

2010 Australian Carbon and Emission Trading Scheme – How will it affect your business?

In less than two years Australia will have a Carbon and Emission Trading Scheme (AETS) in place. Although details are yet to be finalised this will probably have a bigger cost impact on business and individuals than anything since GST.

How will it work?

Rather than a simple carbon tax, Australia has chosen to pursue a 'Cap and Trade' model similar to the existing European (EU) greenhouse trading market. This means that:

- A cap will be established for the entire Australian system based on what is required to comply with the Kyoto Protocol and then future greenhouse reduction targets.
- The 700 largest emitters will be forced to buy sufficient credits each year to match their carbon (CO_{2-e}) output and then acquit them. Permits (credits) will be sold at regular intervals through a reverse auction process. Trading of permits will be allowed through an independent Carbon Bank, with interaction with EU markets.
- The full impact will be passed on from day one, unless the regulator decides to start with a higher cap then reduce it.

How will you be affected?

- The largest 700 emitters are affected directly – with heavy penalties for non compliance.
- Every other business and individual will be affected by the flow on effects, since all electricity, gas and oil companies will simply pass on the substantial additional costs.
- The numbers are still very hazy due to the nature of a trading scheme where the carbon cost will vary from day to day. Current estimates, based on a fairly conservative CO_{2-e} cost of \$20 per tonne, would result in price increases as follows:

Fuel	Small User (e.g. tariff rates)	Medium to Large User (e.g. contract rates)
Electricity	18%	22%
Gas	8%	13%
Petrol/diesel	5%	4%

- These energy increases will also flow on to practically all goods and services to some extent.
- Some businesses competing in global markets, or those who have fixed contracts, will not be able to pass on these increases.
- Existing greenhouse/carbon trading schemes both mandatory (e.g. NSW Greenhouse Abatement Scheme) and voluntary (e.g. Greenhouse Friendly) will probably disappear.
- Given the steep increases, many voluntary carbon offset programs may also struggle to survive as consumers will ask "have we already paid for this?"
- Contracts, IT and billing systems may require upgrades to handle pass through of increases.

What can you do to minimise these impacts?

- Understand what your current carbon footprint is – other reporting requirements are a starting point (e.g. NPI, EEO, NGER) but may not be detailed enough. Do you want to measure just direct emissions (Scope 1), emissions from purchased electricity (Scope 2) or all indirect emissions e.g. emissions from business travel, packaging materials used, waste disposal etc. (Scope 3)?
- Understand what the impact will be on your business – how will it work, how much will it cost, what if the carbon price doubles, who will manage the process, will I need to change IT systems?
- How can I mitigate the damage – can I pass the costs on to my customers, will my contracts allow full pass through, how will it effect my competitive position both in Australia and overseas?
- What can I do to reduce my carbon footprint and hence reduce the impact?
 - The top 700 companies can commence abatement projects and earn early action credits in 2008 and 2009 to reduce their legal liability.
 - All other businesses can reduce their carbon footprint and mitigate the price increases by good energy management.
 - For both groups, the key is identifying energy reduction opportunities e.g. a detailed energy audit and then commitment to an ongoing energy management program.
 - Energy management should be seen as only one step in a corporate sustainability program.
- Don't forget that this may present opportunities for some companies to profit from generating emission credits and selling them to local and world carbon markets e.g. methane capture, tree planting, biofuels, etc.

How can Advitech help?

Advitech has been working with both state and federal governments for many years. We have assisted over 100 companies to reduce energy, water and waste under various programs such as Cleaner Production and Sustainability Advantage.

Advitech can explain the advantages and disadvantages of the numerous programs that are available to business, and recommend the right one for you.

Advitech can also work directly with business through our **ResourceWise™ Sustainable Business Program**. The program involves the following key steps:

- Resource (energy, water and waste) assessments or audits (Advitech will tailor packages to suit the size and nature of your business)
- Monitoring – selection of appropriate energy, water and waste monitoring equipment
- Sustainability management plans and corporate policy development
- Reporting systems and carbon footprint estimation
- Engineering solutions including process efficiency optimisation, project management and energy procurement
- Staff sustainability training, including regulatory and market advice and cultural change facilitation

Advitech has recently completed detailed energy audits for a number of large and small organisations – revealing opportunities for energy reductions worth millions of dollars.

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