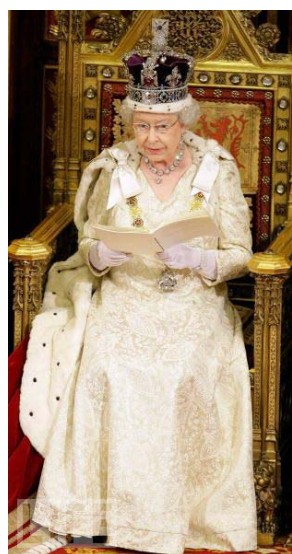


Climate Change Changes Leaders

This month's newsletter required a substantial re-jig after the happenings in Canberra last week!

On June 24, 2010 Julia Gillard was sworn in as the new Prime Minister of Australia. Please see below an excerpt from her acceptance speech:

"It's my intention to lead a government that does more to harness the wind and the sun and the new emerging technologies. I will do this because I believe in climate change. I believe human beings contribute to climate change and it is most disappointing to me, as it is to millions of Australians, that we do not have a price on carbon, and in the future we will need one. If elected as Prime Minister, I will re-prosecute the case for a carbon price at home and abroad. I will do that as global economic conditions improve and as our economy continues to strengthen."



Queen Elizabeth announces new Government's policy.
Image: Time Life 2010

For a topic that is peripheral in the minds of many, it is very interesting to observe the impact that climate change can have on the career of politicians.

It certainly helped Kevin Rudd beat John Howard in the 2007 election. Supporting action on climate change most definitely cost Turnbull his job as Opposition leader in December 2009. And now, Mr Rudd's decision to postpone the CPRS was one of the major reasons for his demise.

One would imagine that death duties, new taxes or subjects closer to the heart of the average voter would have a greater impact on the fortunes of our political leaders!

It is a salient lesson for leaders of industry. If this issue can have such a devastating impact on popular politicians – what is the exposure of the leaders in the business community?

We believe that Julia Gillard will need to go to the election this year (as she emphatically said yesterday) with a very clear policy on climate change. It will need to be carefully designed to ensure that there is no possibility of Labor reneging on its commitments. A repeat of the CPRS performance would be political suicide for the party.

Action Speaks Louder than Words

Edmund Burke famously said bad things happen when good men do nothing (adapted). The current hiatus in Government direction makes it difficult for Australian business to plan investments. The Rudd Government blamed the Opposition for blocking the emissions trading legislation and no one seems to be addressing the impasse.

The press regularly quotes leaders saying, "Australia should not be the first cab off the rank". Unfortunately, we are in fact closer to the rear of the rank. More than 30 countries have a functioning emissions trading system. New Zealand



CLIMATE ALLIANCE

A business essential.



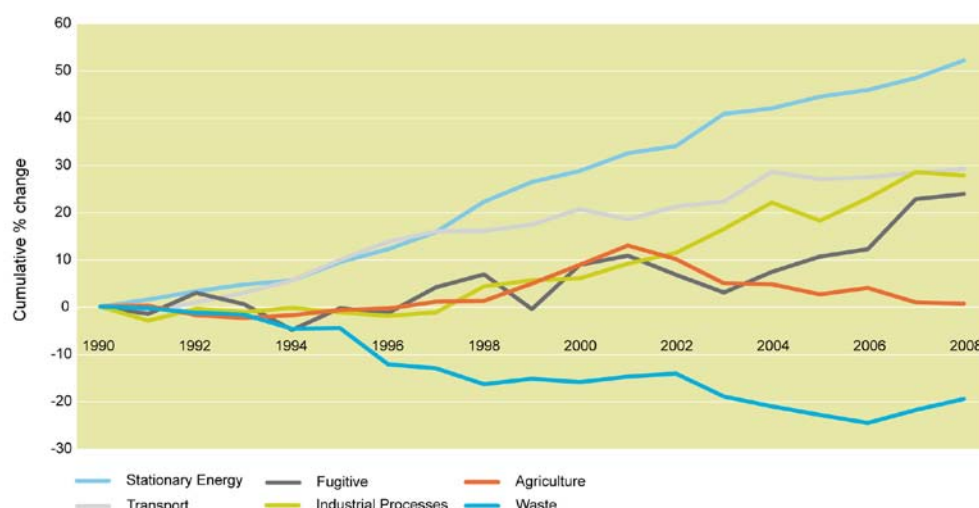
BP Oil Rig in Gulf of Mexico, Image: US Coast Guard

goes live on July 1. China is well ahead of schedule to substantially reduce its carbon intensity (the amount of carbon needed to produce a certain value of goods).

Soon after being elected, the new UK Conservative PM, David Cameron said: *"The Government believes that climate change is one of the gravest threats we face, and that urgent action at home and abroad is required. We need to use a wide range of levers to cut carbon emissions, de-carbonise the economy and support the creation of new green jobs and technologies. ...we will push for the EU to demonstrate leadership in tackling international climate change, including by supporting an increase in the EU emission reduction target to 30% by 2020."*

The enormous environmental disaster in the Gulf of Mexico has spurred President Obama to push hard for energy reform. On June 2, 2010 President Obama said: *"We consume more than*

Figure 5: Trends in CO₂-e emissions by sector – change since 1990



National Greenhouse Gas Inventory Report - May 2010

20 percent of the world's oil, but have less than 2 percent of the world's oil reserves. ...The time has come, once and for all, for this nation to fully embrace a clean energy future. ... And the only way to do that is by finally putting a price on carbon pollution."

The Trend Continues

Meanwhile, greenhouse gas emissions in Australia continue to rise. In 2008, Australia's total emissions were approximately 550 million tonnes/year.

Seventy-six percent of the emissions were generated by the energy sector. The largest increase (52%) during the 1990–2008 period was attributable to power generation. Electricity utilities in a number of Australian states have announced substantial power price increases – and these increases are in the absence of a price on carbon.

Businesses should expect that power would continue to increase faster than inflation – as power producers invest in new production capacity and infrastructure. A price on carbon will further accelerate this trend. The Australian Government needs to apply a price to carbon because it may need to avoid a situation where Australian exports are subject to "carbon" tariffs. But a more critical reason is that it takes time for industry to adapt to the new way of operating.

Many Australian businesses are already accounting for carbon and are taking action to reduce their carbon footprint. However, there are many other businesses that have not yet acted and the transition for them will be considerably more difficult when the inevitable happens.

Leaders in the Australian business community are calling for action. At the recent 2010 AICD conference in NZ, Origin Energy Chairman Kevin McCann said: *"While it (a price on carbon) may have dropped off the agenda this year, I am going to lobby like hell to have it on the agenda next year"*.

What can Directors do?

In the absence of regulation, companies should start making preparations for the introduction of a price (or tax) on carbon. Having an understanding of the company's carbon footprint is a good starting point. Many larger companies are already accounting for carbon under the National Greenhouse and Energy Reporting Scheme.

Understanding the company's carbon footprint will highlight where action will be needed first. Improving energy efficiency is a great way to reduce cost.

It takes time to develop and consider alternative strategies to reduce emissions. Starting sooner has given many companies a competitive edge. Reducing the company's carbon footprint not only reduces operating costs, it helps position it advantageously once a price on carbon is introduced.

In conclusion, we believe that the change in leadership in Canberra last week has greatly increased the chances of an early election. Prime Minister Gillard's comments signalled a change in position on climate change. It would be extremely hazardous for the Labor Government to now show weakness on climate change policy. We believe that Australian business leaders have much to gain from addressing the issue of climate change energetically.

A price on carbon is coming sooner rather than later.

Notification of National Conference

Climate Alliance will be hosting a National Conference in Melbourne on the 7th October, 2010. Please mark this date in your diary. Directors and executives of Australia's largest companies have been invited to speak about their experience in tackling the challenges created by climate change. We are looking for speakers who can inspire and motivate Australia's business leaders to take up positions of leadership on this important issue. **We are particularly keen to hear from companies that have taken action and have had measurable successes.** Please contact Climate Alliance if you are interested in assisting.

Membership Update

Climate Alliance is very pleased to announce that it has met the ATO requirement with regards to the number of members – in order to apply for Deductible Gift Recipient (DGR) status. There will be other tax benefits that follow suit and these will ensure that the company can apply the maximum amount of funds towards its program. There are a number of benefits that result from becoming a member of Climate Alliance. Please visit our web site for more details: <http://www.climatealliance.org.au/membership>

Climate Alliance Business Leadership Awards

Climate Alliance will soon be announcing its business leadership awards program. These awards will be awarded to a Board, an executive or director and to a company that demonstrated leadership through innovation. We hope to run this program in conjunction with a major business media organisation. Please consider whether you would be interested in nominating. The winners will be announced at the National Conference on October 7.

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 do not consult, lobby or develop policy.

Contact Details

Climate Alliance Limited
Level 6, 118 Queen Street
Melbourne VIC 3000 Australia
Tel (03) 9605 4550 Fax (03) 9605 4551
info@climatealliance.org.au
www.climatealliance.org.au