

Sustainable Business Update

Issue 10, October 2007, Renewable and clean energy focus

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

Federal Government announces 'clean energy target'

On 23 September, the Prime Minister, the Minister for the Environment and the Minister for Industry, Tourism and Resources announced a national 'Clean Energy Target' (CET) requiring that electricity wholesalers purchase 30,000 gigawatt hours of electricity each year from low emissions sources by 2020.

Low emission sources were defined as those producing less than 200 kilograms of greenhouse gases per megawatt hour of electricity. This is approximately 1/5th of the emissions of conventional power generation.

It was subsequently reported that the 30,000 gigawatt hours was an additional amount on top of 15,000 gigawatt hours produced before the first mandatory scheme was introduced in 2001.ⁱ

The national CET is intended to replace existing and proposed state and territory schemes. Minister Macfarlane noted that "The CET recognises that there are cost efficiencies in allowing renewable and low emission technologies to be developed in the most desirable locations rather than being restricted by artificial state boundaries"ⁱⁱ

The target of 45,000 gigawatt hours represents between 15 and 20% of Australia's projected electricity generation in 2020.

Some comparable renewable energy targets

In recent years a number of countries and states have introduced renewable energy target of which the following is a representative sample.

- United Kingdom – 10% of electricity by 2010ⁱⁱⁱ
- California – 33% by 2020^{iv}
- European Union – 20% by 2020^v
- China – 15% by 2020^{vi}

The Californian renewable target is part of a suite of measures introduced by Governor Schwarzenegger to reduce California's emissions by 80% below 1990 levels by 2050. Details of the plan is available at: www.pewclimate.org/what_s_being_done/targets

Victoria to stay with mandatory energy efficiency program

The Victorian Government has announced the new Environment and Resource Efficiency Program (EREP) to replace the Industry Greenhouse Program and the continuation of the policy of requiring businesses to identify and implement efficiency savings where the payback period is three years or less.

The Federal Government Energy Efficiency Opportunities scheme operates on a voluntary basis with large energy users to report internally and externally on identified savings with a payback period of 4 years or less, but no requirement to implement changes.

Under, the Victorian EREP Scheme to be run by the Environment Protection Authority, some major service outlets, including universities and big department stores, will be added to the 250 or so industrial companies required to identify savings in energy, water and waste, and report their progress in implementing them. GHG emissions in Victoria have been reduced by more than 1.2 million tonnes per year and further savings of 1 million tonnes per annum are expected.^{vii}

Companies must sign up for the EREP scheme if their premises use more than 100 trillion joules of energy or more than 120 megalitres of water in any financial year.

The VicSuper Carbon Count

VicSuper released this report on "The importance of disclosing carbon emissions from Australian companies" on Tuesday 25 September together with an analysis of the carbon intensity of the ASX200.

The analysis compared the carbon intensity of the ASX200 firms by comparing CO2e emitted per million dollars of turnover, EBITDA and market capitalisation. The report noted the importance of some companies reliance on the ability to emit GHGs and therefore a greater risk from the internalisation of the cost of carbon. Companies were compared using two carbon prices – the current EU ETS price of A\$28.81 as at March 2007, and the Stern Review's social cost of carbon of A\$110.68.

The full Report is available at: www.vicsuper.com.au/resources/documents/The_VicSuper_Carbon_Count1.pdf

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Environment Business Australia sets 'Targets for our future'

Environment Business Australia has released 'Targets for our Future' outlining strategies to achieve a 20% reduction in greenhouse gas emission cuts by 2020 and 60% by 2050. The strategy paper released on 5 September 2007 notes that "there are major business opportunities if Australia can position itself quickly enough in the 'carbon constrained marketplace'.

Failure to act will see competitors seize the lion's share of technology, project, and financing opportunities, especially in the rapidly developing economies of China and India..."

EBA proposes a portfolio approach to the task suggesting a mix of energy efficiency, waste reduction and recycling and fuel switching could achieve the 2020 target of a 20% reduction on today's emission levels.

In the longer term, measures such as clean coal technology, hydrogen and carbon capture and storage will be essential to the achievement of the 60% reduction by 2050.

The full report is available at:
www.environmentbusiness.com.au/images/stories/targets_for_our_future_-_september_07.pdf

Declaration of interest: SBP is a member and Bruce Thomas is Finance Director of EBA

Climate change in Australia

This report was released at the CSIRO Greenhouse 2007 conference in Sydney on 2nd October 2007.

'Climate Change in Australia' notes that based on the IPCC 4th Assessment Report Working Group Summaries for Policy Makers, and the conclusions that; warming of the climate system is unequivocal, anthropogenic influences have caused most of the warming since 1950 and that changes will continue into the future and are likely to be larger, "these changes have the potential to have a major impact on human and natural systems throughout the world including Australia"^{viii}

Relative to 1990, estimates of warming for Australia are 0.45 to 1.6 degrees C by 2030, 0.66 to 2.88 degrees C by 2050 and 0.9 to 4.64 degrees C by 2070. These estimates are based on the emissions scenarios set out in IPCC 2007a, Figure SPM-3. The IPCC described these estimates as "likely", i.e. a likelihood of between 66 and 90% certainty.

The full Report is available at:
www.climatechangeinaustralia.gov.au

Discussion Paper on 'Abatement Incentives prior to the commencement of the Australian Emissions Trading Scheme'

The Department of the Prime Minister and Cabinet released the above discussion paper on 23 September 2007 and seeks submissions prior to 1 December 2007.

In releasing the discussion paper the government seeks to ensure that businesses do not stop the implementation of abatement activities in the lead up to the commencement of the emissions trading scheme and to encourage even greater levels of abatement activity.

The discussion paper is available at:
www.pmc.gov.au/climate_change/emissions/docs/early_action_discussion_paper.rtf

Submissions should be lodged with the Climate Change Group of the Department of Prime Minister and Cabinet at emissionstrading@pmc.gov.au by 1 December 2007.

In order to measure the extent of abatement activity achieved, businesses will need verified emissions data from 2007-08, a year in advance of the reporting by large emitters under the National Greenhouse and Energy Reporting System (NGERS).

This means that firms will need to start counting and verifying emissions now, not wait until the NGERS Scheme comes into effect. As noted in our September Update, the introduction of emissions reporting under NGERS is a phased approach with companies having total emissions of more than 50,000 tonnes of CO₂e only reporting from the 2010-11 financial year.

Environmentally aware companies attract the best

A recent Newspan survey reports that 84% of workers want to work for a company that is environmentally aware. Co-author of 'True Green @ Work', Kim McKay, who commissioned the survey said "the results clearly show workers of all ages are concerned about the environment, but people aged 18-25 are more vocal about it and are more likely to choose an employer on this basis."

In a recent US survey, three-quarters of employees expect their companies to facilitate a more sustainable workplace.^{ix}

References

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- iii www.dti.gov.uk/energy/sources/renewables
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- vi www.renewableenergyaccess.com/rea/news/story?id=23531
- vii The Age, 21 September 2007
- viii www.climatechangeinaustralia.gov.au
- ix Australian Financial Review, Sustainable Investments Special Report, 26 September, 2007, page 15