

WHAT IT MEANS AND HOW TO ACHIEVE IT

Most people would agree that there is a great benefit in being as efficient as possible with our resources and are continuing to look for ways to achieve this. The last 12 months has seen a rapid increase in public awareness of this, in particular under the banner of global warming, and many corporations are now focusing on how they can manage this through the measurement of their carbon impacts.

Businesses are doing this for several reasons:

- To undertake practical measures to reduce energy costs leading to reduced emissions and future carbon risk;
- To satisfy their staff, who are increasingly looking to their employers to show they are taking responsible action to reduce emissions.
- To establish public position on this issue;

Many organisations are aiming to reduce the emissions from the business and, increasingly, to reduce their impact further by purchasing 'green energy' (from renewable sources) or carbon offsets. Some companies, wishing to go further, are becoming 'carbon neutral', where they completely offset their carbon footprint to theoretically have zero carbon impact on the environment.

The challenge in Australia for companies, analysts and shareholders is to ensure that there is a common understanding of what it means to be 'carbon neutral', and agreed standards for each of the elements involved in achieving that status. Without this clarity, there will be uncertainty about the validity of 'carbon neutral' status. This will undermine the confidence in the term 'carbon neutral' and the market positioning value for companies that invest to become genuinely 'carbon neutral'.

Furthermore, companies that do not use a rigorous approach could be inadvertently misleading their shareholders and the public, as well as committing to future financial obligations and other risks which they do not fully understand.

The Steps**STEP 1: DEFINE YOUR CARBON FOOTPRINT**

Determine by conducting a 'Life-Cycle Assessment' (LCA), to establish the full extent of direct and indirect CO₂ emissions caused by your business activities. This is a systematic methodology for calculating the carbon emissions including direct operational emissions from electricity, gas and transport as well as emissions from inputs into the business such as paper, emissions from waste generated, or energy from outsourced activities.

Use acceptable Methodologies/Standards

The standards and guidelines suitable for use by Australian companies include:

- The Greenhouse Gas Protocol published by the World Business Council for Sustainable Development and The World Resources Institute;
- The Australian and International Standard AS ISO 14064; and
- The methodology used by the Australian Greenhouse Office in its Greenhouse Friendly program which is based on the AS ISO 14 040 series of standards.

Select and Verify Boundaries for Your Footprint

- Are the emissions material to your inventory?
- Would the emissions occur even if you were not providing your service or product?

Every decision taken to include, and more importantly, exclude, emissions from your footprint, must be justifiable in the public domain and associated emission calculations must be verified by an independent expert auditor. Only then, should you start looking at the types of offsets you can buy to negate your carbon footprint.

Data Collection and Verification

Use accounting systems that track all your business activities (as well as indirect emissions such as air travel and accommodation) that contribute to your carbon footprint.

STEP 2: MINIMISE YOUR CO₂-e FOOTPRINT

Energy Efficiency

Increasing energy efficiency will not only reduce direct energy costs, but also reduce the cost of becoming carbon neutral, as with each implemented energy efficiency project, the potential cost of purchasing carbon offsets will also drop. Most companies can achieve energy savings of 10-15% with a consistent energy efficiency program of auditing and benchmarking.

Green Energy

Green or renewable energy does not increase greenhouse gases in the atmosphere. Organisations can either:

- Install renewable power generation on site; or
- Purchase GreenPower™.

STEP 3: OFFSET YOUR CARBON FOOTPRINT

Carbon offsets vary in price and quality. It is crucial to the credibility of a carbon reduction claim that the buyer ensures that the money is being spent on ‘legitimate’ greenhouse abatement activities in other words, only those offsets which have a high level of transparency and verifiable contribution to the reduction of greenhouse gases. They should:

- Be easy to communicate and clearly explained to stakeholders;
- Demonstrate an environmental benefit in terms of an actual emission reduction (environmental additionality);
- Have a certainty of delivery (regardless of impacts of weather and natural disasters);
- Be flexible enough to accommodate your changing business needs in the supply of offsets;
- Adapt to future policy and market environments (e.g. the offset will continue to exist in a national emissions trading scheme); and
- Be co-beneficial – existence of benefits beyond the primary outcome of greenhouse gas abatement such as social and economic benefits to a local community.

CORPORATE REPUTATION AND FINANCIAL RISKS

Carbon neutrality, based on a less rigorous approach than the one outlined above, represents a real reputation risk for Boards and Executives and can result in accusations of “green wash”.

Australian companies should pay heed to hard-learned reputation lessons, such as that of Nike in the USA (Kasky vs. Nike case). They should be mindful that representations they make in the public domain are truthful and should not be misleading claims about the extent of carbon neutrality of their companies or products.

If ever there was a business case for an agreed framework or guideline for reporting on carbon neutrality, so that consumers, analysts and investors can determine with absolute clarity the genuine aspiration from green wash – this is it.

In the absence of an agreed framework in Australia – how can a company’s customers, analysts or investors tell the difference between company A and company B? Under the European Union Emissions Trading Scheme there is an accounting protocol that requires this cost to be disclosed in financial statements in a very particular way. This makes it a level playing field and transparent.

COST OF ‘GOING CARBON NEUTRAL’

Undertaking the carbon neutral process is not a trivial one, and the use of a government-approved framework such as Greenhouse Friendly is not a cheap exercise, costing upwards of \$40,000 for the assessment alone (not including the cost of abatement credits). But if a company wants to legitimately claim carbon neutrality, and reduce the risk of being accused of green wash, then it is money well spent. Any compromise on the quality of the footprint calculation is just too risky for those who value their brand and reputation.

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