

Sustainability





Executive Summary

Sustainability is hard – because making money comes first, and because a delay of a day or a month doesn't seem to matter.

And sustainability sounds hard, because if taken to its logical conclusion it must mean recycling everything without generating any waste and without creating any greenhouse gas pollution.

This sounds like the domain of a radical 'back to nature' fringe group and not the place for mainstream business.

What should sustainability mean for mainstream business?

Firstly, sustainability is not an objective to be achieved by a target date.

Rather, it is a commitment to always be doing better.

Thus the question becomes one of how quickly one should move on the transition to sustainability?

For each organisation the drivers will be different. For some, priority will go to meeting a government mandated producer recycling scheme or a fleet fuel efficiency target, or managing to operate when a specific waste stream is banned from landfill.

For others it will be noting customer and competitor trends for the environmental attributes in their purchasing decisions.

How fast one should move will therefore be related to factors that include regulatory imperatives, marketplace trends and fashions and organisational resources.

Our practical and low cost advice for those starting out is simply:

- Note the trends that are evident (increasing sentiment for green products, increasing energy costs, increasing regulation of environmental impacts).
- Talk about it at Board level. Formulate a view and endorse a Sustainability Policy.
- At a minimum the Policy should require that all substantive decisions that are made by the organisation are first evaluated for sustainability opportunities and implications.

Do not underestimate the benefits of these simple initiatives.

Boards and policies do influence the culture and direction of organisations.

Every day staff are evaluating options.

It might be for a new product, or a new market to enter. It might be looking at branding or positioning.



It might be for a raw material purchase or a supplier agreement, or for office accommodation or office equipment. It can even be in HR areas such as staff retention and remuneration.

In all case thinking sustainably can be included incorporated into the process. Ask questions such as:

- What is the environmental implication of each alternative?
- Which is more energy efficient?
- Does one have a lower carbon footprint?
- Which results in less waste being generated, or is most amenable to recycling?
- Which option has the best environmental message or most sustainable features?
- What efficiency improvement can be achieved at what additional cost (payback)?

One does not even have to mandate that the most sustainable option be selected.

Rather time and again the value of this process is seen to come from the awareness that it raises.

People see and are reminded that many of their decisions do have implications for sustainability. And they also see that in many cases a more sustainable alternative has few downsides.

It often shows that the more sustainable choices also have other benefits that are non-monetary.

A sustainability initiative does not (and should not) involve relaxing payback hurdles. Projects must still stand on their own financial merits.

This is a first step in sustainability for a company.

Like profitability it needs to be continually considered, planned for, refined and reviewed.

As involvement and understanding grows, so to can the sophistication of sustainability initiatives and integration within the organisation.



OTEK is one of Australia's premier environmental consultancies, providing knowledge and practical expertise for almost 20 years.

Whatever your carbon goals, we will assess your situation and work with you to develop practical solutions to ensure that your organisation adapts to a carbon-constrained world.

Know where you stand

One of the business world's biggest challenges is going to be adapting to new rules and regulations regarding carbon emissions.

The landscape is changing at a rapid pace. New legislation and guidelines are being introduced, discussion papers are being released and state and federal governments and the international community are progressing at different rates.

OTEK assists organisations to know what is relevant to their activities, what they need to do, and how.

	2008	2009	2010	2011	2012		
Kyoto		Copenhagen: UN Climate Change Conference	Kyoto First Commitment Period Australia's target is 108% of its 1990 emissions			To be followed by a second commitment period	
NGER National Greenhouse & Energy Reporting Act		Register & report if corporation emits more than 125kt	Register & report if corporation emits more than 87.5kt	Register & report if corporation emits more than 50kt		Mandatory reporting of GHG emissions and energy consumption for companies exceeding certain thresholds	
		Register and report for any individual facility that emits more than 25 kt					
EEO Energy Efficiency Opportunities Act		All organisations that use more than 0.5 PJ of energy per annum					Large energy users must identify opportunities for savings and report publicly for 4 year paybacks
		First time registration by 31 March	Submit assessment & reporting schedule	Complete first assessment	Complete remaining assessments & publicly report	Ongoing assessment and reporting	
CPRS Carbon Pollution Reduction Scheme	Announcement of indicative trajectory 2010 - 2013	Legislation	Announcement of indicative trajectory 2013-2015	First trading year	Second trading year	Third trading year	
				A key component of the CPRS is the Australian Emissions Trading Scheme			

The purpose of the Carbon Pollution Reduction Scheme is to reduce carbon emissions by the lowest cost options. To do this organisations need to (1) understand their own carbon footprint, and (2) know the options and costs for reducing emissions. Now is not too early to start.

In many cases reducing carbon also saves money. OTEK understands that organisations should only take steps that have a sound business basis.

Future Proofing

Prepare for coming changes to legislation & reporting requirements. Even if reporting isn't compulsory for your company, it's likely you will be a supplier to companies that must report or trade.

Enhanced Efficiency

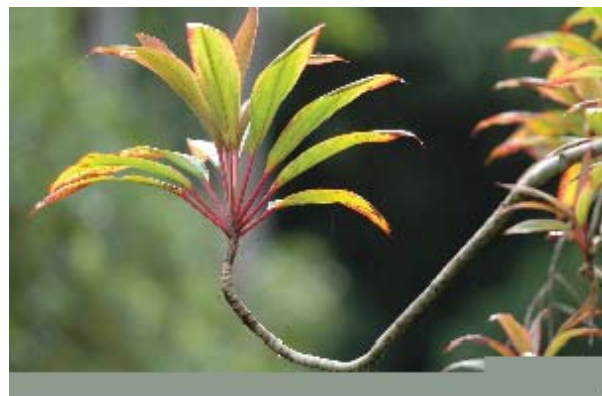
Identify areas where your business is using resources unnecessarily, and revise your business practices to operate more efficiently.

Save Money

There are many technologies that will reduce energy consumption. Find the ones with the highest net present value or most attractive return on investment.

Staying Competitive

Customers and shareholders are more environmentally aware than ever. Make sure you meet their expectations – legitimately – without "greenwash".



OTEK carbon consulting services

Our staff are qualified, highly experienced environmental professionals, and widely regarded as industry experts. We are technicians, engineers and scientists who take pride in being practical. Let us do what we do best so that you can do what you do best.

Whether your business needs a comprehensive carbon audit, some assistance in calculating a carbon footprint, advice on how to proceed, or extra capacity to meet a short term deadline, we can tailor a solution to assist.

Some of our carbon consulting services include:

- Carbon Footprint audits
- GreenStar building accredited assistance
- Technical quantification where default emission factors are inappropriate

- Energy audits to AS 3598:2000
- NPI, EEO and NGER threshold determination / reporting assistance
- Project identification, costing and payback analysis
- Strategic advice on regulations, certification and policy
- Carbon neutrality, carbon offsets and life cycle management



CPRS



On May 4th 2009 the Carbon Pollution Reduction Scheme Bill 2009 (CPRS) was introduced into the Australian Parliament.

The CPRS is the foundation of the Government's whole of economy strategy to tackle climate change.

Overview

A key element is that an emissions trading scheme will be established, and will commence on 1 July 2010.

Approximately 1000 companies that are responsible for about 75% of Australia's greenhouse gas emissions will have to obtain and surrender carbon pollution permits equal to their emissions each year.

The Scheme will cover the major greenhouse gases: carbon dioxide, methane, nitrous oxide, sulphur hexafluoride, hydrofluorocarbons and perfluorocarbons.

Each year there will be a cap that limits annual emissions from all covered types and sources of emissions.

Tradeable carbon pollution permits will be issued annually that will be equal to the Scheme cap.

In line with the reducing cap target, a decreasing number of permits will be issued each year.

Cap

The Government has committed to reducing emissions to 5% below 2000 levels by 2020, irrespective of the action of other nations.

Should global agreement be reached, where all major economies commit to substantially restrain emissions and all developed countries take on reductions comparable to that of Australia, the commitment will be increased to 15% below 2000 levels.

If there is a storage Global commitment to stabilise greenhouse gases at 450ppm or lower by 2050, the Australian target will become 25% below 2000 levels

Longer term, the Government has committed to reduce greenhouse gas emissions to 60% of 2000 levels by 2050.

Coverage

The coverage of the Scheme will be broad and will include emissions from stationary energy, transport, industrial processes, forestry and waste as well as fugitive emissions from the oil and gas industry.

A decision will be made in 2013 on whether agricultural emissions will be included from 2015.

Forest owners will be able to opt into the Scheme on a voluntary basis.

They will be eligible to receive permits where the forests sequester more carbon than they emit, but would have to surrender permits when emissions exceed the carbon sequestered.

Price

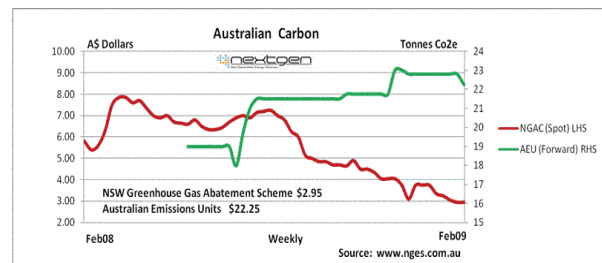
For the first 4 years the price is capped at \$40 per tonne, rising at 5% per annum thereafter.

For the first 12 months the carbon price will be fixed at \$10 per tonne.

Subsidies and Assistance

All money raised from the sale of permits will be reinvested to help households, businesses and the economy to adjust.

Initially, approximately 25% of permits will be allocated to Emissions Intensive Trade Exposed (EITE) industries:



- activities with emissions intensity of at least 2000t CO₂-e/\$m revenue or 6000t CO₂-e/\$m value-added will be allocated 94.5% of their permits for free;
- activities with emissions intensity of between 1000t and 1999t CO₂-e/\$m revenue or between 3000t and 5999t CO₂-e/\$m value-added will be allocated 66% of their permits for free;

In addition, the emissions-intensive coal-fired electricity generators will receive free permits to the value of \$3.9 billion over the first five years of the Scheme.

For the first three years of the Scheme fuel taxes will be cut on a cent-for-cent basis to offset the initial price impact the Scheme will have on fuel.

Assistance measures will be provided to low and middle income households, at levels estimated to be equal to or greater than the resultant increase in the cost of living attributable to the Scheme.

A Climate Change Action Fund of \$2.15 billion over 5 years will be established to assist the transition for business, community sector organisations, workers, regions and communities.

More detailed guidelines have been issued on the eligibility criteria for industry assistance under the CPRS.

Businesses Requiring Permits

A Facility will be captured by the CPRS if it emits more than 25,000 tonnes of CO₂equiv per year.

Relevant emissions are Scope 1 emissions only.

This contrasts with the National Greenhouse and Energy Reporting Act, which applies to all facilities that have combined Scope 1 and Scope 2 emissions of more than 25,000 tonnes of CO₂equiv per year.

Participating organisations can surrender international Kyoto units for compliance purposes, in lieu of Australian carbon pollution permits.

There is no limit on the number of these units that can be surrendered. However, Australian permits will not be able to be exported (without five years notice).

The Government has also confirmed that the expanded national Renewable Energy Target requires 20% of Australia's electricity to be sourced from renewable generators by 2020

Voluntary Carbon Offsets Market

Carbon offsets can currently be purchased in order to make a product or service carbon neutral, or to offset the carbon emissions generated by a specific activity.

Currently, offsets can be sourced from Australian or international offset projects.

From July 2011, Australian carbon offset projects will not result in any net reduction in Australia's emissions, and so will not generate valid offsets. International offset projects will continue to be valid.

In addition it will be possible to buy Australian Emission Units under the CPRS and voluntarily retire them.

Governance and Legislation

The Australian Securities and Investments Commission will be given the power to investigate and prosecute market manipulation in the carbon market.

Draft legislation to underpin the CPRS was presented to Parliament in May 2009 but has yet to be passed.



The CPRS White Paper (Dec. 2008) provided the following summaries on specific aspects of the CPRS:

Mechanics of a Cap and Trade Scheme

Emitters of greenhouse gases need to acquire a permit for every tonne of greenhouse gas that they emit.

The quantity of emissions produced by firms will be monitored, reported and audited.

At the end of each year, each liable entity will need to surrender a permit for every tonne of emissions that they produced in that year.

The number of permits issued by the Government in each year will be limited.

Firms will compete to purchase the number of permits that they require.

Firms that value the permits most highly will be prepared to pay most for them, either at auction or on a secondary trading market.

For some firms, it will be cheaper to reduce emissions than to buy permits.

Certain categories of firms will receive an administrative allocation of permits, as a transitional assistance measure.

Those firms could use the permits or sell them.

A Company Perspective

Different companies will have different abatement costs and opportunities.

Under the Scheme, the decision whether to emit or abate will differ from company to company.

Consider an example where the market price for a carbon pollution permit is \$25.

Company A can reduce its emissions for a cost of \$20 per tonne of emission.

Its cost of abatement is lower than the market price for a permit.

If the company had permits, it would sell them.

If the company had no permits, it would be cheaper for the company to abate than to buy a permit so that it could emit.

Company B can reduce emissions for a cost of \$50 per tonne of emissions.

Its cost of abatement is higher than the market price for a permit.

If the company had permits, it would use them and emit. If the company had none, it would buy them in the market so it could emit.

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