

Know your carbon footprint



Climate change and sustainability are becoming key issues for consideration by business. Some of the recent publications that have encouraged business and consumer interest in climate change and sustainability include:

- The Stern report: a UK report into the economics of taking action on climate change
- The 4th IPCC Communication: report back from an international scientific body looking into the science of climate change
- An Inconvenient Truth: this movie helped bring the topic of climate change into the living rooms (and minds) of the general public.

The response to date has largely been driven by changing consumer behaviours and attitudes both in New Zealand and overseas.

Government department procurement decisions are also starting to move towards favouring sustainable business partners. It is important to note that sustainability broadly encompasses consideration of economic, social and environmental issues. Climate change in itself is not sustainability, but recently it has been a catalyst for sustainability related discussions.

The carbon constraint will affect all parts of the economy, so it is critical to act early to enhance shareholder value in these changing times. It is important that organisations understand the impacts of changing regulatory regimes (including the imminent emissions trading scheme) as well as changing consumer and business attitudes. Those that do will be better placed to take advantage of the opportunities, and mitigate the risks, that the new business climate presents.

Addressing the challenge

Some key things you may need to think about when developing a Greenhouse Gas (GHG) strategy include:

1. Greenhouse Gas Inventory

Know your GHG emissions inventory (or 'carbon footprint'). This data is the basic starting point for all analyses and should be completed using internationally recognised standards. This information will also be useful should your organisation be included within any compliance regime.

2. Greenhouse Gas Inventory Audit

Undertake an audit of your GHG inventory to verify the data and to ensure the measurement controls are appropriate. An audit can also provide useful feedback for improvements in the inventory process.

3. Benchmark Performance

Measure performance against competitors to assess risk and opportunity. Benchmarking also provides a good indication of 'best practice' and will assist in setting internal targets.

4. Abatement options - identify scope for internal reductions

Consider opportunities to adopt energy efficiency practices such as reconfiguring equipment to use gas to replace fossil fuel-fired electricity supply. Change behavioural practices, for example, re-use, reduce and recycle paper in offices. Seek ideas from employees who are familiar with operations. Establishing reduction targets is a key component of becoming 'Carbon Neutral'.

5. Strategic Review

Measure total emissions across the full supply chain to better understand risk and opportunity. Review supply contracts to check pass-through clauses and meet with major clients to discuss forward strategies.



6. External Reporting

Set performance measures for next year and future milestones (pre-compliance and compliance regimes). Seek stakeholder feedback, including from employees, in this process. This will bring greater transparency to your carbon related activities and enable better preparation ahead of any compliance regimes.

Organisations that understand their own emissions positions will be best placed to take advantage of the emerging opportunities that greater interest in climate change present.

The team at Deloitte can help you understand and respond to the challenges and opportunities related to climate change and sustainability.

Consulting and Growth Solutions

- Developing strategies for operating within a carbon constrained world (including emissions trading)
- Helping you understand process impacts (including supply chain)
- Lean Green Product Design

Risk and Assurance

- Auditing and assurance of your emissions measurement and emission reduction programmes
- Certification of carbon credits
- Accounting for emissions rights/permits
- Assurance of CSR reports/Carbon Disclosure

Corporate Finance

- Structuring carbon related finance deals
- Climate change related risk assessments
- Trading advisory
- Carbon related valuation of assets and liabilities
- Financial modeling of carbon related cashflows

Tax

- Taxation on the issue, trading (both local and overseas) and holding of carbon permits including the advising and submitting on the correct tax policy in this area
- Research and development tax credits in relation to carbon initiatives



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To read more about current thinking on climate change and sustainability and its impact on business, please visit our website, www.deloitte.co.nz