

The Dowse Grill Nov-Dec 2007

If you want to look at the big picture, nothing beats [GEO-4](#), the 570-page report on the planet's health by the UN Environment Program, packed with all the data you need, though little you could wish for. "There have been enough wake-up calls since Brundtland¹. I sincerely hope GEO-4 is the final one," said UNEP executive director Achim Steiner, the most whimsically cheerful of the Steiner brothers.

As always, *The Grill* reflects the view that the link between sustainability and the financial bottom line lies in the demonstrated intangibles of brand, people, networks and innovation. Climate change is this year's major issue, and sustainable investment is where the market really decides.

Kyoto and beyond

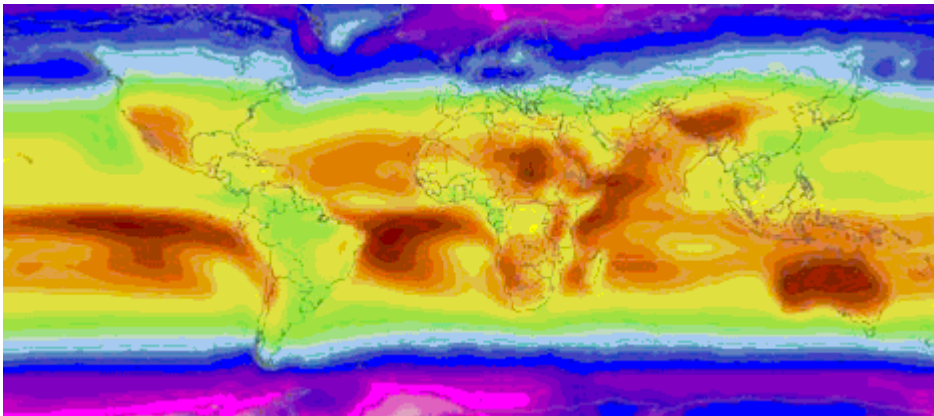
- We've ratified! So what? Among other things:
 - 1) Renewed access for Australian companies to energy and infrastructure projects in the developing world. For the past 5 years, Europe and Japan have been able to count emission reductions from these investments against their own emissions targets (the Clean Development Mechanism, or CDM). Australia has been at a financial and preferential disadvantage.
 - 2) Renewed investment in low emission technologies in Australia. There's little point investing in technology and management here, if they're locked out of both developing and developed markets overseas.
 - 3) Greater influence over Kyoto's successor, and the rules of international trading schemes, starting this week in Bali. Australia gained an immense advantage in its Kyoto negotiations (a 108% target, the inclusion of 'land use change'), because the Australian Greenhouse Office had a proud record of policy and scientific quality. That record and influence can now be restored.
 - 4) In combination with the election, the greater probability that the federal and State governments will work more closely on effective policies that will both reduce emissions and take advantage of the market opportunities from Kyoto and its successors, and to meet their mandatory targets. In particular, the likelihood that the federal government will draw on the detailed work of the State-based taskforce on emissions trading over the past four years.
 - 5) Finally, the symbolism that Australia is now treating the issue as other developed countries are – that is, as "the most ambitious, the most complex, the most difficult piece of diplomacy that humanity will ever have attempted" as the UK climate ambassador, [John Ashton](#), puts it. "This won't work if we treat it like the trade negotiations, where nobody moves until everybody moves."
- You'll hear a lot more now on whether Australia is or is not managing to limit our greenhouse gas emissions. Especially since the news from Bali is that Australia may back other developed nations in calling for a mandatory 25% reduction in emissions by 2020. The former government says we have emissions under control – they only went up 4.5% from 1990 to 2005. That's pretty impressive for a booming economy, although the UK *reduced* its emissions by 15.4%, Germany by 19.5%, France by 7.1%, Finland by 22.8% etc etc. However, our 4.5% figure includes emission reductions due to the slowing of land clearing, a one-off

¹ The 1992 Brundtland Report coined the phrase 'sustainable development', and called for more of it.

effect. Although the Kyoto Protocol allows those reductions, the UN is so sceptical of their true value that it reports figures both with and without them. Without them, Australian emissions have [increased by 25%](#), rather than 4.5%. (Globally, including land use change hardly affects emissions growth – from 11% to 10% growth.) More to the point, emissions from stationary energy are up by 42%, and transport emissions are up by 30%.

Carbon and Climate

- On climate change matters, I tend to go with the guys whose science can send back happy snaps from the other side of Pluto, rather than the odd geologist with no other claim to fame than scepticism. James Hansen, head of NASA's **Goddard Institute**, says we've got until 2016 to turn emissions growth around. But, there is some good news. [Hansen says](#) that the earth's climate system is just as prone to 'cooling' feedback loops as it is to 'warming' ones. Which means all may not be lost.
- Many of you will have seen NASA's map (below) showing where the sun's rays have the most energy. What a cracker! In news that won't surprise Lasseter, Simpson, Burke and Wills, Australia is subject to more solar energy than any other landmass on earth. Which makes it all the more galling that our solar industry is being outdone by cold blue smudges in northern Europe, like Germany.



- If you're looking to buy **carbon 'credits'**, either to offset your own emissions or to otherwise fund emission reductions, there is good news. The [Voluntary Carbon Standard](#) (VCS) was formally launched on 19 Nov after 2 years' consultation. The VCS can be used when one party (you) buys a carbon 'credit' from another, as a guarantee that the credit is worth the paper it's written on – ie that it represents a genuine voluntary reduction in carbon emissions, and that it's the only 'credit' created by that reduction. The credit is bought and sold on international carbon markets as a 'voluntary emissions reduction' or VER. An independent third party will need to verify that the VER meets that Standard. The Voluntary Carbon Standard is solid – it's backed by the World Business Council for Sustainable Development, the Carbon Trust, and the International Emissions Trading Association, and you can't get better brands in this field than those. You won't be paying for someone to squirt water on a dying tree. Look for this logo:



- With all the fuss about ‘**carbon neutral**’, it’s worth confirming what you think of as really ‘neutral’. Before rushing to offset emissions, we’d recommend the [UK Climate Trust’s](#) integrated approach. First priority is as always to reduce your own direct emissions. Second is to reduce your indirect emissions by influencing your supply chain partners. Then offset what you can’t eliminate. Relying on someone else’s new technologies or plantings to offset your *avoidable* reductions doesn’t really cut it if you’re looking for either brand or technology advantages.

Innovation

- Further to last *Grill’s* note on biofuels, the European Commission has now scaled back its biofuels aid scheme. Too many farmers have already massively shifted production, overshooting a two million hectare target. At €45 per hectare on top of other European agricultural subsidies, the candy was just too sweet. Again, further policies to promote biofuels should be viewed with caution. Investments should pay back in the short term, for in the long term the policies are likely to change. If you really want to understand the biofuels debate (a debate which, much like GM foods, will run for years), have a peak at the new [Issues Brief](#) from the World Business Council for Sustainable Development – or otherwise keep up with *The Grill*.
- I once ghosted an article on GM’s development of the fuel cell car. Apart from the emissions issue, the car is electrical – ‘drive by wire’ – rather than mechanical. That means designers don’t have engine blocks and drive shafts to contend with, giving them infinitely more freedom in placing controls, seats, comforts etc. Now Honda have beaten GM to the punch, releasing the world’s first zero-emission, fuel cell car – the [FCX Clarity](#). Using hydrogen as fuel, it has a top speed of 160km/h and a range of 430kms – and the only emission is water. Whatever will Haliburton do.
- Would you bet against them? Google has announced [plans](#) to develop renewable energy that is cheaper than coal, in years not decades. Launching its RE<C initiative, Larry Page explains “We have gained expertise in designing and building large-scale, energy-intensive facilities by building efficient data centres. We want to apply the same creativity and innovation to the challenge of generating renewable energy at a globally significant scale, and produce it cheaper than coal.”

People

- Two [reported](#) election-day polls suggest that people saw health, education, industrial relations and climate change as the issues that most determined the way voted. That’s positive for sustainability. With some degree of security and material comfort, people can look for the next level up in the Maslow hierarchy of needs. Australia is not short of cash. While an eye on the economic wheel will always be needed, people may become more and more concerned with how all the money is being spent.
- In a most interesting development, Westpac is being called on to back up its own sustainability brand by the Financial Services Union. Westpac is using its data more wisely now to identify problem loans before they hit real strife. But in annual negotiations, the FSU is challenging the bank’s policies for counter staff to be evaluated in part by the number of ‘leads’ they give to the bank’s personal and credit card lenders. The FSU argues that if Westpac were true to their sustainability principles, they would not be asking their people to push loans onto people who probably don’t want them, and almost clearly cannot afford them. Whatever their motive, the FSU may have a point.

Brand

- Is money well spent to secure good climate change credentials? [The Climate Group](#) has surveyed consumers in both the US and the UK. Nearly 70 percent of the UK respondents couldn't name a brand that's doing the right thing on climate change, and nor could 74% of the US respondents. Some brands may not be doing it right. In the US, the brands whose actions *are* working are GE, Toyota, BP, Ford and Honda. In the UK, the top 5 are Tesco, BP, The Co-Operative, M&S and Sainsbury's. Notice the difference? In Australia, our **retailers** compete to expand their alcohol and gambling revenues. In the UK, the retailers are known for something else. Times may change here too.
- Not all environmental statements have to be the same. Make yours true to your brand. It may not be as direct as this classic from [Sailor Jerry Rum](#), but we could all try a little harder to keep the yawns at bay. To give you a flavour, "We make quality shit in classic styles that will look good your whole life if your kids don't steal it first - not the kind of trendy shit you throw away in a year."

Networks

- General Motors has acted brilliantly on the trusted principle of 'a partnership works best between those who have the most to gain from each other'. The US carmaker is working with the Chinese government on a \$250 million [GM Center for Advanced Science and Research](#) in Shanghai to research alternative fuels, advanced alternative energy propulsion systems, and energy efficiency. If it works, the benefits to both parties are surely beyond calculation. The automaker will spend millions building two research centres in Shanghai.

Sustainable investment

- Innovest Strategic Value Advisors have been perhaps the most consistent in their claims, research and evidence that thinking and acting on sustainability is a good proxy for good governance and management. Their [latest study](#) tracks the relationship between companies' ability to manage the risks and opportunities of climate change, and their financial performance. Claiming to be the first study of its kind in the world, the 'Carbon Beta' study shows that "companies minimizing risks and seizing opportunities associated with climate change financially out-performed their same sector peers over the past three years – with the premium growing over time as carbon regulations tighten".
- Lies, damn lies and statistics. In 2007 the U.S. government will [spend](#) \$168 million on solar research, and 1000 times that amount – \$169 billion -- subsidizing the flow of oil from the Middle East, according to the [U.S. Joint Chiefs of Staff](#), who are now getting a little interested in why they're there. That's \$169 billion, on par with most years since 1991.

The Dowse Grill is selected information and opinion from Dowse CSP, advisers on corporate sustainability and related communication. For all enquiries contact admin@dowsecsp.com.au, or Josh Dowse on 0400 912 612.

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