

The latter part of 2009 was certainly a busy period for all things to do with climate change – particularly here in Australia! Not only did the Rudd Government attempt to push through the emissions trading legislation in the Senate, it caused the Coalition to spill Turnbull and now Tony Abbott is in charge.

Many people had high hopes for the climate change summit in Copenhagen – only to be disappointed by the outcome. President Obama was at the summit for a day and offered no new initiatives. Chinese Premier Wen Jiabao stayed away from key negotiation sessions. The result was a weak announcement that did not commit the leaders to any new targets. To cap it off, the Danish Government did a very poor job of organising the conference.

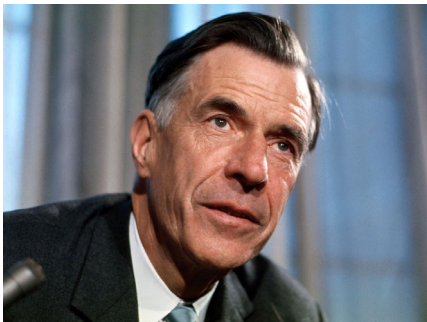
It seems likely that the Labor Government will continue to struggle to have legislation passed by the Senate. The US Democrats' recent loss in Massachusetts will make it substantially more difficult for President Obama to pass the Health Bill – let alone any new climate change legislation.

In Copenhagen, the EU was going to substantially increase its carbon reductions (from 20% to 30%) - but withdrew the offer when they realised other countries were not reciprocating.

So we expect that for 2010 at least, Governments will struggle to successfully introduce new legislation in this area. We anticipate that uncertainty will continue in the area of climate change regulations and we will muddle along.

This will make it harder for directors to confidently invest in energy efficiency or carbon mitigation projects.

Notwithstanding the increasing media attention to the climate change sceptics, the fundamentals of the science have not changed.



John Kenneth Galbraith

John Kenneth Galbraith's comment on "conventional wisdom": *"We associate truth with convenience," he wrote, "with what closely accords with self-interest and personal well-being or promises best to avoid awkward effort or unwelcome dislocation of life. We*

also find highly acceptable what contributes the most to self-esteem." Economic and social behaviours, Galbraith continued, "are complex, and to comprehend their character is mentally tiring. Therefore we adhere, as though to a raft, to those ideas which represent our understanding."

Last month, Professor Garnaut said: *"Nothing that happened at Copenhagen changes the odds about the mainstream science being broadly right. If there were high risks of dangerous climate change in the absence of effective mitigation in November 2009, there are high risks in January 2010."* (Please refer to our website for links to Professor Garnaut's full speech)

Recently released information about Australia's weather over the last decade is cause for alarm. The Bureau of Meteorology stated that the last decade (1999-2009) was the warmest on record in Australia. Every decade has been warmer than the previous one.

Recent reports have indicated that in Australia, the price of power and water will rise substantially faster than inflation – making it difficult for firms to recoup the increased costs through product price increases. The investments in desalination plants will drive the cost of water for most capital cities in Australia.



CLIMATE ALLIANCE

A business essential.



Professor Ross Garnaut

Notwithstanding its stance in Copenhagen, China seems to be taking action on a number of fronts. China spent more on renewable energy and energy efficiency projects than any large economy (approximately 2/3 of its US\$600B stimulus package). There are predictions the price of solar panels will drop to a quarter of their current price by the end of 2010. These trends indicate that China is keen to rally its industry to maximise its opportunity from the coming boom in renewable energy products.

January 10, 2010, NYT columnist Thomas Friedman said: "Being in China right now I am more convinced than ever that when historians look back at the end of the first decade of the 21st century, they will say that the most important thing to happen was not the Great Recession, but China's Green Leap Forward. The Beijing leadership clearly understands that the E.T. — Energy Technology — revolution is both a necessity and an opportunity, and they do not intend to miss it."

Having missed the "dot com boom", China is determined not to miss out on this nascent cycle.

The key question for the leaders of Australia's businesses – is where to from here? The confusion of developed governments on the one hand and China's intent may be an opportunity for Australian directors. Given that sooner or later, there will be a price on carbon – would it not be advantageous for firms to take the initiative and implement strategies to gain a competitive advantage over its competitors? At the very least, firms can benefit from staff gaining skills in this area.

There are about 1,000 companies in Australia that fall under the NGERs (carbon reporting) legislation passed by the Howard Government. The legislation mandates that large emitters of carbon and large users of energy regularly report to the Government. The data will be used to establish baselines for capping emissions. No doubt these firms are already considering how they can reduce their carbon footprint.

Change we must.

MIT released a report on the 13th February that said: "The pledges made by governments resulting from the Copenhagen climate conference are nowhere near enough to hold global temperatures to the summit's agreed goal of no more than a 2°C rise, researchers have calculated."

<http://westcoastclimateequity.org/2010/02/13/important-resource-material-on-carbon-targets-with-links-to-dynamic-post-copenhagen-efforts/>

For Australia – this has dire consequences.

This increased concern about the risks of climate change has prompted the US Securities and Exchange Commission to put all public companies on notice that as of February 2010, it will look hard at companies' financial reports for disclosures related to climate change financial risk

<http://tcbblogs.org/governance/>

Climate Alliance takes the view that there are many excellent examples of innovative projects in Australia and overseas that have implemented energy efficiency projects. The attractive aspect of these projects is that they save bottom-line costs and reduce a firm's carbon footprint.

We encourage you to join Climate Alliance and benefit from the experience of other directors who have started initiatives in this area. Please join us at one of our forthcoming events and share your ideas with other directors.

Invitation to Participate in Round Table Conversations

Climate Alliance is keen to make it easier for company directors to learn more about the opportunities and risks resulting from climate change. In 2010, Climate Alliance will be running a program of Round Table conversations. We will alternate these sessions between Melbourne and Sydney.

Would you consider acting as a facilitator in our Round Table program? The premise of the program is that practising directors greatly value the experience of other directors and they could benefit from an open exchange of ideas and information. Alternatively, please consider attending as a member of a Round Table.

The format of the Round Table sessions is based on one early-adopter Director acting as Facilitator and leading a conversation with 5 other directors. The Facilitator can be an Executive or Non-Executive Director and a person who was closely associated with a sustainability project or initiative. The sessions will be held under the Chatham House rule.

The Sydney Round Table will be held on May 4th from 6pm till 8pm. Dinner is included.

Please register here:

<http://www.climatealliance.org.au/events/event-overview.html>

The Australian Davos Connection, in collaboration with KPMG

AUSTRALIA REPORT 2010 - Risks and Opportunities

"While the focus on environmental risk is arresting, the central, inescapable theme of this report is interconnectedness. Environmental considerations may be the most urgent concern for Australian leaders, but they do not exist in isolation from other aspects of Australian life."

Report link <http://www.climatealliance.org.au/>

What you can do

Join Climate Alliance by becoming a **Member**.

If you are not a Director, you can support Climate Alliance by becoming an **Affiliate Supporter**.

Sponsor our 2010 Program.

Share your experience with other Directors by attending a Round Table or Quarterly Update.

Please contact Climate Alliance, or download the respective forms from our website. www.climatealliance.org.au

Membership Benefits

There are a number of benefits that result from becoming a member of Climate Alliance:

- Exclusive invitations to Round Table conversations.
- Exclusive invitations to Quarterly Seminars.
- Invitation to attend our National Conference.
- Exclusive access to all of the Climate Alliance website.
- Receipt of a regular Newsletter.
- The opportunity to vote at Annual General Meetings and stand for a position on the Board.

Please visit our web site for more details:

<http://www.climatealliance.org.au/membership>

About Climate Alliance

Climate Alliance is a not-for-profit, membership based company that collects and disseminates information on climate change. Our primary focus is to provide independent, business-oriented information to Company Directors, to help them inform themselves about the opportunities and risks resulting from climate change. We focus on the opportunities resulting from climate change through practical, real-life examples of best practice elsewhere.

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