

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

## Release of the Interim Report of the Garnaut Review

Following the release of the 2006 Stern Report for the British Government, Kevin Rudd, then Opposition Leader, commissioned economist Professor Ross Garnaut to examine the consequences of reducing carbon emissions for Australia, in an effort to justify the establishment of shorter term targets.

Professor Garnaut released a 65 page Interim Report on the 21st of February, which seeks to introduce early findings and encourages engagement and debate with and amongst interested parties. Releasing the Report, Professor Garnaut offered a stark warning "Without strong action by both developed and developing countries alike between now and 2020 it will be impossible to avoid high risks of dangerous climate change. The show will be over". He further stated "Waiting until 2020 would be to abandon hope of achieving climate stabilisation at modern levels".<sup>i</sup>

Australia, states the Report, is in a position of being both at significant risk of climate change due to the vulnerability of its ecosystems, and in a position of great opportunity to successfully operate in a global carbon economy.

Given Australia's sensitive exposure, the Report clearly states that Australia must act more swiftly, and decisively to cut emissions, if it is to avert the most extreme consequences of climate change. It suggests that 2020 and 2050 targets need to be established, and that the Rudd Government's commitment of a 2050 target of 60% may be inadequate, as it is likely it may need to be reviewed to somewhere in the order of 70 – 90%.

Prime Minister Kevin Rudd is taking a strong line on the importance of mitigating against climate change, telling parliament upon the release of the Report "The costs of inaction on climate change are much greater than the costs of action...Australia must therefore seize the opportunity now to become a leader globally".<sup>ii</sup> He went on to state that the nation must adopt a leadership role in order to protect and promote its economic national interest.<sup>iii</sup>

In conjunction with the Garnaut Review, the final Report which is due for release in September 2008, the Commonwealth Department of Treasury is undertaking economic modelling work, due for release in June 2008.

## Business needs more information about climate change

Big business in Australia remains interested, but largely uninformed and inactive with regards to climate change, according to a recent PricewaterhouseCoopers survey of over 300 chief executives.<sup>iv</sup>

Whilst 80% of respondents felt that they needed to be proactive about responding to climate change, the majority felt they did not have enough information. Only 2% of respondents felt confident about their own emissions data.

The Resources sector was the big exception to this uncertainty, with 74% of respondents in this sector having undertaken Board-level risk assessments and 28% having allocated budget specifically towards managing climate change. Importantly, some of this industry is also capitalising on climate change, recognising and positioning for potential commercial growth opportunities.

## Carbon trading explained – Penny Wong speaks to the AIG

During a speech to the Australian Industry Group, Minister for Climate Change and Water, the Hon Penny Wong said that industry has a critical role to play in Australia's climate change solution.

Whilst re-enforcing the dangers of ignoring climate change, Minister Wong encouraged industry to view climate change as more than a risk, suggesting that the opportunity for innovation and commercial growth is compelling.<sup>v</sup>

Minister Wong used this forum to introduce the three-pillared Commonwealth Government climate change policy:

- Setting emissions targets and reducing emissions, including the implementation of an emissions trading system
- Adapting to unavoidable climate change
- Shaping a global solution, including the signing of Kyoto, and participation in the evolution of the 2012 agreement

Minister Wong described the opportunities within any emissions trading environment, stating that innovations in business, technology and markets will emerge, and smart, strategic and carefully positioned organisations and industries will reap great rewards.

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According to Minister Wong, the emissions trading scheme, to be introduced in 2010, will be developed with six key components:

- Cap and trade scheme: Being the most successful and supported model, the cap and trade scheme involves the issuing of a finite number of permits, and supports the trade of these permits, creating a carbon market
- Low emissions, strong economy caps: The caps/permits will be designed to balance the meeting of emissions targets with ensuring continued economic viability and growth in Australia
- Broad sectoral coverage: The scheme will not discriminate against one industry or another. The most successful emissions trading model will have broad sectoral coverage and will manage diversified community impacts
- International compatibility, suited for Australian environment: The emissions trading scheme will allow immediate access to and integration with the current global carbon market, but will carefully balance the needs of the local economy, particularly during the early introduction phase
- Competitive and attractive: A select number of industries will need careful consideration, to ensure the emissions scheme supports their on-going global competitiveness, whilst ensuring emissions continue to be reduced
- Household considerations: The scheme will also include requirements on householders, and support for low-income and at-risk households<sup>vi</sup>

The National Emissions Trading Taskforce (NETT), and the report of the Task Group on Emissions Trading will also inform the wider policy development process, recognising that extensive industry consultation and participation has already been undertaken through these forums.

An exposure draft on legislation for emissions trading will be available by December 2008.

## The ACCC Green Marketing and the Trade Practices Act guide

The ACCC has released a guide titled "Green marketing and the Trade Practices Act"<sup>vii</sup> to assist businesses and marketing professionals to honestly and accurately position their organisations with regards to their environmental credentials.

The release of the guide comes after high profile action taken by the ACCC against a number of organisations it found operating in contradiction of the Trade Practices Act.

Some of the organisations now under investigation by the ACCC, appear to have made genuine efforts with their environmental performance, but failed to adequately qualify their communications. The guide states "... that the conduct only needs to be likely to mislead or deceive; it does not matter whether the conduct actually misled anyone, or whether the business intended to mislead—if the conduct was likely to mislead or deceive, the Act is contravened".<sup>viii</sup>

The guide provides a set of principles, and examples of their applications, which business and marketers should read and understand:

- Claims must be accurate
- Claims should be able to be substantiated
- Claims should be specific, not unqualified and/or general statements
- Claims should be in plain language
- Claims should only be made for a real benefit
- Claims must not overstate a benefit
- Claims should make it clear whether claimed benefits refer to packaging or content
- Claims should consider the whole product life cycle
- Claims using endorsement or certification should be used with caution
- Claims should not overstate the level of scientific

*See Pages 8-11 of the Green Marketing and the Trade Practices Act guide for more information.<sup>x</sup>*

It also provides a list of broad terms or claims that require specific substance, definition and explanation to support their use. Some terms, recommends the guide, should be avoided altogether, specifically "environmentally friendly" or "environmentally safe". Terms to be carefully used include "green", "energy efficient" and "recyclable".<sup>x</sup>

Whilst genuine opportunities exist for organisations to grow their market based on their environmental credentials, organisations need to mindful that a real evidence base needs to support this, and communications about environmental performance must be carefully structured to avoid falling foul of the Trade Practices Act and potentially attracting a \$1.1 million fine.

## References

- i. Shulz, M & AAP, Climate expert favours early, drastic action on emissions, Herald Sun, February 21 2008
- ii. Warren, M, Franklin, M, PM told to get real on carbon cuts, The Australian, February 22 2008
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