

Carbon pricing down the line

The pending carbon price gives business and industry ever greater incentive to strive for efficiencies as the cost of inefficiency escalates.



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Green purchasing is about more efficient buying. In an era of economic constraint it is about buying smart, buying to last, buying to reduce operational costs and even buying to achieve long-term market changes.

The introduction of a price on carbon gives a bit more impetus to the efficiency imperative by penalising inefficiency. The rising cost of energy is not new. In fact, smarter organisations have been working to drive down running costs for some time through greener buildings, smarter plant and equipment and more efficient fleet, among other things.

Energy prices are on the increase regardless of a price on carbon. As a result of costs such as infrastructure investment, bills will rise by about 10 per cent per annum; the price on carbon is *additional* to this.

While the Federal Government has eased some of the pressure through free permits to some industries, it should be remembered that these will be phased out over time and the price on carbon will most likely increase above its initial price of \$23/tonne (Treasury is predicting \$29/tonne by 2020).

So anyone buying potentially high emission materials or products should be asking their suppliers for carbon footprint data on those supplies and what the organisation's plans are for carbon abatement action into the future.

A price on carbon creates opportunities for energy efficient operators to save increasing amounts of money, improving financial performance compared to their competitors. Organisations that use the most energy have the most to gain by shifting to more efficient practices or a more carbon efficient supply chain.

Hidden costs will climb

Because the price on carbon will impact prices across every sector of manufacturing and business, companies should expect increases in the costs of all their input goods and services. These 'hidden' costs of the price on carbon could be substantial, depending on the carbon intensity of the supply chain and the level of government assistance provided.

Work by the National Institute of Economic and Industry Research (NIEIR) for the Brotherhood of St Lawrence identified the impact of carbon pricing on different areas of consumption (assuming a carbon price of \$25/tonne). The research found half of the carbon consumed by Victorian households is embodied in the goods and services they buy, with the other half coming from the direct consumption of electricity, gas and fuel.

The same impact will apply on an organisational level, though they do not have the same level of financial protection that households do through tax reductions offered by the Federal Government's 'Clean Energy Plan'.

Again, the opportunity exists for progressive organisations to get ahead of the game by shifting their purchasing to more environmentally preferable and

FACT FILE: AN UPDATE ON PAPER AND WOOD

A leading guide to purchasing forestry-based products has been updated in response to an increased demand for products of legal origin, 'Sustainable Procurement of Wood and Paper-Based Products' is a toolbox designed to help corporate managers understand and find the best advice on how to purchase products originating from the world's forests.

It comes amid growing conflict over forest sourcing and certification. Locally, Australian Paper is locked in a tussle over its Forest Stewardship Council certification and Fuji Xerox Australia in July cut ties with Indonesia logger Asia Pacific Resources International (APRIL). The guide is produced by the World Business Council for Sustainable Development and the World Resources Institute. They expanded the publication's 'Guide to the guides' to help cut through the clutter of varying projects, rating systems and procurement policies, and ramped up the focus on the legality of forest products to reflect developments such as the 2008 amendment to the US Lacey Act and the passing of the EU Illegal Timber Regulation in 2010.

Download at www.wbcsd.org. More in WME's 'Essentials Guide to Paper & Printing' at www.wme.com.au/magazine

low carbon products and services, where carbon price-related cost increases will likely be lower.

Among other environmental attributes, 'green' products and services generally have lower energy needs and therefore lower greenhouse emissions, becoming increasingly cost competitive, especially over the full lifecycle.

If you buy carbon intensive products such as electrical goods and IT equipment, locking in contracts for greener alternatives will enable you to capture the lower price and emission benefits.

So all organisations should be asking themselves the following questions:

- Do we understand where the main carbon impacts are in our supply chain?
- What is the scope for reducing the carbon footprint and reducing costs through green procurement?
- Do our suppliers have comprehensive carbon management plans in place?
 - What actions should we be putting in place now to develop our capability and capacity in this area?

Now is the opportunity to start developing both a better understanding of the carbon intensity of your supply chain and your organisation's green procurement capability. In doing so, you will reap the financial benefits of low carbon purchasing.

ECO-Buy and the Chartered Institute of Purchasing and Supply are jointly hosting the National Sustainable Procurement Forum in Melbourne on September 7-8. More at www.cipsaconferences.com.au



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