



This year's Business Leaders Forum took place at Customs House in Brisbane. Customs House, University of Qld

Business challenged to make its own path to carbon rewards

Trail-blazers from organisations on the leading edge of sustainable practice came together at the recent Business Leaders Forum on Sustainable Development in Brisbane to present an overview of the imperatives for our community in the new 'carbon economy'. They once again challenged business in Australia to quickly forge its own lead, and to realise the opportunities ahead.

Former Liberal party leader and outgoing Chairman of the Business Leaders Forum, Dr John Hewson, opened this year's discussions, held over 21 and 22 May, by framing the main context: with rapid evolution outside Australia of multi-billion dollar carbon economy mechanisms, industry and business should not wait for complex national initiatives to formulate. He called on them to follow some early 'first movers' to proactively take Australia forward in reducing carbon emissions and ensuring international competitive capacity through corporate and social responsibility.

'I'm talking about leading it, I'm talking about owning it, and I'm talking about driving it,' he emphasised. He then pointed to two key opportunities for Australia

itself to seize in order to tackle carbon emissions: the APEC Conference hosted in Sydney, and the Prime Minister's Carbon Trading Task Force initiative.

Australian-based CEO and founder of international company Carbon Shift Ltd, Michael Molitor, spoke on how Australia can dramatically reduce carbon emissions while simultaneously creating a new source of wealth for the economy. He said that with 600 billion tonnes of CO₂ to reduce, and a rough global price of around US\$25 per tonne of emitted carbon seeming likely, other nations were gearing up for a US\$15 trillion carbon market, in what is being referred to by venture capitalists as 'the biggest investment opportunity in history'.

... with 600 billion tonnes of CO₂ to reduce, and a rough global price of around US\$25 per tonne of emitted carbon seeming likely, other nations were gearing up for a US\$15 trillion carbon market, in what is being referred to by venture capitalists as 'the biggest investment opportunity in history'.

'If the world decides to assign a cost to carbon – and that is imminent – Australia could be seriously damaged economically – caught flat-footed,' Mr Molitor said. 'But, it also represents an obvious opportunity, if business gets savvy.'

He described how carbon risk and disclosure was already a major criterion in international investment markets, with carbon management performance now being factored into financial ratings and company share prices, through new metrics.

'Institutional investors are asking in depth about carbon risk and expecting results,' he said.

Mr Molitor pointed out that major international investment fund initiatives, such as the Carbon Disclosure Project involving 280 investment firms, the world's 2000 largest companies and US\$14 trillion under management, were sorting the serious carbon committers from the laggards, and shaping a massive finance frontier.

Anticipating this, one of the goals of the UK's Emissions Trading Scheme being established so early in 2002 was to push London as the global centre of carbon finance and trading. Already, in 2006, approximately 68 per cent of all carbon revenues passed through the city.

Mr Molitor reflected that if Australia seized the moment, it too was in a strong position to be a world leader in the global market for carbon finance, trading technologies and services.

'We have a growing world-class finance market with over AU\$1 trillion under superannuation management; we have world-class research in the key technology areas through organisations such as the CSIRO and UNSW; we have world-class service firms, such as PwC and Baker and McKenzie, who are already leaders in the global carbon market; and we are the world's largest exporter of energy coal and, potentially, uranium. So how do we harness that and compete?'

He outlined what he saw as the necessities:

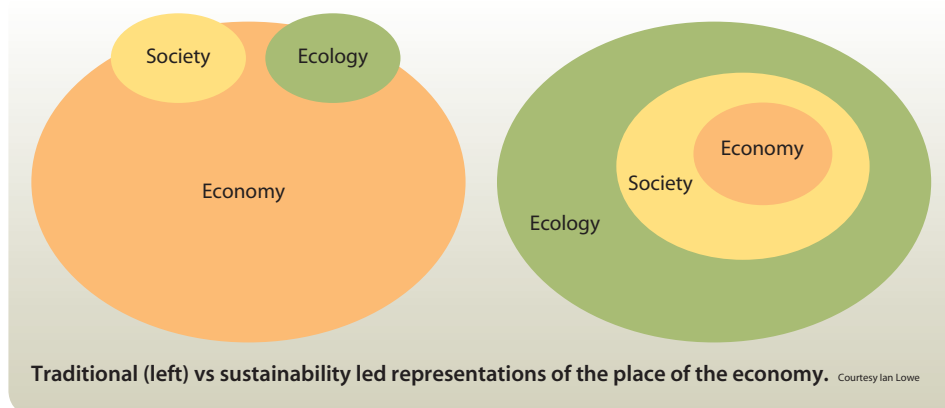
- A legal requirement that all Australian public companies report annually on their carbon risk (ASX Principle 7: materiality);
- A national carbon trading scheme that is opportunity driven, creating the market signals for innovation and leadership in Australian technologies and companies;
- Strong medium-term (2025) and long-term (2050) binding national carbon reduction targets;
- Significantly more investment in carbon capture and storage (CCS) technology;
- A strong renewable energy target to retain Australian technology and allow it to prosper;
- Significant tax incentives for low-carbon buildings;
- A return to the Kyoto process to create opportunities for the post-2012 regime (Australia working with China and central nations);
- Shift annual vehicle registration fees to being based on carbon emissions (UK model);
- A national carbon registry; and
- A national carbon trading platform, possibly through the Australian Stock Exchange.

Mr Molitor said that under the 'Sydney Carbon Group', more than 20 large Australian companies are already planning to position Sydney as the leading centre of carbon finance, trading and services in the Asia-Pacific region.

'California has a "Silicon Valley". Australia could be the world's only "Carbon Harbour"; he predicted.

Other speakers included Mark Mills from the international sustainable company investment specialist firm backed by Al Gore, Generation Investment Management, and Sandy Beard from Australian firm CVC Sustainable Investment. Both described the concerted ways in which financial analysts are increasingly factoring sustainability credentials into company valuations, and why 'sustainable' companies are becoming stellar market leaders (see page 26).

While Mr Mills said investment in global 'clean technology' markets had trebled since 2004 to around US\$70 billion, he reiterated that not factoring in CO₂ risk – and in Australia, particularly, water-use risk – was now being seen as a market failure by analysts. He called for concerted sustainability strategies in companies to



encourage the long-term market investment confidence needed to see real impacts across the country, and globe, and to swing the current short-termism of markets.

He too cited similar major priorities to support industry competitiveness:

- A mandatory Emissions Trading Scheme;
- Re-establishment of a robust Mandatory Renewable Energy Target (MRET);
- A landfill avoidance scheme with a trading option; and
- Federal and state cooperation to establish a national water trading market.

Group Executive of Culture and Reputation at Insurance Australia Group (IAG), Sam Mostyn, profiled how partnerships across organisations were

increasingly powerful in realising corporate social responsibility goals. She said that like many large organisations trying to find their way in this new sustainability economy, IAG, with, for example, its deep insight into risk impacts across Australia, was partnering in new ways to share strengths with groups of many different orientations.

One such engagement for IAG is the CSIRO-led Sustainable Communities Initiative, which involves 15 organisations from across the public, private and civil society sectors, working together through 'action learning' on specific community based projects to tackle regional-scale sustainability progress and innovation.

And finally, the Business Leaders Forum was also the setting for the announcement of the winners of the 2006 Corporate Responsibility Index, an increasingly relevant voluntary measure of sustainability performance across

companies, many multinational.

This year five companies scored over 95 per cent in the index: Westpac (for a 4th consecutive year), Toyota Australia, BHP Billiton and Rio Tinto (equal third) and ANZ. The greatest improvements in performance were achieved by Minter Ellison,

Suncorp Group and Insurance Australia Group.

The St James Ethics Centre, which hosts the index, highlighted that since the launch of the index in Australia four years ago, the 16 companies who have participated continuously have shown a year-on-year improvement trend, demonstrating the usefulness of the index as an analysis framework to assist the strategic integration of sustainability practice across companies.

● **James Porteous**

More information:

National Business Leaders Forum on Sustainable Development:
www.sustainableforum.com.au

Corporate Responsibility Index:
www.corporate-responsibility.com.au