

Sustainable Business Update

Issue 12, February 2008

Sustainable Business Practices is pleased to present a review of recent activities from government, business and research centres on issues relating to business sustainability

Kyoto Protocol Update

The Kyoto Protocol is the international agreement developed in 1997 with the aim of reducing greenhouse gas emissions from developed nations. The Protocol sets out binding emission targets for each of the signatory nations to be achieved during 2008 - 2012. The following table displays the targets set for each nation and the progress made (based on 2005 data)ⁱ. Two progress figures are provided, one includes the greenhouse effects of land use, land use change and forestry (LULUCF), and the other excludes these effects. The official Kyoto targets include the effects of LULUCF.

Country	GHG 2008 – 2012 Target	GHG 1990 – 2005 Incl. LULUCF	GHG 1990 – 2005 Excl. LULUCF
Australia	108%	104%	126%
Austria	92%	114%	118%
Belgium	92%	99%	99%
Bulgaria	92%	50%	53%
Canada	94%	154%	125%
Croatia	95%	90%	97%
Czech Republic	92%	72%	74%
Denmark	92%	90%	93%
Estonia	92%	39%	49%
European Community	92%	96%	98%
Finland	92%	77%	98%
France	92%	93%	98%
Germany	92%	80%	82%
Greece	92%	127%	128%
Hungary	94%	67%	69%
Iceland	110%	100%	111%
Ireland	92%	125%	126%
Italy	92%	107%	112%
Japan	94%	107%	107%

Country	GHG 2008 – 2012 Target	GHG 1990 – 2005 Incl. LULUCF	GHG 1990 – 2005 Excl. LULUCF
Latvia	92%	-62%	
Liechtenstein	92%	118%	117%
Lithuania	92%	35%	46%
Luxembourg	92%	101%	101%
Monaco	92%	97%	97%
Netherlands	92%	100%	100%
New Zealand	100%	123%	125%
Norway	101%	77%	109%
Poland	94%	66%	68%
Portugal	92%	140%	143%
Romania	92%	47%	54%
Russian Federation	100%	72%	71%
Slovakia	92%	67%	66%
Slovenia	92%	80%	100%
Spain	92%	160%	153%
Sweden	92%	92%	93%
Switzerland	92%	105%	102
Ukraine	100%	41%	45.35
United Kingdom	92%	85%	85.22
United States*	93%	116%	116.25

*Non-Ratifying nations Below target Above target

Australia is currently under the target set within the Protocol. This is primarily due to a last minute clause included within the Kyoto Protocol, which allows nations to count net changes in greenhouse gas emissions from human-induced land use changes (LULUCF)ⁱⁱ. If these concurrent changes in land use practices are excluded, Australia's emissions actually increased by 26% between 1990 and 2005. Emissions from stationary energy alone have increased by 43%ⁱⁱⁱ. Under the current Protocol, these land use changes can only be counted during the first commitment period (2008 – 2012)ⁱⁱ, so it is unlikely Australia, or other nations will be able to claim these benefits in the future.

A major impediment to nations taking action to reduce their greenhouse gas emissions has been the belief by some that slowing emissions means slowing the economy. Sweden, however, has proven that it is possible to reduce emissions and grow the economy concurrently. Sweden's economy grew by 44% between 1990 and 2006 (in fixed price terms), while their emissions decreased by over 8%^{iv}.

"Developments in Sweden give us a chance to show other countries that are doubtful that it is possible to reconcile economic growth with emissions reductions." – Andreas Carlgren (Swedish Minister for Sustainable Development)^{iv}

Sustainable Business Update

Interim Emission Targets

The EU recently announced an ambitious target to reduce greenhouse gas emissions by 20% by 2020, and is prepared to commit to a 30% reduction if a new international agreement is developed. To meet this target, the EU aims to produce 20% of energy from renewables by 2020, update the emissions trading scheme, use biofuels for 10% of all transport needs and set binding targets for all member states^v.

As part of the European plan, it is also proposed that any international companies trading in Europe will be required to obtain trading permits to maintain the competitiveness of European businesses^v. This move has been greeted with opposition from the United States who has accused the EU of protectionism^{vi}.

The setting of interim targets (i.e. prior to 2050), such as the European Union has done, was a point of much controversy at the recent Climate Change Conference in Bali. Australia was one of several nations who opposed the setting of interim targets at that time, as the Rudd government awaits the findings of the Garnaut Review prior to making any commitments. The Garnaut Review aims to "examine the impacts of climate change on the Australian economy, and recommend medium to long-term policies and policy frameworks to improve the prospects for sustainable development"^{vii}. The Review's final report is due to be delivered on September 30, 2008.

In a recent interview, Ross Garnaut indicated that he will likely recommend that enforceable interim emission targets should not be put in place, instead suggesting that the market determine when emissions are reduced to meet a long term target.^{viii} "If the goal is to achieve an environmental objective at minimum cost to the economy, you would specify the total emissions budget and let the market determine when permits were used".
– Ross Garnaut^{viii}

In response to Professor Garnaut's interview, the Rudd government has moved to distance themselves from this view, stating that the government's emission reduction policy will be based on more than just Professor Garnaut's findings.^{ix}

ACCC looking into 'greenwashing'

Last year the ACCC announced it would be investigating claims of 'greenwashing' in the Australian market. Greenwashing is the practice of falsely marketing goods or services as being 'green' or environmentally friendly^x.

Investigations into several organisations last year found that the marketing of some products had been false, misleading or confusing to the public. Although no fines or legal action have resulted from these investigations to date, the companies involved have had to take (in some cases) costly remediation action. These actions have included developing education materials for customers and providing an upgraded service to affected customers^{xi}.

This year the ACCC is again examining 'green' products and marketing with a particular focus on 'carbon-neutral' claims^{xii}. Issues of particular concern for the ACCC include organisations that claim carbon neutrality but incorrectly calculate their carbon footprint, inappropriately offset their footprint or fail to substantiate carbon neutrality in any way^{xiii}.

Additionally, the ACCC is also concerned about organisations that claim to be in a transition phase towards carbon neutrality or claim to have 'low carbon' products.

The recent actions of the ACCC should serve as a reminder of the importance of ensuring that green practices within your organisation are genuine and are marketed appropriately.

**"Marketing claims about the environmental benefits of products and services include the ability to 'neutralise' the 'carbon footprint' of a product or service... The difficulties in understanding and verifying such claims give rise to a concern that consumers may be facing misleading and deceptive conduct associated with this emerging market."
– ACCC Issues Paper**

References

- i. UNFCCC, 2007, National Inventory Submissions 2007, http://unfccc.int/national_reports/annex_i_ghg_inventories/national_inventories_submissions/items/3929.php
- ii. UNFCCC, LULUCF under the Kyoto Protocol, http://unfccc.int/methods_and_science/lulucf/items/4129.php
- iii. Australian Greenhouse Office, 2005, National Greenhouse Gas Inventory 2005, <http://www.greenhouse.gov.au/inventory/2005>
- iv. Swedish Ministry of the Environment, Swedish greenhouse gas emissions are declining, December 18 2007, <http://www.sweden.gov.se/sb/d/8202/a/94668>
- v. Barrosa, J., European Commission, 20 20 by 2020: Europe's Climate Change Opportunity, Speech to the European Parliament, Brussels, January 23 2008, <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/08/34&format=HTML&aged=0&language=EN&guiLanguage=en>
- vi. Button, J., 2005, EU to force 20% cut to emissions, The Age, January 24 2008
- vii. The Garnaut Review, www.garnautreview.org.au
- viii. Taylor and Breusch, Garnaut's emissions target: let the market rule, Financial Review, January 29 2008
- ix. Taylor, Big emitter group warms to Garnaut, Financial Review, January 30 2008
- x. Australian Competition and Consumer Council, ACCC scrutinises 'green' marketing, October 26 2007, www.accc.gov.au
- xi. Australian Competition and Consumer Council, ACCC scrutinises Origin green power television advertisement, December 21 2007, and, EnergyAustralia clears air about green electricity claims, December 21 2007, www.accc.gov.au
- xii. Drummond, ACCC to probe carbon-neutral product advertising, Financial Review, January 30 2008
- xiii. ACCC, Issues Paper – The Trade Practices Act and carbon offset claims, January 16 2008, www.accc.gov.au