

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

Climate audit scheme to hit business

The Federal government is drafting legislation, to be put to parliament by the end of the year, to force companies to report their greenhouse gas emissions from July next year.

The proposed thresholds are about 10 times more stringent than the thresholds for a separate government program requiring large companies to audit how they could save energy. That program catches the top 250 energy using companies in the country.

The company-wide thresholds for mandatory reporting will be phased in: companies emitting more than 125,000 tonnes are to be included in the first year, 87,000 tonnes in the second, 50,000 tonnes in the third year.

G8 agreement on climate change

As outlined in our June Update, there was a strong push for the G8 to agree on a climate change initiative at their meeting in Germany in June.

The agreed statement said that the G8 would negotiate within a UN framework to seek a replacement for the Kyoto Protocol by the end of 2009. A mandatory target for cuts was not set but German Chancellor Merkel's preference for a 50% emission cut by 2050 was included. Developing nations should also cut emissions. The leaders agreed to take "strong and early" action.

"Taking into account the scientific knowledge as represented in the recent IPCC reports, global greenhouse gas emissions must stop rising, followed by substantial global emission reductions."ⁱ

China to limit loans for polluting firms

China, the world's second-biggest oil consumer, has announced that it will restrict bank loans to companies that did not follow environmental protection regulations.ⁱⁱ This initiative is part of efforts to target firms that frequently ignore environmental rules amid allegations that many companies find it cheaper to pay fines or bribes than help reduce the country's worsening pollution.

Chief Sustainability Officers

In many markets there has been limited corporate involvement in the issue of climate change and sustainability but this is changing rapidly on a global scale.

A recent article in the New York Times, reprinted in the Financial Review,ⁱⁱⁱ noted the increasing role played by the "chief sustainability officer" in business decision making.

"Environmental vice presidents usually spend company money, but this new breed is helping companies make money," said Eileen Claussen, president of the Pew Center on Global Climate Change. The upshot, said Geoffrey Heal, a business professor at the Columbia Business School, is that "what started out as a compliance job has evolved into one that guards the value of the brand."

Dow Chemical's chief sustainability officer noted that in discussing issues with production executives, "We usually agree, but if a critical environmental issue is in dispute, I'll prevail". At DuPont, Chief Sustainability Officer Linda Fisher who recently scuttled the purchase of a company not in a 'sustainable' business, noted "we're building sustainability into acquisition criteria".

Global warming key trans-Tasman issue

New Zealand Prime Minister Helen Clark raised the issue of the involvement of businesses taking action on climate change as a criteria for doing deals with the New Zealand government.

Businesses will need to "actively consider their role in reduction of greenhouse gas emissions and amelioration of global warming, as well as complementary development of specialised manufacturing niche export opportunities with New Zealand firms.

Prime Minister Clark, speaking at a Trans-Tasman Business Circle lunch in Sydney on June 14 commented "I do think the key issue is how new, environmentally friendly technologies roll out from the big developing countries. They don't have to go through the resource intensive development path we did. If you get a commitment out of APEC, that would be 21 economies and 60% of the world economy, including China and US".^{iv}

Sustainable Business Update

Desalination plants for Victoria and NSW

Victoria

Victoria has announced the building of Australia's largest desalination plant, major irrigation upgrades and an expansion of the Victorian Water Grid are the centrepieces of a \$4.9 billion plan to secure water supplies for the long term.

"These projects will deliver a 50 per cent boost to Melbourne's water supply within five years and allow us to move water to where it's most needed. They will increase Victoria's total supply by 375 billion litres each year, with Melbourne receiving 75 billion litres in 2010 and a further 150 billion by the end of 2011."

Mr Bracks said the new major water projects were:

- A 150 billion litre desalination plant to provide water for Melbourne, Geelong, Westernport and Wonthaggi;
- A major irrigation upgrade in the Food Bowl in Northern Victoria to deliver water savings to be shared equally between irrigators, the environment, and Melbourne; and
- A major expansion of the Victorian Water Grid with pipelines to connect Melbourne's water system with the desalination plant and Northern irrigation upgrades, connect Geelong to Melbourne's supplies, and connect Hamilton to the Grampians Wimmera Mallee System.

Mr Bracks said the desalination project would be built in the Wonthaggi region at a cost of up to \$3.1 billion, funded through water bills, and be built by the end of 2011.

It will be one of the largest in the world, and sufficient renewable energy will be purchased to offset the anticipated 90 megawatts of electricity it will use to ensure the plant is carbon neutral.

"It will deliver the single largest boost to Melbourne's water supply since the Thomson Dam was built 25 years ago, and provide more than a third of Melbourne's yearly water needs without relying on rainfall into our catchments," Mr Bracks said. ^v

New South Wales

Water bills will rise by about \$100 a year to pay for Sydney's new desalination plant, hitting consumers already facing an expected \$100 increase in electricity bills by 2010.

As the State Government struggles with an unprecedented strain on water and energy, it also emerged yesterday that 400 big businesses had their gas cut off last week to ensure supplies could be guaranteed to half a million customers.

The Premier, Morris Iemma, announced yesterday that the desalination plant would be running by 2010 and be twice as big as originally announced - producing 250 megalitres a day, or about 15 per cent of Sydney's supply.

But to be commercially viable, it will operate about 300 days a year, despite earlier suggestions it could be turned off when dam levels are high. This drew immediate criticism from environmentalists, who say the plant will be another power guzzler adding to greenhouse gases. It will take 450 gigawatt hours a year to run the plant, about 0.7 per cent of NSW's current power consumption.

That is double the energy that would have been needed for the 125-megalitre plant originally planned, but the Government insists it will run on "green power". It says it will be cheaper to build than it had forecast, \$1.76 billion instead of \$1.9 billion.

The strain on utilities and infrastructure was confirmed yesterday when Mr Iemma said it was "possible" the state would need not just one, but two, baseload power stations by the middle of next decade to meet rising demand. Any new stations are likely to be coal-fired, adding further to greenhouse gases.

Despite concerns about global warming, electricity and gas demand shows NSW residents are consuming fossil fuels at an unprecedented rate. Demand peaked last Tuesday at more than 13,000 megawatts, compared with an average use of 9700. ^{vi}

References

- i G8 summit "<http://newsvote.bbc.co.uk>"
- ii International Herald Tribune, 8th July 2007
- iii The New York Times 3 July 2007 (reprinted in Financial Review 4 July 2007) www.nytimes.com/2007/07/03/business/03sustain.html?_r=1&oref=slogin
- iv Australian Financial Review, 22 June 2007
- v www.premier.vic.gov.au Newsroom 19 June 2007
- vi Sydney Morning Herald, 26 June 2007

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