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RISKS TO SHAREHOLDERS AND CLIMATE TARGETS IF ACCU INTEGRITY NOT ADDRESSED

Sydney, NSW: Recently raised concerns regarding the integrity of the Australian Carbon Credit Unit (ACCU) scheme are valid and warrant further investigation according to research from contrarian, long-term fund manager Allan Gray Australia.

Allan Gray Australia's research into the ACCU scheme revealed integrity concerns, largely relating to additionality and the contribution of underlying projects to the actual abatement of greenhouse gas emissions.

Stephanie Derrington, Responsible Investing Analyst at Allan Gray Australia, and research author, warns that if the carbon credits used by companies to offset emissions do not represent actual and additional abatement of greenhouse gas (GHG) emissions, companies may have artificially inflated 'green' or ESG credentials.

The research found over 30% of S&P/ASX 200 companies report using some form of carbon credits to reduce their emissions. Almost 50% of those companies specifically report using ACCUs whilst a further 36% of those companies do not report the type of carbon credits they use.

"The lack of integrity within the ACCU scheme could mean that companies' reported net emissions are lower than their true volume of net emissions," said Miss Derrington.

The use of carbon credits to offset emissions varies between sectors. Almost 70% of financial services companies in the ASX200 use carbon credits to offset their emissions. In contrast, at the date of Allan Gray Australia's research (July 2022), no company in the healthcare sector reported using offsets.

There are many ways the integrity concerns surrounding the ACCU scheme may be addressed, including through the current inquiry into the scheme. "Shareholders of Australian companies that purchase ACCUs could also ask those companies to demonstrate whether the ACCUs they hold, or have previously held, relate to actual abatement," said Miss Derrington.

Miss Derrington added that, in addition to presenting risks to shareholders, there could also be flow-on effects in relation to the attainment of Australia's climate-related goals.

"If the Australian corporate sector's GHG emissions are greater than they are thought or reported to be, the accuracy of Australia's net reported GHG emissions may be called into question. Policy set against the backdrop of those reported emissions may therefore be insufficient for achieving Australia's climate-related goals," Miss Derrington said.

ENDS

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About Allan Gray Australia

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