

**WHAT IS IT GOING TO TAKE?**

At the start of the US Republican selection process, the Governor of Texas, Rick Perry categorised climate change into the same pigeonhole as Darwin's theory of evolution - and he called both "questionable science". This was while his state was ablaze with the worst bushfires experienced in many years. What is it that makes apparently well-informed, intelligent people say these things?



Owen Freeman, NYT, November 24, 2012

During the three debates held recently between Obama and Romney for the most powerful job in the world - the two words "climate change" were not mentioned. Why is that? Weather records throughout the US had been broken over the preceding months. Washington DC was hit by a freak storm that resulted in thousands of homes being without power for five days - during a 35°C heat wave. The Republican convention was thrown into disarray because of a

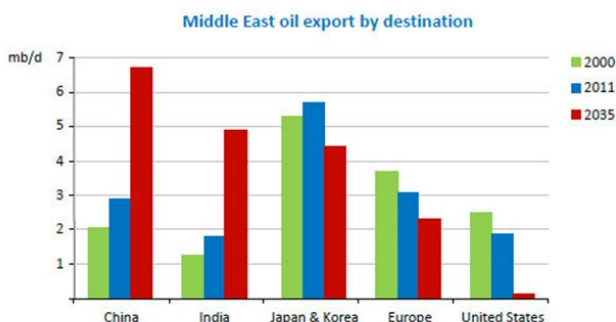
hurricane that hit Florida. Before and after the Presidential elections, New York was hit by two severe storms that impacted many. Yet leaders in the US are mute and will not mention those two words. They refuse to acknowledge the incidence of extreme weather events, let alone a possibility that their severity is increasing due to climate change.

The New York Times published an article putting this wilful denial in the context of other civilisations that have disappeared. Does New York have to be under water before we see meaningful action?

See <http://tinyurl.com/bv6l6a8>

**THE NEW GAS BOOM IN THE US**

The Economist is concerned that the newly found gas reserves in the US (primarily through fracking) are likely to make them more self sufficient in energy and may cause them to further abrogate leadership in finding alternatives to fossil fuels:



*By 2035, almost 90% of Middle Eastern oil exports go to Asia; North America's emergence as a net exporter accelerates the eastward shift in trade*

Source - The Economist: <http://tinyurl.com/baye423>



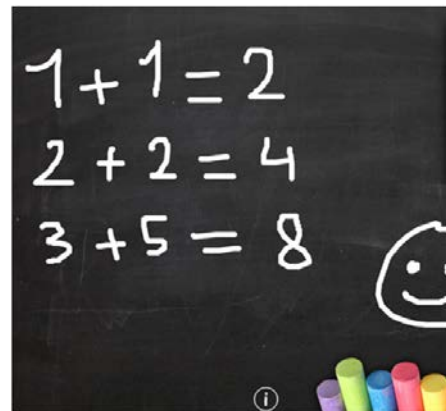
CLIMATE ALLIANCE

*A business essential.*

"But there's another point worth considering. In America "energy security" has long been a stalking horse for broad questions about the sustainability of current energy practices, including concern about climate change. As the economics of American energy markets change, it seems possible that the country's attitudes about climate matters may change as well, not in a good way, and it isn't as if America's commitment to addressing global warming is particularly strong as things stand. Rising American energy supplies may come as a relief to many. But the elimination of "dependence on foreign oil" as an economic and security bogeyman may lead the world's largest economy to abdicate responsibility for global leadership on climate change even more than it already has."

See here for The Economist article:

<http://tinyurl.com/baye423>

**DO THE MATHS**

In one of our previous newsletters we raised the issue of "unburnable carbon". These are the fossil fuel reserves held by energy companies that will not be able to be extracted and burnt if the earth's warming is to stay below 2°C. The Chairman of the London Stock Exchange has been warned about this issue - in an effort to

avoid a carbon bubble on the London Stock Exchange.

Essentially, Carbon Tracker estimated that about 80% of the fossil fuel reserves that currently underpin the asset valuations of the world's largest energy companies will not be realisable because the atmosphere will be unable to absorb any more carbon dioxide. The possibility of this issue coming to the fore should concern investors and managers of large investment funds.

For more details see: <http://tinyurl.com/42hn8tm>

**FIVE MONTHS OF LEARNING**

Australia has now had five months of experience in working with the Clean Energy Package and we all seem to be doing well: Whyalla is still on the map, a roast does not cost \$100 and electricity prices continue to increase -(but mainly for other reasons). The doom and gloom promoted by many interest groups have come to nought. What was the fuss about?

The upshot is that the Clean Energy Package is a laudable start to a journey that has some way to go. Australian businesses will benefit greatly from focusing on energy efficiency. There are always ways to do things better and more efficiently. The

*See over.*

increase in the electricity pricing (primarily due to gold plating of the distribution network and poor governance) will encourage business attention on reducing costs and being more efficient.

At the end of the day, improved efficiency will result in lower power bills and lower carbon emissions - a double benefit.

### WILFUL DENIAL

The Background Briefing program on Radio National broadcasted a fascinating story ("Saving The Masthead") about the reaction of the Fairfax Board to the threat of the Internet. To cut a long story short, well-informed Fairfax staff tried on successive occasions to warn the Fairfax Directors that the Internet posed an immediate threat to Fairfax's advertising revenues. Examples from overseas were quoted and repeated warnings were made.

Unfortunately, the Board elected not to listen to the warnings and Fairfax was heavily impacted by the reduced profits resulting from the lost market share to the likes of Seek and eBay.

It is fascinating how intelligent and well informed executives can be so convinced that "business as usual" cannot be impacted by a new phenomenon.

Is there a corollary here with climate change? Is it possible that directors believe that climate change presents no risk to their business or their supply chain? If history tells us anything, it is that we need to re-evaluate the risk.

"Saving The Masthead" - see here for the full story:

<http://tinyurl.com/c2xoaqj>

### THE COST OF SANDY

NYT November 27, 2012

Governor Cuomo announced that hurricane Sandy will cost the state of New York \$42B. Most of the repair bill will be for damage repair and restoration of homes, businesses and mass transit.

"Governor Cuomo's latest request for federal aid to help New York recover from Hurricane Sandy presents a shattering picture of what a giant storm can do to a dense metropolitan area. The total price tag, he said, would be more than \$42 billion: \$33 billion to repair damaged housing and infrastructure and \$9 billion to help protect transit systems, the power network and sewage treatment facilities from future storms."

See here for NYT article: <http://tinyurl.com/d6weg2a>

### IEA REPORT

The very conservative body - the International Energy Agency - has for the second time sounded the alarm for action by world governments.

The Guardian writes on 9 November, 2012:

"If the world is to stay below 2°C of warming, which scientists regard as the limit of safety, then emissions must be held to no more than 450 parts per million (ppm) of carbon dioxide in the atmosphere; the level is currently around 390ppm. But the world's existing infrastructure is already producing 80% of that "carbon budget", according to the IEA's analysis, published on Wednesday. This gives an ever-narrowing gap in which to reform the global economy on to a low-carbon footing."

"The door is closing," Fatih Birol, chief economist at the International Energy Agency, said. "I am very worried - if we don't change direction now on how we use energy, we will end up beyond what scientists tell us is the minimum [for safety]. The door will be closed forever."

See here for full article:

<http://tinyurl.com/bueq2ev>

### OUTLOOK FOR CARBON CAPTURE AND STORAGE

IEEE Spectrum, 27 November, 2012



Spectrum has summarised two very interesting articles from The Financial Times that provide an overview of the status of the carbon capture & storage industry.

"Clark goes on to say that the underlying problem is cost: Adding CCS to a fossil-fuel plant can double its capital costs (and that's not to mention operating costs, which also are higher), and in Europe the problem is compounded by the extra anticipated expense of having to sequester carbon under the North Sea, because nobody would tolerate having it in their backyards. "The end result is the governments have committed \$25 billion to carbon capture projects in the last four years without managing to produce a single large commercially operating CCS power plant anywhere in the world."

See here for more details: <http://tinyurl.com/coar5kr>

### LEADERSHIP AWARDS

We are pleased to announce the 2013 Climate Alliance



Business Leadership Awards. The awards recognise Australian business leaders and organisations that have demonstrated leadership by addressing the opportunities or risks presented by climate change. The Climate Alliance awards celebrate the achievements of Australia's Boards, Directors, Executives, Secretaries and companies. The awards will be

presented at the Climate Alliance National Conference that will be held in Melbourne on 14 March 2013. Four categories of business leadership awards are available: Board Leadership of the Year, Business Leader of the Year, Innovator/Exporter of the Year and Company Secretary of the Year.

Deadline for submission is 14th February 2013. See our website for details and nomination form

### Climate Alliance Membership

Business leaders are cordially invited to join Climate Alliance and benefit from networking opportunities, invitations to events and access to information that deals with the opportunities and risks of climate change. See website for details and registration forms.

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### 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.