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DETERMINANTS OF CARBON FINANCIAL ACCOUNTING AND
CARBON DISCLOSURE PRACTICES: AN EXPLORATORY STUDY ON
FIRMS AFFECTED UNDER EMISSION TRADING SCHEMES

A thesis presented in fulfilment of the requirements for the degree of
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ABSTRACT

Purpose: The purpose of this study is to investigate how and why the Emission Trading Scheme (ETS) affected firms are disclosing and financially accounting for carbon within a voluntary disclosure setting.

Methodology and Data Sources Used: The study is framed within institutional theory and examines inconsistencies and a lack of transparency in the carbon financial accounting and carbon disclosure practices of ETS affected firms. Findings are presented as empirical evidence to support the demand for uniform mandatory carbon financial accounting and disclosure guidance. The relation between various institutional pressures is also identified - coercive (i.e. regulations), mimetic (i.e. size, leverage, listing status and industry), and normative (i.e. auditors). Firms' carbon related disclosure practices and the way carbon financial accounting is being conducted by the firms affected under the EU ETS, Australian Carbon Tax and NZ ETS are examined to identify the incentives that may be motivating these firms' adoption of carbon financial accounting policy and the extent of their disclosures. The 2013 Annual reports of the UK, Australian and New Zealand companies affected under the European Union Emission trading scheme, Australian Carbon Tax and New Zealand ETS are analysed. The affected companies are selected from Carbonmarketdata Database (for UK companies), Liable Entities Public Information Database (LEPID) (for Australian companies) and New Zealand Emission Unit Registry Database (for New Zealand companies). Content analysis is implemented for the purpose of data collection from the annual reports. The IFRIC 3 template is used to identify the recognition, measurement and reporting practices of the affected companies for carbon emission allowances by five stages of the carbon emission allowances transactions namely when these carbon emission allowances are (1) received for free, (2) purchased, (3) used, (4) sold, and, (5) surrendered.

Findings: Inconsistencies in the carbon financial accounting practices and diversity in the carbon disclosure of ETS affected firms are observed. Whilst they treat carbon emission allowances as intangible assets, most ETS firms are providing incomplete information on their carbon financial accounting practices. Some firms did not specify how they are 'recognising' carbon emission allowances and in some cases, others did not specify how they are 'measuring' carbon emission allowances. The extent of carbon disclosure was also low for most ETS firms. The findings also provide some empirical evidence of the institutional pressures, especially coercive (regulation) and mimetic pressures (size and listing status) which are the main determinants of the ETS affected firms' carbon financial accounting practice and the extent of carbon disclosure.

Research Contribution & Implications of Research Impact: The findings of this study will assist accounting policy makers in understanding *how* and *why* the affected companies financially account and disclose their carbon allowances in certain ways. This can assist the development of a uniform carbon financial accounting and disclosure guidance, especially when the IASB is yet to issue any draft guidance on the financial accounting of carbon. Additionally, the findings presented by this study will be useful for establishing guidelines for auditors to help affected companies financially account and disclose carbon allowances and other carbon emission related information. Lastly, given the scant amount of studies in the field of financial accounting for carbon emissions under ETS, this research will also give meaningful insights to academics and researchers.

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DEDICATION

I dedicate this thesis to my parents for their unconditional love and support
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LIST OF ABBREVIATIONS

CDP	Carbon Disclosure Project
CERS	Certified Emission Reduction Units
CPRS	Carbon Pollution Reduction Scheme
EFRAG	European Financial Reporting Advisory Group
ETS	Emissions Trading Scheme
EU ETS	European Union Emissions Trading Scheme
GRI	Global Reporting Initiative
LEPID	Liable Entities Public Information Database
NGER	National Greenhouse and Energy Reporting
NZ ETS	New Zealand Emissions Trading Scheme
NZ EUR	New Zealand Emission Unit Register
UNFCCC	United Nations Framework Convention on Climate Change