



**Submission to the External  
Reporting Board on the  
Governance and Risk  
Management Consultation  
Document**

**22 November 2021**



**Certified Energy**

New Zealand Energy Certificate System

# About the New Zealand Energy Certificate System (NZECS)

The NZECS was established in 2018 to increase awareness, choice and engagement with renewable energy: in order to contribute toward a sustainable and low-carbon energy system. Managed by Certified Energy, the system enables the transfer of energy production attributes, resulting in the issuance of Energy Attribute Certificates (EACs) representing 100% renewable or zero carbon electricity. These certificates are referred to in New Zealand as New Zealand Energy Certificates (NZ-ECs), whereby one NZ-EC corresponds to the production of one megawatt hour (MWh) of electrical energy.

Energy certification markets globally have been operating since the late 1990's, creating the opportunity to leverage private funding from businesses and individuals who are motivated to support renewable electricity development and operation.

Reporting GHG emissions is becoming common and is used by various entities to support emission reduction goals, reduce exposure to climate-related risks and provide transparency of impacts. Businesses can purchase certificates to match their energy use, reflecting their support for renewable/zero carbon electricity generation.

Since 2018, use of the system has increased, with over 60 of the country's largest industrial and commercial businesses now purchasing NZ-ECs to match their consumption. Participants in the system include a number of large gentailers, as well as a number of independent generators, independent consumers, and intermediaries such as instrument brokers and consultants. NZECS meets the requirements of accredited GHG reporting programmes and is recognised by RE100. Energy certificates are the most popular way for businesses to reduce their emissions globally, used by 43% of RE100 companies.

Certified Energy is a member of the Sustainable Business Council, the BusinessNZ Energy Council, and a Bronze Partner of Carbon and Energy Professionals.

[www.certifiedenergy.co.nz](http://www.certifiedenergy.co.nz)

LinkedIn: New Zealand Energy Certificate System

# Introduction

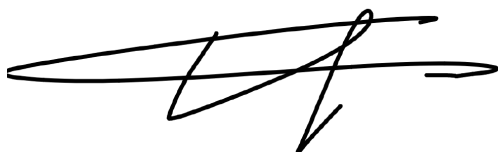
The NZECS is pleased to respond to the External Reporting Board. We recognise the intention of Climate-related Disclosure is to ensure the effects of climate change are routinely considered in business, investment, lending, and insurance underwriting decisions.

We understand the value of disclosure in shifting current investment away from carbon intensive activities and providing urgent new investment to innovation and development of low-carbon alternatives.

We acknowledge the complex and critical work of all agencies tasked with providing guidance on this issue. Given the importance of urgent climate action we support all efforts to increase transparency and ambition while also preserving the substantial investment and experience already achieved in Greenhouse Gas reporting practices.

Please find below our submission detail for your consideration.

Nāku iti noa, nā,

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke, positioned above the name and title.

Tim Middlehurst

CEO – Certified Energy

## Submission Detail

Overall, we support the intent of Climate Related Disclosures to strengthen climate-based reporting by New Zealand businesses.

While the Aotearoa Climate Standard 1 (NZ CS 1) is not as relevant for our organisation as the next consultation on Strategy, Metrics and Goals will be, we thought it still useful to provide some general suggestions related to GHG reporting practices.

Some of these comments reflect the submission to the Economic Development, Science, and Innovation Committee Financial Sector Amendment Bill, which relates to several important decisions that will underpin the effectiveness of Climate-related Disclosures.

Our expectation is that the following suggestions would help promote market fairness and allow for continuity with current reporting practices, subsequently supporting a more effective transition to the increased reporting requirements.

**1) The External Review Board (XRB) will be empowered to set the applicable accounting standards and has indicated its preference to solely adopt (*International Auditing Standard (ISAE) (NZ) 3410: Assurance Engagements on Greenhouse Gas Statements*) as the appropriate assurance standard for reporting on Greenhouse Gas Statements, excluding other standards already in place in New Zealand.**

We agree that ISAE (NZ) 3410 is an appropriate standard and should be included, but it should not be the only one used. Many businesses in New Zealand that currently report their greenhouse gas emissions do not do so against ISAE (NZ) 3410.

The Task Force on Climate-related Financial Disclosures (TCFD) endorses the use of national reporting methodologies that are consistent with the GHG protocol.

In addition, we recognise the value of the ISO standards in providing a rigorous reporting framework. The Climate Leaders Coalition (CLC) – made up of 100 signatories making up 60% of New Zealand's gross emissions – have endorsed the ISO standard alongside the GHG protocol for use by its members.<sup>1</sup>

The International Standard for GHG emissions (ISO 14064 Parts 1 and 3) is already recognised as being consistent with the Ministry for the Environment's guidance for both private and public organisations.

### **Recommendation:**

Require the XRB to take into account all current reporting practices of sufficient standing when setting the assurance standards that will apply for climate-related disclosures.

---

<sup>1</sup> In guidance to help members meet the 2019 commitments, the CLC states that verification should be in line with ISO 14064-3 and they recommend that the methodology and measurement is consistent with ISO14064-1  
Emissions Measurement & Reporting - Climate Leaders Coalition

**2) Assurance providers must be accredited to a governing body approved by the Financial Markets Authority (FMA), of which there is only currently one.**

The only industry body we are aware of that would meet the FMA's set criteria is Chartered Accountants Australia New Zealand (CA ANZ). Most smaller providers of carbon accounting services are not accredited to the CA ANZ, and accreditation to this body may not be suitable in all cases. We suggest that only having one governing body could be overly restrictive.

We are concerned that these two issues in their current form could result in an assurance regime that:

- excludes recognised reporting standards that businesses currently report against,
- small assurance providers are not qualified to audit against,
- may inhibit the use of smaller, local assurance providers in favour of the larger global accounting firms,
- would not recognise the Climate Leaders Coalition's existing commitments<sup>2</sup>, and
- may not be aligned with reporting and assurance standards occurring in other countries.

Taken together, this could reduce the positive impact intended by the introduction of TCFDs.

**Recommendation:**

Ensure that sufficient time is allowed for the establishment of one or more additional New Zealand-based professional accreditation bodies.

**3) There are multiple GHG reporting programmes in development in NZ which would benefit from alignment where possible. These include XRBs Climate Related Disclosures, the Carbon Neutral Government Programme and the proposed mandatory Energy and Greenhouse Gas Emissions reporting scheme for large energy users.**

Alignment of these developing reporting programmes should be based on commonalities such as underlying international standards (GHG P and ISO 14064:1), 'scope' requirement, and how irreducible emissions can be managed (market-based reporting, offsetting etc).

Alignment in this way will provide consistency, comparability, reduced confusion and the preservation of the substantial investment and experience already achieved in Greenhouse Gas reporting practices.

**Recommendation:**

Ensure that all GHG reporting programmes being developed in NZ are aligned where possible.

---

<sup>2</sup> Emissions Measurement & Reporting - Climate Leaders Coalition, 2019 Statement commitments are to have your greenhouse gas inventory independently verified by a third party. For most signatories: Verification should be in line with ISO 14064-3, May take the form of limited assurance or reasonable assurance, For signatories with revenue <5million NZD: Verification may be third party confirmation that the methodology and measurement is consistent with ISO 14064-1.