 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 and this Governance Structure have been developed to augment these existing schemes. In particular, the following sources are acknowledged:

- a) ISO 14064:2 and ISO 14064:3;
- b) The GHG Protocol for Project Accounting;
- c) The Gold Standard accredited emission reductions;
- d) The IETA Voluntary Carbon Standard;
- e) The NSW Greenhouse Gas Abatement Scheme (ended on 30 June 2012);
- f) The Australian Renewable Energy Target;
- g) The Australian Greenhouse Friendly™ Initiative (ended on 30 June 2010) and;
- h) The Australian Carbon Farming Initiative.

- 1.2.3 High-level principles used in this document (the “what” and the “why”) conform primarily to ISO 14064. Operational details (the “how”) are drawn from the remaining documents and other sources as appropriate.
- 1.2.4 This Governance Structure aims to ensure that the CRS adheres to the following overarching principles;
- a) Credibility;
 - b) Transparency;
 - c) Affordability;
 - d) Flexibility; and
 - e) Effectiveness.

2. CRS Accredited Abatement Provider

- 2.1.1 As per 5th February 2008, Origin will no longer be accepting new proposals for Accredited Abatement Providers under the Carbon Reduction Scheme. Previously included Sections of the Governance Structure relating to Abatement Providers have been moved to Appendix C.

3. Eligible Abatement

3.1 Types of Eligible Abatement

- 3.1.1 Eligible Abatement includes:
- a) CRS Accredited VERs: Abatement that is sourced from an Eligible Activity and created in accordance with Appendix B in Rule 2 Verification Framework (Refer to Section 2 for restrictions on the future creation of CRS Accredited VERs); and
 - b) Pre-Approved Units: Abatement that has been verified under a framework listed in Appendix A.
- 3.1.2 Pre-Approved Units measured in MWh will be converted to metric tonnes of CO₂-e in accordance with Appendix B.
- 3.1.3 One VER represents the reduction or removal from the atmosphere of one metric tonne of carbon dioxide equivalent (tCO₂-e)
- 3.1.4 A CRS Accredited Product Provider cannot utilise Eligible Abatement which has been acquitted to meet an obligation under another voluntary or mandatory scheme.
- 3.1.5 A CRS Accredited Abatement Provider cannot create Eligible Abatement from abatement acquitted to meet an obligation under another voluntary or mandatory scheme.

3.2 Eligible Activity

3.2.1 Eligible Activities must meet the following additionality criteria:

- a) Result in a reduction, that would not have occurred in the absence of the Eligible Activity, of any of the following greenhouse gasses:
 - carbon dioxide (CO₂),
 - methane (CH₄),
 - nitrous oxide (N₂O),
 - hydrofluorocarbons (HFCs),
 - perfluorocarbons (PFCs), or
 - sulphur hexafluoride (SF₆);
- b) Be implemented on or after the CRS Commencement Date and, in the case of CRS Accredited VERs, in accordance with Rule 2;
- c) Be beyond measures required to meet legal or statutory requirements applicable to the Eligible Activity on the CRS Project implementation date;
- d) Take place in any geographical location, consistent with relevant local laws and regulations;

and involve:

- e) Generation of electricity from renewable or low-emission fuel sources;
- f) Bio-Sequestration from forests, as certified under the NSW Greenhouse Gas Abatement Scheme or the Carbon Farming Initiative;
- g) Increasing the efficiency of energy use or supply;
- h) Substitution of high emission fuel or energy sources with lower emissions fuel or energy sources;
- i) Abatement of emissions from industrial processes;
- j) Abatement of fugitive emissions; or
- k) Abatement of emissions from greenhouse gases otherwise destined for release into the atmosphere,

but exclude any activity that in the opinion of the CRS Administrator:

- l) Results in degradation in the quality or scope of a service or product;
 - m) Results in the transfer of emissions to another location;
 - n) Leads to any significant adverse social or environmental outcome;
 - o) Reduces greenhouse gas emissions through the generation of electricity using native wood waste; or
 - p) Results in abatement which cannot be verified to an acceptable standard.
- 3.2.2 Eligible Abatement may not come from projects at or associated with nuclear power plants or Large Hydro (as defined under the Kyoto Protocol's Clean Development Mechanism).
- 3.2.3 All VERs generated by a CRS Project and accredited under the CRS must not be accredited or in any way accounted for under any other carbon scheme. All VERs generated by a CRS Project must be free from any Encumbrances, acquired by way of contractual transfer from the CRS Project Entity, and have not been sold, transferred, assigned, licensed, disposed of, granted or otherwise created any interest or Encumbrance in the Contract VERs.
- 3.2.4 All accredited Abatement Providers must have in place sufficient internal processes and documentation to ensure the abatement is free from any Encumbrances.

4. Creation of VERs under the CRS

The process for the recognition of VERs is outlined in this section and Appendix C.

4.1 Abatement verified under another framework

- 4.1.1 Pre-Approved Units will be deemed to create VERs under the CRS upon providing evidence to the CRS Administrator of the transfer of title of the certificate or credit to a CRS Accredited Product Provider or CRS Accredited Abatement Provider.
- 4.1.2 No further verification or validation is required prior to use under the CRS for abatement that has been verified in accordance with Section 4.1.1 unless the Pre-Approved Units have been surrendered or title transferred to a third party.
- 4.1.3 In order to ensure that the VERs created from Pre-Approved Units under Section 4.1.1 are not subsequently used for Acquittal purposes under another scheme, the CRS Accredited Product Provider shall transfer the VERs to the CRS Administrator by the CRS Product Compliance Date. If the framework listed in Appendix A has a system of voluntary surrender of certificates or credits evidencing the abatement, the CRS Administrator shall surrender the certificates or credits transferred to the CRS Administrator under the CRS. If the framework listed in Appendix A does not have a system of voluntary surrender of certificates or credits the CRS Administrator undertakes to hold the certificates and ensure that they are not subsequently used by any entity including the CRS Administrator.
- 4.1.4 Pre-Approved Units must be of a vintage on or after the CRS Commencement Date.

4.2 VER validity

VERs shall remain valid in accordance with the framework listed in Appendix A or the Rules pursuant to which the VER is recognised or created.

5. CRS Accredited Product Providers

5.1 Requirements for CRS Accredited Product Providers

5.1.1 Product Providers sell CRS Carbon Offsets to customers. These sales are commitments to customers to offset emissions on their behalf. The sale of CRS Carbon Offsets is matched with the appropriate amount of VERs from the VER Pool. Where 1 CRS Carbon Offset is equal to 1 VER (1 tonne CO₂-e) abated. In the case of the direct sales of CRS Carbon Offsets a particular type of VER may be requested (e.g. NGAC, REC) and this must be honoured by the Product Provider.

5.1.2 A person who wishes to sell or provide CRS Products must:

- a) Seek accreditation as a CRS Accredited Product Provider for each particular product with the CRS Administrator. The CRS Accredited Product Provider must seek accreditation by submitting an application to the CRS Administrator in the agreed form under which the person agrees to be bound by the Scheme Rules. The CRS Administrator will review the application and submit to the CRMC who will decide whether or not the accreditation shall be accepted. If accepted, a contract will be deemed to have formed between the CRS Accredited Product Provider and the CRS Administrator;
- b) Define a Greenhouse Reduction Assertion which clearly articulates the nature, scope and magnitude of the CRS Product greenhouse gas emissions to be offset using VERs.
- c) Acquire and surrender sufficient VERs to meet the Product Provider's sales of CRS Products to customers, in accordance with the Greenhouse Reduction Assertion;
- d) Provide an undertaking to its customers outlining steps that will be taken in the event that the CRS Accredited Product Provider fails to surrender to the CRS Administrator sufficient VERs to meet its sales of CRS Products for a Compliance Year by the CRS Product Compliance Date. In addition to any commitments made to customers, a CRS Accredited Product Provider will be required to "make good" on any shortfall by surrendering to the CRS Administrator the number of VERs equal to the shortfall at least 12 months after the CRS Product Compliance Date;
- e) Communicate to customers via the web, or alternative media, the types of VERs which are eligible to be used to meet the needs of that product
- f) Prepare an annual CRS Product Compliance Statement detailing:
 - (1) The Compliance Year
 - (2) The CRS Product name
 - (3) The amount of CRS Product sold or provided in the Compliance Year

- (4) The amount of abatement required to meet the Greenhouse Reduction Assertion for the CRS Product;
- (5) The amount of VERs contracted;
- (6) Evidence of the above;
- g) Submit to the CRS Administrator by the CRS Product Compliance Date, the annual CRS Product Compliance Statement and audit report of the CRS Product Compliance Statement;
- h) Surrender VERs to the CRS Administrator by the CRS Product Compliance Date; and
- i) Comply with all requirements of Rule 1 Compliance and Rule 2 Verification Framework.

5.2 Requirements for CRS Products

5.2.1 CRS Products may include:

- a) Products where the amount of CRS Carbon Offset required is calculated on a case by case basis using appropriate carbon accounting techniques and as approved by the CRS Administrator; or
- b) Direct sales of CRS Carbon Offsets where the customer specifies the number of VERs to be acquitted.

5.2.2 CRS Products may or may not be additional to the abatement which would have occurred to meet Australia's international greenhouse gas emissions target under the Kyoto Protocol if the CRS Product was not purchased. That is, CRS Products may go towards meeting the Australian Government's targets under the Kyoto Protocol.

6. Record Management

6.1 CRS requirements

6.1.1 CRS Accredited Abatement Providers shall implement robust record management systems and procedures sufficient to:

- a) Support the creation of VERs consistent with the approach detailed in the CRS application for validation; and
- b) Enable verification for a period of 5 years from the date of abatement.

6.1.2 CRS Accredited Product Providers shall implement robust record management systems and procedures sufficient to:

- a) Demonstrate appropriate calculation of CRS Product greenhouse gas emissions consistent with the Greenhouse Reduction Assertion;
- b) Demonstrate the amount of CRS Product sold and attributable greenhouse gas emissions for the Compliance Year; and
- c) Enable verification for a period of 5 years from the date of greenhouse gas emission.

6.2 Guidance for Good Record Keeping

6.2.1 Record management processes shall be implemented by CRS Accredited Abatement Providers and CRS Accredited Product Providers to ensure that greenhouse gas information provided is a true and fair account of actual emissions and abatement. The following principles shall be followed:

- a) **Relevance:** Greenhouse gas sources, removals, data and methodologies shall be selected to ensure CRS requirements are met.
- b) **Completeness:** All primary effects and all significant secondary effects should be monitored where practical and otherwise estimated. All monitoring methods, estimation techniques and data collection procedures should be fully documented.
- c) **Consistency:** Methods used to monitor, check, and store data should be consistent within the CRS operation to ensure comparability and verifiability over time.
- d) **Transparency:** All measurements, estimates calculations, and associated uncertainties should be explained. Measurements, estimates and calculations must be sufficient to allow the transparent quantification of VERs created under the CRS.
- e) **Accuracy:** Measurements, estimates, and calculations should be unbiased, and uncertainties reduced as far as practical. Calculations and measurements should be conducted in a manner that minimises uncertainty.
- f) **Conservativeness:** Where there are uncertainties in monitored data, the methodologies used to quantify VERs should err on the side of underestimating VERs. Where there are uncertainties in calculating or estimating emissions associated with CRS Products, the methodologies used to quantify emissions should err on the side of overestimating Carbon Offsets required.

7. Public Reporting

The CRS Administrator shall prepare an annual CRS Public Report documenting scheme compliance against Rule 1 - Compliance supported by an independent audit report. The report shall identify any CRS Accredited Product Provider who is required to make good any shortfall in the number of CRS Carbon Offsets contracted for the Compliance Year. The report shall also contain the audit opinion resulting from the CRS Administrator Compliance audit. A full copy of the CRS annual public report will be made available to the public via the CRS Website www.originenergy.com.au. Snapshot comments on annual compliance will also be made public via the Origin Energy Sustainability Report.

8. Roles and Responsibilities under the CRS

8.1 CRS Steering Committee & Commodity Risk Management Committee

8.1.1 The CRS Steering Committee shall be responsible for establishing and maintaining the high level strategic direction of the CRS.

8.1.2 The CRMC shall be responsible for:

- a) Making certification and approval decisions (including adding new schemes to Appendix;

- b) Managing the CRS Administrator;
 - c) Reporting CRS performance in accordance with CRS Rule 1 - Compliance;
 - d) Approving the rules governing the operation of the CRS; and
 - e) Ensuring the CRS continues to meet the overarching principles described in Section 1.2.4 of this document;
- 8.1.2 The CRS Steering Committee shall be made up of representatives from within Origin Energy Electricity Limited.
- 8.1.3 CRMC representatives are senior level Managers in Energy Risk Management or Wholesale and Trading.
- 8.1.4 Whilst the CRS Steering Committee comprises representatives from within Origin Energy Electricity Limited the CRS Steering Committee and CRMC's costs and expenses in performing its role shall be funded by Origin Energy Electricity Ltd.

8.2 CRS Administrator

- 8.2.1 The CRS Administrator shall be responsible for:
- a) Assessing applications, validation and verification reports, and CRS Product Compliance Statements submitted by CRS Accredited Abatement Providers, CRS Accredited Product Providers and CRS Auditors;
 - b) Providing recommendations for certification and approval decisions to the CRMC;
 - c) Managing the verification process as required under CRS in accordance with Section 4.1.1 of this document and Rule 2;
 - d) Informing Product Providers, Abatement Providers and the general public when changes are made to the Governance Structure framework and associated Rules; and
 - e) Following internal procedures for updating and maintaining the accuracy of the website about changes requirements to regulatory and market conditions and tracking these.
- 8.2.2 The CRS Administrator shall be an employee of Origin Energy Electricity Limited selected by the CRMC.
- 8.2.3 Whilst the CRS Administrator is an employee of Origin Energy Electricity Limited the CRS Administrator's costs and expenses in performing its role shall be funded by Origin Energy Electricity Ltd.

8.3 CRS Auditors

- 8.3.1 CRS Auditors are defined as:
- a) Category 1: CRS Category 1 Auditors may be engaged by the CRMC to verify adherence of the CRS to the CRS Governance Structure and Scheme Rules and to undertake a CRS Administrator Compliance Audit. CRS Category 1 Auditors must display a level of public recognition (in addition to market recognition) to ensure that their assurance provides the necessary credibility. A Category 1 Auditor may be used for validation, verification or compliance to ensure that the audit opinion is truly independent.

- b) Category 2: CRS Category 2 Auditors are engaged by the relevant CRS Accredited Abatement Providers and CRS Accredited Product Providers to undertake assurance engagements as detailed in CRS Verification Rule 2, Section 2.1.1. CRS Category 2 Auditors must demonstrate a high level of positive market recognition & be currently active in audit panels for other abatement schemes (voluntary or mandatory) referred to in Appendix A.
- 8.3.2 The appointment of a CRS Category 2 Auditor must be approved by the CRS Administrator. The CRS Administrator may supply a list of pre-approved CRS Auditors to CRS participants on request.
- 8.3.3 The auditor must remain independent of the activity being verified and free from bias and conflict of interest as stipulated in Rule 2 Verification Framework, Section 3. Conflict of interest is any circumstance which may compromise or may reasonably be expected to compromise, the impartiality of the CRS Auditor and the ability of the CRS Auditor to reach an unbiased decision.

Appendix A Eligible Abatement Frameworks

Abatement Method	Fuel/Technology	Scheme/Body (Commodity)	Location
Generation	Wind	RET (RECs)	Australia
		CDM, CDM Gold Standard (CERs)	International
		VCS (VERs)	International
		VER Plus	International
	Biomass	RET (RECs)	Australia
		CDM, CDM Gold Standard (CERs)	International
		VCS (VERs)	International
		VER Plus	International
	Photovoltaics	RET (RECs)	Australia
		CDM, CDM Gold Standard (CERs)	International
		VCS (VERs)	International
		VER Plus	International
	Geothermal	RET (RECs)	Australia
		CDM, CDM Gold Standard (CERs)	International
		VCS (VERs)	International
		VER Plus	International
	Hydro	RET (RECs)	Australia
		CDM, CDM Gold Standard (CERs)	International
		VCS (VERs)	International
		VER Plus	International
	Solar Thermal	RET (RECs)	Australia
		CDM, CDM Gold Standard (CERs)	International
		VCS (VERs)	International
		VER Plus	International
Biofuels	RET (RECs)	Australia	
	CDM, CDM Gold Standard (CERs)	International	
	VCS (VERs)	International	
Low Emission Generation	CDM, CDM Gold Standard (CERs)	International	
	VCS (VERs)	International	
	VER Plus	International	
Carbon Sequestration	Carbon Sequestration in Eligible Forests as defined in GGAS or CFI	CFI (ACCUs)	Australia
		VCS (VERs)	International
		VER Plus	International
Other Emission Reduction Activities	Energy Efficient Appliances (CFLs/AAA Showerheads)	CDM, CDM Gold Standard (CERs)	International
		VCS (VERs)	International
		VER Plus	International
	Industrial Process Efficiency Improvements	CDM, CDM Gold Standard (CERs)	International
		VCS (VERs)	International
		VER Plus	International
	Abate fugitive emissions	CDM, CDM Gold Standard (CERs)	International
		VCS (VERs)	International
		VER Plus	International

	Abate emissions otherwise destined for release to atmosphere	Carbon Farming Initiative (ACCUs)	Australia
		VER Plus	International
		VCS (VERs)	International
		CDM, CDM Gold Standard (CERs)	International

Appendix B

Emission Factor for Electricity Related Activities

Where emission abatement sourced from Eligible Abatement frameworks is measured in terms of MWh, rather than tonnes CO₂-e (as is the case for Renewable Energy Certificates, for example), the Eligible Abatement is calculated in accordance with Rule 3.

Appendix C

Previous CRS Accredited Abatement Provider Guidelines

Section 1

A person may become accredited as a CRS Accredited Abatement Provider under the CRS if that person:

- a) seeks accreditation with the CRS Administrator by submitting an application for validation in the agreed form under which the person agrees to be bound by the Scheme Rules which shall be deemed to form a contract between the CRS Accredited Abatement Provider and the CRS Administrator; and
- b) undertakes an Eligible Activity that leads to the creation of Eligible Abatement under Section 3.

Accreditation as a CRS Accredited Abatement Provider is in respect of the defined Eligible Activity for which accreditation is sought only. If a CRS Accredited Abatement Provider wishes to implement further Eligible Activities, additional application for accreditation must be sought for each additional Eligible Activity.

Section 2

CRS Project definition

In order for CRS Accredited Abatement Providers to create CRS Accredited VERs from CRS Projects they must prepare an abatement project proposal that:

- a) Defines the abatement activity;
- b) Demonstrates how that activity leads to, or will lead to Eligible Abatement in accordance with Section 3;
- c) Identifies a proposed calculation methodology in accordance with the relevant Rule;
- d) Identifies the timing and frequency of creation of CRS Accredited VERs;
- e) Identifies the records that will be kept by the CRS Accredited Abatement Provider to support the calculation of CRS Accredited VERs;
- f) Estimates the quantity of CRS Accredited VERs which are likely to be produced by the project on an annual basis; and
- g) Identifies a verification process and reporting schedule.

The project proposal will be submitted to a CRS Category 2 Auditor for validation in accordance with the below section.

CRS Project Validation

Project validation will be conducted in accordance with Rule 2 - Verification Framework.

If the CRS Project Validation Report provides the required level of assurance from a CRS Category 2 Auditor that:

- a) A proposed activity is an Eligible Activity;
- b) The proposed CRS Accredited Abatement Provider has developed an appropriate project proposal in accordance with this section;
- c) The proposed CRS Accredited Abatement Provider has developed appropriate record management processes to support the creation of CRS Accredited VERs in accordance with Section 6 of the CRS Governance Structure; and
- d) the project shall be accredited under the CRS framework and the proposed CRS Accredited Abatement Provider shall be a CRS Accredited Abatement Provider for that accredited CRS Project. If the Project Validation Report fails to provide the required assurance in accordance with this section the project shall not proceed through to verification.

Project validation shall remain in force for a period of 5 years from the date of validation, subject to compliance with conditions of accreditation as specified by the CRS Administrator. Application for CRS Project validation renewal may be made for a single, further 5 year period at the conclusion of the initial 5 year period.

Calculation of CRS Accredited VERs

For Eligible Abatement that involves the generation of electricity from renewable or low-emission fuel sources CRS Accredited VERs are calculated using Rule 3 - Renewable & Low Emission Generation.

For all other Eligible Abatement, CRS Accredited VERs are calculated using Rule 4 - Emissions Abatement.

CRS Project Verification

Abatement verification shall be conducted in accordance with Rule 2 - Verification Framework.

If the Abatement Verification Report provides a positive or reasonable level of assurance from a CRS Category 2 Auditor that the Eligible Abatement has been calculated:

- a) In accordance with the relevant Rule;
- b) Based on accurate and reliable records; and
- c) In accordance with the approach specified in the CRS Project proposal;

the CRS Administrator shall recommend that the CRS Accredited Abatement Provider shall be eligible to create the number of VERs stated in the Abatement

Verification Report. The CRMC shall decide whether or not the recommendation shall be accepted.

Any disputes as to the right to create VERs shall be determined by the CRS Administrator.

VER validity

VERs shall remain valid in accordance with the framework listed in Appendix A or the Rules pursuant to which the VER is recognised or created.

**Carbon Reduction Scheme
Compliance Rule 1**

September 2010

Origin Energy Electricity Limited

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1. Overview

This Rule provides a methodology to measure and extinguish a liability generated through the sale of CRS Products by CRS Accredited Product Providers.

2. Compliance Period

Compliance with the CRS will be assessed each Compliance Year except for the first Compliance Year which shall start on the CRS Commencement Date and end on 31 December 2007. CRS Accredited Product Providers selling CRS Products in a particular Compliance Year must complete all compliance processes outlined in Section 3 by no later than the CRS Product Compliance Date.

3. Compliance Methodology - Product Provider

3.1 Balancing VER supply and CRS Carbon Offset demand

3.1.1 “CRS Carbon Offset liability” is calculated using:

Liability (t CO₂-e) = Total t CO₂-e related to the sale of CRS Products during the Compliance Year.

3.1.2 CRS Accredited Product Providers must produce appropriate documentation to demonstrate that they have obtained or contracted sufficient VERs to meet their CRS Carbon Offsets Liability.

3.1.3 A CRS Accredited Product Provider must “make good” on any VER shortfall by obtaining sufficient VERs to reduce the shortfall to zero as soon as possible but in any event within 12 months after the CRS Product Compliance Date.

3.2 Product Compliance Statement

3.2.1 A CRS Accredited Product Provider must engage a CRS Category 2 Auditor to provide an audit opinion over the annual CRS Product Compliance Statement to be submitted to the CRS Administrator under Section 5.1.2.(f) of the Governance Structure. The auditor shall provide an audit opinion on the CRS Product Compliance Statement, addressed to the CRS Administrator, in accordance with the provisions of CRS Rule 2 Verification.

4. Compliance Methodology - CRS Administrator

4.1 Acquittal

4.1.1 The CRS Administrator must cause the permanent retirement or acquittal of all VERs surrendered to the CRS Administrator. If there is a zero shortfall in a given Compliance Year, the amount of VERs to be permanently retired will be equal to the sum total of CRS Carbon Offsets sold by CRS Product Providers in the Compliance Year.

4.1.2 If the VERs are created under Section 4.1.1 of the Governance Structure, the CRS Administrator shall permanently retire or acquit the referable certificate or credit under the relevant scheme, where the relevant scheme allows.

4.2 CRS Administrator Compliance Statement

- 4.2.1 The CRS Administrator shall engage a CRS Category 1 Auditor to assess the supply and demand balance, data integrity and the calculation of the total VER liability for all CRS Product Sales in a Compliance Year. The CRS Category 1 Auditor shall report to the CRMC in accordance with the provisions of CRS Rule 2 Verification.

**Carbon Reduction Scheme
Rule 2 Verification Framework**

September 2010

Origin Energy Electricity Limited

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1. Purpose of this Document

The CRS Governance Structure specifies that independent verification shall be used to ensure integrity and credibility of the scheme. This document provides a framework for validation and verification of CRS Products and CRS Projects in accordance with the CRS Governance Structure.

2. Conduct of Verifications

2.1 Areas subject to verification

2.1.1 The following aspects of the CRS shall be subject to independent verification:

- a) CRS Project validation of Eligible Activities (Project Validation Report);
- b) Abatement verification from accredited CRS Projects covering Eligible Activities;
- c) CRS Product validation in accordance with this Rule and the Governance Structure;
- d) Annual CRS Product Compliance in accordance with this Rule and Rule 1 - Compliance; and
- e) CRS Administrator Compliance in accordance with this Rule and Rule 1 - Compliance.

2.2 Verification principles

2.2.1 The principles by which assurance engagements shall be completed are drawn from the Australian Greenhouse Office, Greenhouse Challenge Plus Verification Guidelines (2006). These principles are:

- a) Completeness;
- b) Consistency;
- c) Accuracy;
- d) Transparency;
- e) Relevance; and
- f) Conservativeness.

2.2.2 The principles by which CRS Auditors shall conduct independent verifications are also drawn from the Australian Greenhouse Office, Greenhouse Challenge Plus Verification Guidelines (2006). These principles are:

- a) Independence;

- b) Ethical conduct;
- c) Fair presentation; and
- d) Due professional care.

2.3 Auditing frameworks

A number of auditing frameworks may be used for CRS validation and verification engagements. A list of frameworks acceptable to the CRS Administrator is contained in Appendix A.

2.4 Level of assurance

In general, audit frameworks describe two levels of assurance, which are variously described as:

1. “positive”, “reasonable” or “high level” of assurance;
2. “limited” assurance.

All assurance engagements under the CRS shall be “positive”, “reasonable” or “high level” assurance engagements.

2.5 Selection and engagement of CRS Auditors

- 2.5.1 Auditors for CRS Project Validation Reports and Abatement Verification Reports shall be selected and engaged by the CRS Accredited Abatement Providers, subject to approval from the CRS Administrator;
- 2.5.2 Auditors for CRS Product validation and CRS Product Compliance Statements shall be selected and engaged by the CRS Accredited Product Providers, subject to approval from the CRS Administrator;
- 2.5.3 Auditors for the CRS Administrator Compliance Statements shall be selected and engaged by the CRS Administrator, subject to approval from the CRMC;
- 2.5.4 Sections 2.5.1 and 2.5.2 notwithstanding, Auditors for validation and verification of CRS Projects and CRS Products shall owe primary responsibility to the CRS Administrator and shall at all times provide timely and accurate information to the CRS Administrator regarding the progress of the verification. Auditors must bring to the immediate attention of the CRS Administrator matters which may result in an adverse finding or which may impair the Auditor’s ability to reach a sound finding;
- 2.5.5 Section 2.5.3 notwithstanding, Auditors for the CRS Administrator Compliance Statements shall owe primary responsibility to the CRMC and shall at all times provide timely and accurate information to the CRMC regarding the progress of the verification. Auditors must bring to the immediate attention of the CRMC matters which may result in an adverse finding or which may impair the Auditor’s ability to reach a sound finding.
- 2.5.6 CRS Accredited Product Providers and CRS Accredited Abatement Providers shall explicitly acknowledge Section 2.5.5 in writing to the CRS Administrator prior to commencement of each verification.
- 2.5.7 CRS Auditors shall submit for approval, a detailed scope of works detailing at a minimum, significant verification risks identified, verification procedures to be

conducted, verification personnel to be utilised, hours assigned to each major verification task, verification timetable and conflict of interest statement to:

- a) the CRS Administrator for auditors engaged by Accredited Product Providers and CRS Accredited Abatement Providers; and
- b) to the CRMC for auditors engaged by the CRS Administrator.

2.5.8 CRS Auditors shall not commence verification until approval is granted by the CRS Administrator or CRMC, as appropriate.

2.6 Assurance opinions

2.6.1 CRS Auditors shall provide assurance opinions based on the report provided for verification and such other documents and information as deemed appropriate in the course of the assurance engagement.

2.6.2 Assurance opinions shall be one of the following:

- a) Positive, Reasonable or High Level Assurance - the assertions made in the report subject to assurance are fairly stated and are correct in all material respects.
- b) Qualified Opinion - the assertions made in the report subject to assurance are not fairly stated or correct in all material respects, but the effect of the misstatement is not sufficiently material as to require an adverse opinion or inability to form an opinion outcome.
- c) Adverse Opinion - the assertions made in the report subject to assurance contain material discrepancies.
- d) Inability to form an Opinion - major information gaps or limitations imposed upon the conduct of the assurance engagement prevent an opinion being formed.

2.7 Communication of assurance findings

2.7.1 CRS Auditors shall set out the findings of assurance engagements in an audit report addressed to the CRS Administrator or CRMC, as appropriate.

2.7.2 Material and non-material discrepancies shall be identified.

2.7.3 Deficiencies uncovered during the course of the assurance shall be identified and recorded in the relevant assurance report. The CRS Auditor shall not consider material or other evidence newly developed during the course of the assurance in response to identified deficiencies.

2.7.4 Deficiencies leading to a potential qualified, adverse or inability to form an opinion conclusion shall be communicated to the CRS Administrator, or CRMC, at the earliest opportunity.

2.7.5 At the CRS Administrator's discretion, and where the CRS Administrator believes that a qualified, adverse or inability to form an opinion has been reached or may be reached due to minor or easily remedied deficiencies, the CRS Administrator may direct the proposed CRS Accredited Abatement Provider or CRS Accredited Product

Provider to undertake remedial action and the CRS Auditor to provide a revised opinion based on that remedial action.

3. Conflict of Interest

3.1 Conflict of interest statement

- 3.1.1 CRS Auditors must provide to the CRS Administrator, a conflict of interest statement with each detailed scope of work which explicitly identifies conflict of interest.
- 3.1.2 Conflict of interest is any circumstance which may compromise or may reasonably be expected to compromise, the impartiality of the CRS Auditor and the ability of the CRS Auditor to reach an unbiased decision.
- 3.1.3 Conflict of interest is deemed to have occurred where any of the following exists:
 - a) Any active engagement of the CRS Auditor by the CRS participant;
 - b) Any pending engagement of the CRS Auditor by the CRS participant;
 - c) The CRS Auditor has provided any advice to the CRS participant regarding CRS validation, verification and or record keeping;
 - d) The CRS Auditor has earned a material share of total revenue from the CRS participant over the previous 12 months; or
 - e) Any other circumstance which may reasonably be expected to lead to a conflict of interest.

4. Verification Scopes

The following generic verification scopes provide guidance to CRS Auditors. CRS Auditors are required to develop detailed scopes of work and relevant verification procedures to meet the requirements of this Verification Framework.

4.1 CRS Product Validation

- 4.1.1 Applications for CRS Product validation shall be subject to an initial desktop review by the CRS Administrator to ensure that the CRS Product appears valid and validation is warranted.
- 4.1.2 Applications to create CRS Products shall be accredited by the provision of a Product Validation Report from a CRS Category 2 Auditor stating a positive, reasonable or high level of assurance that the Greenhouse Reduction Assertion associated with delivery of the CRS Product has been:
 - a) stated in accordance with Section 5 of the CRS Governance Structure;
 - b) adequately and appropriately quantified, utilising approaches and techniques consistent with The Greenhouse Gas Protocol for Project Accounting, Chapter 5;
 - c) based on accurate and reliable records as outlined in Sections 6.1.2 and 6.2 of the CRS Governance Structure.

4.2 CRS Product Compliance Statement

4.2.1 The annual CRS Product Compliance Statement submitted by CRS Accredited Product Providers shall be independently verified by a CRS Category 2 Auditor to verify that:

- a) The statement conforms with the requirements of CRS Governance Structure, Section 5;
- b) The statement is based on accurate and reliable records as outlined in Section 6 of the CRS Governance Structure; and
- c) Meets compliance methodology criteria as outlined in Rule 1, Section 3.

4.3 Scheme Administrator

4.3.1 The annual CRS Administrator Compliance Statement prepared by the CRS Administrator shall be independently verified by a CRS Category 1 Auditor to verify:

- d) The amount of carbon offsets contracted to CRS Products Providers;
- e) The amount and source of Eligible Abatement surrendered by CRS Accredited Product Providers;
- f) Sufficient VERs have been permanently retired or acquitted to meet the liability of the total CRS Carbon Offsets sold by CRS Products Providers less any shortfall amounts; and
- g) The statement is based on accurate and reliable records.

Appendix A

Acceptable Auditing Frameworks

International Standard ISO 14064-3 Greenhouse gases - Part 3: Specification with guidance for the accreditation and verification of greenhouse gas assertions

ISO 14064-3 can be obtained from the International Organization for Standardization website (www.iso.org).

International Standard ISO 14064-2 Greenhouse gases - Part 2: Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements

ISO 14064-2 can be obtained from the International Organization for Standardization website (www.iso.org).

International Standard on Assurance Engagements (ISAE) 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information

ISAE 3000 can be obtained from the International Federation of Accountants website (www.ifac.org).

Australian Auditing Standard AUS 110 Assurance Engagements Other than Audits or Reviews of Historical Financial Information

Australian Auditing Standards can be obtained from the Australian Accounting Research Foundation website (www.aarf.asn.au).

Appendix B

As stated in the Governance Structure the accreditation of new projects has ceased. All CRS Projects that contributed abatement under the CRS followed the validation and verification procedure below. Beharra is the only CRS Project eligible to create CRS VERs (until Dec 2010). In order to create CRS VERs, it is required to fulfill the requirements stated in sections 1 and 2 below.

Section 1

Application for validation of a CRS Project

Applications for CRS Project validation shall be subject to an initial desktop review by the CRS Administrator to ensure that the CRS Project appears valid and validation is warranted.

Applications for CRS Project validation shall be subject to an independent validation. The Project Validation Report provided to the CRS Administrator under the Governance Structure shall provide a positive or high assurance from a CRS Category 2 Auditor as to whether:

- a) A proposed activity is an Eligible Activity;
- b) The CRS Accredited Abatement Provider has developed an appropriate project proposal in accordance with Appendix C of the CRS Governance Structure;
- c) The CRS Accredited Abatement Provider has developed appropriate record management processes to support the creation of Eligible Abatement in accordance with Section 6 of the CRS Governance Structure.

Section 2

Verification of Abatement from accredited CRS Projects covering Eligible Activities

Abatement arising from accredited CRS Projects shall be verified as Eligible Abatement prior to the creation of VERs, unless otherwise agreed with the CRS Administrator.

The Abatement Verification Report provided to the CRS Administrator under the Governance Structure shall provide a positive, reasonable or high level of assurance from a CRS Category 2 Auditor that the Eligible Abatement has been calculated:

- a) In accordance with the relevant CRS Rule;
- b) Based on accurate and reliable records; and
- c) In accordance with the approach specified in the CRS Project proposal.

**Carbon Reduction Scheme
Renewable & Low Emission
Generation Rule 3**

September 2010

Origin Energy Electricity Limited

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1. Overview

This Rule provides a methodology to measure abatement from activities involving renewable or low-emissions electricity generation.

2. Eligible Generation Activities

Eligible Generation Activities include activities that involve:

- a) The generation of electricity from a renewable fuel source including photovoltaics, solar thermal electricity and heat, ecologically sound biomass, biogas and liquid biofuels, wind, geothermal, low impact hydro;
- b) The generation of electricity with lower greenhouse intensity than the average intensity of the region where the generation occurs,

as approved by the CRS Administrator.

3. Eligible Abatement

Eligible Abatement for Eligible Generation Activities will be calculated using Section 4.

4. Factors and Methods

4.1 Number of eligible VERs:

Where emission abatement sourced from Eligible Abatement frameworks is measured in terms of MWh, rather than tonnes CO₂-e (as is the case for Renewable Energy Certificates, for example), the following approach to conversion shall be used:

$$\begin{aligned} \text{Eligible Abatement (tonnes CO}_2\text{-e)} = & \\ & \text{Eligible Generation (MWh) x} \\ & \text{[(Grid Electricity Emission Factor (t CO}_2\text{-e/MWh)} \\ & \text{/ Emission Intensity Adjustment Factor (t CO}_2\text{-e/MWh))} \\ & \text{- Emission Intensity (t CO}_2\text{-e/MWh)]} \quad \text{..... (Equation 1)} \end{aligned}$$

Where:

Eligible Generation (in MWh) in respect of the Generating System, is Gross Generation less Auxiliary Electricity Use, both measured over the same time period, from an Eligible Activity (as specified in Section 3.2 of the Governance Structure) occurring after the CRS Commencement Date.

Gross Generation is the total electricity generated by the Generating System.

Generating System means a system of one or more of the physical generators and all of the related equipment capable of functioning as a single entity.

Auxiliary Electricity Use is the electricity used by the Generating System.

Grid Electricity Emission Factor is the full fuel cycle emission factor for the consumption of purchased electricity from the grid for end users (“Scope 2 + Scope 3”) in each respective state as set out in the latest Department of Climate Change and Energy Efficiency publication titled *National Greenhouse Account (NGA) Factors* or where the geographical area is not included in that table an alternative credible and equivalent figure.

Emissions Intensity as calculated using Equation 2

Emissions Intensity Adjustment Factor is the value as set out in Table 1 appropriate to whether the generating system is connected to a distribution or transmission system or where the geographical area is not included in that Table an alternative credible and equivalent figure.

Table 1: Emission Intensity Adjustment Factor (Australian sites)

Connection Location	Emission Intensity Adjustment Factor
To Transmission System	The Transmission Loss Factor x The Default Distribution Loss Factor for the relevant state from Greenhouse Gas Benchmark Rule (Generation) No. 2 of 2003.
To distribution system	The Default Distribution Loss Factor for that Distribution system from Greenhouse Gas Benchmark Rule (Generation) No. 2 of 2003.
At end-user site	1.00

For geographical areas not included in Table 1, an alternate, credible figure must be proposed.

4.2 Emissions Intensity

Emissions Intensity (t CO₂-e/MWh) =

Total Greenhouse Gas Emissions (t CO₂-e)

/ Sent Out Generation (MWh)(Equation 2)

Where:

Total Greenhouse Gas Emissions is determined using Equation 3, in respect of the time period over which the Eligible Generation occurs.

Sent Out Generation is, in respect of the generating system, Gross Generation less Auxiliary Electricity Use, both measured over the same time period as the Total Greenhouse Gas Emissions.

Gross Generation is the total electricity generated by the generating system.

Auxiliary Electricity Use is the electricity used by the generating system.

4.3 Total Greenhouse Gas Emissions

The following calculations shall be conducted for each fuel used in the Generating System

Total Greenhouse Gas Emissions (t CO₂-e) =

$$\text{Energy Content (GJ/t)} \times \text{Emission Factor (t CO}_2\text{-e/GJ)} \dots\dots\dots(\text{Equation 3})$$

Where:

Total Greenhouse Gas Emissions is in t CO₂-e

Energy Content of the fuel combusted in the Generating System.

Emission Factor is the full-lifecycle emission factor of the fuel determined as follows:

- a) For combustion fuels, as set out in the latest version of the Department of Climate Change and Energy Efficiency *National Greenhouse Accounts (NGA) Factors* or where the fuel type or equipment is not included in that publication an alternative credible figure. Where more appropriate project-specific emission factors are known, these may be used subject to approval from the CRS Administrator;
- b) For non-combustion “fuel” sources (e.g. photovoltaic, solar thermal, geothermal etc), zero.