


FEATURE {CARBON TRADING}

GREEN GAME

STORY • KATE BURGESS

CONFUSION SURROUNDING THE VARIOUS FLEDGLING CARBON EMISSIONS TRADING SYSTEMS IS BECOMING A POTENTIALLY EXPENSIVE NIGHTMARE FOR BOTH COMPANIES AND GOVERNMENTS.



Simon Barrett:
'Because the offset market is immature, offering offsets at a range of different prices is not all that sensible'

AMID THE CRIES OF “we’re going carbon neutral” that emanate almost daily from corporate Australia, whispers of dissent are becoming audible. Once the strict domain of environment groups, customers, employees and investors are pressuring companies to adopt credible carbon strategies.

Avoiding greenwashing – promoting or advertising a “climate-friendly” stance but not actively doing anything to reduce emissions – is paramount. Investors and owners are being inundated with such a volume of carbon-neutral announcements and other mission statements boasting of corporate social responsibility that these claims are beginning to carry less weight.

Project Andromeda, which assists companies in measuring and reducing their carbon footprints, has two golden rules to which businesses signing up to the program must adhere, according to its founder Robert Clarke.

“First, any action to measure, reduce or mitigate carbon emissions on behalf of businesses must be beyond criticism,” he says. “Second, tackling emissions by reducing consumption is the most effective solution. Offsetting, while effective if carried out responsibly, should be undertaken as a last resort.”

The cause of this carbon credibility crisis is twofold. First, the lack of a single, nationally consistent method of measuring and reporting carbon emissions has led to a variety of standards being adopted by companies. Second, the absence of a mandatory accreditation program for the creation of carbon offsets and wild variations in offset prices has cast a shadow over what remains largely a cottage industry still in its infancy.

The federal government has moved to introduce a system for reporting energy emissions, at a cost of \$26.1 million over five years. It notes that some companies have to produce up to eight different reports to satisfy the various reporting regimes, and that the new system will drastically simplify reporting obligations.

Companies that are making carbon-neutral announcements are doing so with reference to the Greenhouse Gas Protocol, an initiative of the World Business Council for Sustainable Development. But companies differ in the precise interpretation of the protocol. Some are working towards measuring the emissions of customers who buy their products, and others are focusing only on direct emissions.

While penalties for errors made in emissions

Accentuate the positive

The phrase “carbon neutral” is a misnomer, according to Project Andromeda founder Robert Clarke. “It’s not about having carbon, it’s about avoiding carbon, and ‘neutral’ is the scientific way of saying, ‘We’re doing nothing,’” he says.

Rather than follow the armies of consultants rushing to make a buck off the carbon-neutral craze, Clarke has instead invented his own paradigm: climate positive. Like carbon neutral, it involves the measurement of a carbon footprint – the quantification of a company’s carbon dioxide emissions from its energy and transport use.

As the name suggests, climate positive goes a step further, reducing or offsetting a company’s emissions in the previous quarter to 110 per cent of its starting point or so-called “baseline footprint”. The act of maintaining a climate-positive position is achieved in a quarterly cycle of either reducing or offsetting the previous quarter’s emissions.

“Climate positive is carbon neutral plus the application of stationary energy usage,” Clarke says. “Climate positive is an emotive as well as a quantitative concept. It is solutions-oriented instead of going nowhere. I think ‘carbon neutral’ is a lazy phrase – it reflects the fact that there is nothing better out there.”

Clarke draws another distinction between carbon neutral and climate positive methodologies. Instead of taking months and charging up to \$150,000 for an initial carbon

footprint measurement as a starting point in understanding emissions, Clarke is offering baseline assessments to medium-size carbon users – emitting 51 to 1000 tonnes of CO₂ each year – for just \$1000.

Clarke says Andromeda can do this because its method looks at only “baseline” emissions. “It’s better to focus on the main components of your footprint from the word go, and work out what to focus on going forward, rather than spending thousands of dollars doing detailed analysis on every emission created by a business to analyse its carbon footprint.”

Andromeda will only sign businesses up to its program that have a stated goal to cut emissions by reducing consumption in the first instance, and offsetting the remainder only after energy-efficiency measures have been exhausted.

Andromeda oversees the cycle of reducing and offsetting emissions in client organisations on a quarterly basis. It has enlisted the services of ANZ Investment Bank to broker and trade carbon offsets and is accredited on the New South Wales Greenhouse Gas abatement scheme.

Clarke is wary of permanence issues surrounding carbon sink forests, and prefers to purchase offsets with tangible socio-economic side benefits in developing countries, such as the provision of biomass stoves to households in South Africa.

KATE BURGESS



Robert Clarke:
‘Tackling emissions
by reducing
consumption is the
most effective solution’

TAMARA VONINSKI

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Lessons on going green and clean

1. The most effective way of cutting carbon emissions is by cutting carbon emissions. Offsetting emissions should be viewed as a last resort.
2. There is no national system of measuring carbon emissions, and no accredited system for carbon offsets.
3. Local investment banks have yet to move into carbon-related investment, which remains the domain of hedge funds.
4. Water-related projects look more likely to get onto the investment analysts' radar than renewable energy.
5. A real boost in clean-coal technology may come when existing carbon-capture technology is put together with existing carbon-storage technology.

reporting do not yet exist, companies have far more to fear than a gentle slap on the wrist from a regulator if they are found guilty of green-washing. As with other corporate social responsibility initiatives, the real pressure is being applied at the investor level.

Pressure from investors and owners – rather than cutting an ominous, police-like figure which waits to catch companies out – is actually shaping up as a positive catalyst for change. “Business, either through declaring carbon neutrality or by differentiating themselves by rolling out carbon-friendly value propositions will force action along the supply chain,” LEK Consulting managing director Simon Barrett says.

“Customer proposition is designed through green-friendly agenda – this message then needs to be washed back through suppliers. You will see material changes in some supply chains. When you go back through a product’s supply chain, you can find more carbon in certain parts because no one ever bothered to measure it before.”

The science of measuring and reporting on carbon emissions is still in its infancy, but government and industry have at least recognised, and are working to alleviate, the lack of consistency and

Quality counts with offset

As Australia enters an age of carbon capitalism, even not-for-profit organisations are getting involved. Take Greening Australia, for example, with its carbon offset scheme Breathe Easy.

After 25 years of planting trees and re-vegetating land throughout Australia, Greening Australia says starting a carbon-offset scheme makes sense. The organisation started Breathe Easy after realising that its tree planting and re-vegetation activities were related closely to what was being offered by other carbon-offset scheme providers.

Breathe Easy, which has been operating since last month, has at least 10 investors, including aluminium producer Alcoa Australia. It has formed a strategic partnership with Melbourne marketing and graphic design company Rich Creative, which is providing free marketing and design services and is creating promotional tools for businesses that take part in the scheme.

“While we are doing this free of charge, there’s no other project that excites my staff more than this,” Rich Creative chief executive Chris Rooke says.

“We get value out of it too, and find it’s a way we can make a difference to the environment.”

Greening Australia vice-president and Victorian television weather presenter Rob Gell says it is the quality of Breathe Easy’s carbon that distinguishes it from its competitors.

A combination of the influx of carbon-offset schemes and a lack of regulation in the sector

has led some providers to price their carbon too cheaply.

“People can sell their carbon at whatever price they like,” he says. “Ours is slightly more expensive because we believe that’s what it is worth.”

Gell says while Breathe Easy’s carbon is priced higher than other providers – \$27 to \$30 a tonne compared with \$10 to \$15 offered by the cheapest providers – its prices are suitable for the high quality of carbon it provides.

He says the fact that Breathe Easy provides a guarantee that the trees will be in the ground for 100 years is also something its competitors aren’t doing. The scheme is also compliant with the Kyoto Climate Control Treaty and the New South Wales Greenhouse Gas Abatement Scheme.

Breathe Easy plants a mix of Australian native plant species in a bid to provide carbon offsets and assist in landscape recovery and biodiversity.

It has also purchased a number of properties in Western Australia between Stirling Range National Park and Fitzgerald River National Park for re-vegetation.

“We’re not ashamed to market the Breathe Easy product as a double the bang for your buck for your investment,” Gell says.

“You’re effectively investing in a re-vegetation and land-restoration program, but you’re getting your carbon as well.”

JANE LINDHE

uniformity. Like many details on the emissions trading system, experts are calling for greater clarity on issues surrounding transparency and regulation of offset providers and carbon credits.

“People are left entirely to their own devices in the absence of regulation. There is very little information to go on,” Forestry Enterprises Australia’s Penny Baalman says. “Shareholders, businesses and NGO watch groups have become alarmed at who is selling credits that aren’t based on credible claims.”

Baalman says that large numbers of companies are buying credits from voluntary schemes such as the Chicago Climate Exchange because they are

not part of a mandatory government program, such as the New South Wales Greenhouse Gas Abatement Scheme.

While offset providers that sell credits on NGAS such as Easy Being Green must have their products certified, this level of scrutiny is not imposed on those participating in voluntary schemes.

“People offering voluntary credits should at least get accredited by a credible third party,” Baalman says.

With so many types of offset programs and providers – from carbon sink forests to biomass stoves, renewable energy and clean fuels and packaging – it is not surprising to find enormous variation in the price of offsets.

Baalman and other carbon-trading experts say they have seen the price for the offset of a tonne of CO₂ emitted range from just \$5 to as high as \$200. He says this sends mixed messages to companies struggling to select a credible offset provider.

“Because the offset market is immature, offering offsets at a range of different prices is not all that sensible,” he says.

“If you choose to put your offset price at the bottom, you have to consider what message you’re sending to consumers. ●

Websites

Total Environment Centre: www.tec.org.au
 Australian Greenhouse Office:
www.greenhouse.gov.au
 World Business Council for Sustainable
 Development: www.wbcd.org
 Greenhouse Gas Protocol: ghgprotocol.org