

CLIMATE LEADERS

The new corporate standards



Being 'climate neutral' is rapidly becoming *the* new corporate standard and part of a broader movement to become more efficient and less polluting. Numerous organisations in Australia, large and small, have recently committed to this emergent international goal, making use of energy efficiency opportunities, greener power and a range of carbon offset schemes to achieve the negating of their calculated total climate impact.

The effect on both overall emissions reductions and bottom lines is rousing.

Some recent national examples of climate neutral trailblazers include the Australian Football League (AFL), Price Waterhouse Coopers, Insurance Australia Group (AIG), and Channel Seven's *Sunrise* breakfast TV program.

While some pacesetters are actually going beyond the new neutral threshold, reaching for

deeper emissions reductions in response to a perceived need for both industry proactivity and a demonstrable competitive edge, the majority of organisations are still at the starting blocks of this new corporate commitment. The lure of the benefits accruing to the early adopters, however, could encourage rapid shift.

Finding the way

The banking, finance, superannuation fund and insurance industries are, for example, prime candidates to take advantage of carbon offset schemes for climate neutrality since their day-to-day office-based operations have a relatively low climate impact – most of their emissions come from travel and building use.

Some leading companies in this sector have committed to climate neutrality and are already seeing the benefits. Westpac has achieved 45 per

Melbourne's skyline. The City of Melbourne is aiming to be climate neutral by 2020. Flavia Bottazzini

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cent reductions in greenhouse gas emissions since 1996. The company has now saved over US\$7 million in energy costs, and as well as reducing its own carbon footprint, is helping customers reduce theirs through initiatives such as its green mortgage scheme.

The organisation's environmental credentials are also

attracting new business and employees – 50 per cent of graduates chose Westpac over other Australian banks explicitly because of its proactive Corporate Social Responsibility (CSR) approach.

Why, then, aren't more businesses in this sector following? One key reason is that companies have found that often over 50 per cent of their emissions comes from air travel for business meetings. The importance of face-to-face meetings is part of the Australian business culture, but there is also the lure of time out of the office and other 'perks'. For example, when staff members fly to meetings, companies generally allow the associated frequent flyer points to be kept for personal use. These then go to, say, pay for the family holiday to somewhere exotic each year, and are a significant incentive.

Staff working in the sector contacted by *Ecos* commented

Progress



A focus on high-rise buildings' environmental efficiency is spurring rapid advances in design technology, such as that seen in Melbourne's CH2 building. Melbourne City Council

Since Australia's electricity is one of the cheapest in the world, many have left equipment, lighting and air-conditioning on more than was needed.



Westpac volunteers have been taking part in various Landcare Australia projects as part of a \$50 000 donation by Westpac to kick off the bank's initiative to encourage its customers to elect to view their statements online. Westpac/Landcare Australia

that many of these meetings could be handled just as well by multimedia conferencing. But they felt that the issue of travel perks would also need to be centrally addressed to help shift the culture.

Government departments have done the cost-benefit analysis and found video conferencing saves significant money. The Australian Taxation Office has now implemented multimedia conferencing to significantly reduce air travel across its 25 000 staff. The opportunities for the broader government system to reduce the emissions impacts of its large travel load – and significantly cut costs – are there. Any organisation, in fact, should look at such options first to reduce air travel emissions as much as possible.

Where air travel cannot be avoided, Virgin Blue now offers offsets for carbon emissions from flights (see page 8). If corporate travellers make use of Virgin's scheme for as little as 90 cents for a one-way trip from Brisbane to Sydney (or about AU\$8.50 for every tonne of carbon dioxide emitted), it would significantly reduce the costs of offsetting air travel for

companies and government. Many more organisations might commit to becoming climate neutral.

Energy efficiency opportunities

Many companies, governments and other organisations are increasingly looking at becoming climate neutral because their early energy efficiency programs have exceeded expectations. Since Australia's electricity is one of the cheapest in the world, many have left equipment, lighting and air-conditioning on more than was needed. Australian energy efficiency experts Alan Pears and Geoff Andrews have consistently found that organisations can save significantly by simply properly auditing where and when energy is being used. This is one of the reasons why there is still 30 per cent of unrealised energy efficiency gains with a four-year or less payback period, and up to 70 per cent with an eight-year or less payback period, in the

Australian economy. This is the finding of an important recent government report coordinated by the state and federal government departments.¹

Such cost savings in energy usage can then make it affordable for companies, government departments and other organisations to purchase at least a percentage of their electricity from Green Power accredited sources, or investigate other offset measures. Fuji Xerox Australia, for instance, will soon run its company sites on 100 per cent accredited green power from renewable energy sources.

Profitable cuts

Companies internationally are showing that pursuing energy efficiency opportunities can lead to dramatic reductions in greenhouse gas emissions. Some, such as Catalyst Paper, AstraZeneca and DuPont, have already achieved 71 per cent, 63 per cent and 60 per cent greenhouse gas emission reductions respectively.² Five other

major firms – IBM, British Telecom, Alcan, NorskeCanada and Bayer – have collectively saved US\$4 billion since the early 1990s by reducing their carbon emissions by more than 60 per cent.³

Barclays Bank,⁴ Marks & Spencer and Rupert Murdoch's BskyB have all committed to being climate neutral, and are a part of 40 top British companies which, in early April 2007, launched an unprecedented campaign to shrink Britain's carbon footprint, by cutting their own energy use and trying to turn 'green consumerism into a mass movement'.

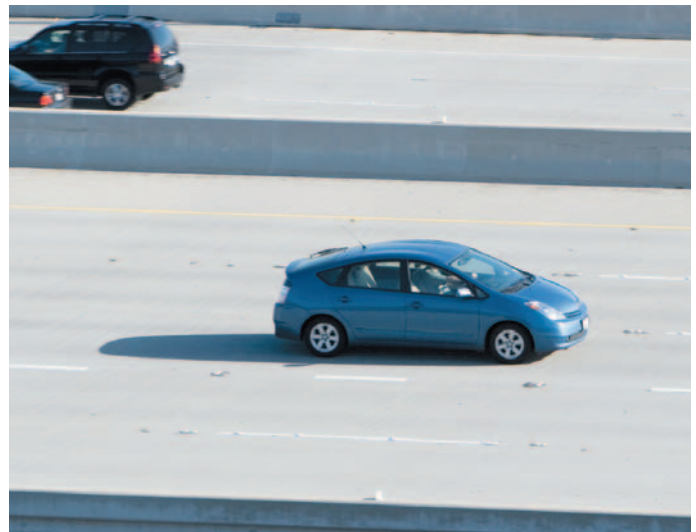
Back in Australia it is not just companies that are making such commitments. Government is too. Climate leaders in Australia include Newcastle City Council, which has already reduced emissions by over 50 per cent throughout its operations since the mid 1990s, and the City of Melbourne, which is working hard to achieve its goal of being climate neutral by 2020. Such targets and achievements are in

1 Energy Efficiency and Greenhouse Working Group (2003). Towards a national framework for energy efficiency – issues and challenges discussion paper. http://www.nfee.gov.au/about_nfee.jsp?xcid=64 (Accessed April 2007)

2 The Climate Group (2007). Carbon down, profits up. 3rd edition. http://theclimategroup.org/assets/resources/cdpu_newedition.pdf (Accessed April 2007)

3 The Climate Group's 2004 and 2005 'Carbon down, profits up' reports. www.theclimategroup.org/index.php?pid=732 (Accessed April 2007)

4 Bond S (2007). Barclays bank goes carbon neutral in UK. (12 March). http://www.edie.net/news/news_story.asp?id=12751 (Accessed April 2007)



The hybrid drive Prius has become a household name around the world and a symbol of Toyota's recent ascendancy in the car manufacturing industry, largely due to its first-mover advantage. Tim McCaig

A page from Westpac's recent annual report referencing the organisation's new emphasis on CSR under its signing of the Equator Principles. Westpac

line with leading governments overseas such as New Zealand and Norway, both of which have committed to becoming climate neutral.

With the increased severity of drought, likely due to climate change, organisations across the water services sector, which are directly affected, are also examining climate neutrality.

Melbourne's water authorities are leading the way by all working towards becoming climate neutral. City West Water announced on 27 March that it will become the first carbon-neutral water authority in Australia by June 2007.⁵ Other water authorities such as Melbourne Water, Yarra Valley Water and South East Water are also working towards it but have set no target date as yet.

A recent survey by Yarra Valley Water showed 74 per cent of its customers supported efforts to go carbon neutral, even if it meant paying more in water bills.

Competitive advantage

As Philip Stephens wrote in the *Financial Times*, 'Business is about to discover that the shift towards a low-carbon economy is irreversible. Going green is about staying competitive. The steady trickle of companies signing up to do their bit to reduce carbon emissions is turning into a sizeable river.'⁶

Early action on climate change can help improve bottom line competitiveness while providing unforeseen benefits to the company's brand and reputation. Leading companies, such as Toyota and Westpac, are now basing a significant part of their marketing on their corporate sustainability performance, and are committing to deep-cut greenhouse reduction targets as part of their corporate strategy to improve competitive advantage by positioning themselves for emerging markets. There is now evidence that those companies that ignore these business

opportunities risk losing significant market share:

- In 2005, Standard and Poor's downgraded GM and Ford in the US market to junk-bond status while Toyota's profits reached over US\$14 billion more than GM or Ford due to a focus on energy efficient cars like the hybrid Prius and the Toyota Corolla.⁷ GM and Ford had ignored the hybrid car market in the 1990s and banked on people wanting to keep on buying SUVs. GM and Ford now too have hybrid cars available.
- Wal-Mart announced in 2006 a US\$500 million climate change commitment including initiatives to increase truck fleet fuel efficiency by 25 per cent in three years and double it in 10.⁸ They project that such efficiency improvements will reap big bottom line benefits, making it even tougher for their competitors. Wal-Mart

has also developed a strategy to influence its 60 000 suppliers to produce lower-carbon products.⁹

- In May 2005, General Electric announced 'Ecomagination', a major new business driver expected to double revenues from cleaner technologies to US\$20 billion by 2010. In May 2006, the company reported revenues of US\$10.1 billion from its energy efficient¹⁰ and environmentally advanced products and services, up from US\$6.2 billion in 2004.

These are just some of the findings of a new report¹¹ on the business case for early action on climate change by The Natural Edge Project, launched at the 2007 National Business Leaders Forum for Sustainable Development.

- Michael H. Smith and Karlson 'Charlie' Hargroves, *The Natural Edge Project*

5 Murphy M (2007). Putting carbon emissions in neutral. *The Age*, March 27. <http://www.theage.com.au/news/business/putting-carbon-emissions-in-neutral/2007/03/25/1174761280545.html>
 6 Stephens P (2007). Bend or bust for big business. *UK Financial Times*. <http://www.businessday.co.za/articles/opinion.aspx?ID=BD4A363984> (Accessed April 2007)
 7 Business Week Online (2005). GM, Ford fall on ratings downgrade to junk. http://www.businessweek.com/investor/content/may2005/pi2005055_1209_pi004.htm (Accessed April 2007)
 8 Climate Change Corp.Com (2006). Wal-Mart – an environmental epiphany? <http://www.climatechange.org/content.asp?ContentID=4009&ContentTypeID=8> (Accessed April 2007)
 9 The Climate Group (2007). Carbon down, profits up. 3rd edition. http://theclimategroup.org/assets/resources/cdpu_newedition.pdf (Accessed April 2007)
 10 Ibid.
 11 The report can be downloaded from www.naturaledgeproject.net