

Get Ready Pack

Are you wondering how to reduce your exposure to carbon pricing?

How to manage your future risks or identify future opportunities? This factsheet will assist you in identifying the steps you need to take to minimise your exposure to rising energy costs and **BE CLIMATE READY**.

Did you know?

The Commonwealth Government is set to introduce a Carbon Pollution Reduction Scheme (CPRS) in 2011. The purpose of the CPRS is to reduce Australia's emissions of greenhouse gases (mainly carbon dioxide) by 60% of 2000 levels by 2050.

Not all businesses will be required to participate directly in the CPRS (the program will include 75% of Australia's emissions and apply to around 1,000 sites. This is less than 0.1% of all businesses).

Some companies will also be required to participate in the National Greenhouse and Energy Reporting Scheme (NGERS). However all companies will be indirectly impacted by the CPRS as a result of increases in energy (electricity, gas and petrol/diesel) costs and the costs of many emissions intensive inputs.

Do you understand your exposure to carbon pricing?

All industries will face some change in their cost structures as a result of the introduction of the CPRS, with some industries being more markedly affected than others. It is clear that the CPRS will raise prices for electricity, gas and petrol in particular and is very likely to raise prices for any goods and services for which energy is a significant input – this includes

metals, chemicals, plastics and transport for example. There will be a flow on of costs across the economy as energy costs increase. Broadly, a carbon price of around \$20 is projected to increase the average price of all goods and services by around 0.9%. Energy intensive inputs can expect to be particularly impacted by the price increases. Table 1 displays the estimated retail price increases for both petrol and electricity with different carbon prices.

Table 1 Estimated retail price increases for petrol and electricity

Carbon price \$/tonne	Petrol price increase (retail price) per litre	Electricity price increase (retail price) % increase
\$10	+ 2.5 c/litre	+ 8%
\$20	+ 5 c/litre	+ 16%
\$50	+ 12.5c/litre	+ 40%

Now is a good opportunity for all businesses to assess and adjust their operations and products to become energy efficient. Reducing your greenhouse gas emissions and your energy use will reduce your exposure to a future carbon-capped economy, where greenhouse emissions will attract a market penalty.

Where do I start?

Your production site is the most important place to start, as this is where you will identify on-site emission reduction opportunities and optimise your manufacturing process efficiency.

MEASURE your energy use (electricity, gas, steam, heat,) and your direct emissions

UNDERSTAND the source of your energy (grid, on-site, renewable)

IDENTIFY opportunities to reduce your energy consumption or greenhouse gas emissions

Get Ready Pack

SWITCH to less greenhouse intensive sources where possible

RECORD savings that you have already achieved - and as you will achieve them

PRIORITISE the actions that you can implement now, and others that you should plan to implement at a later date

RECOVER residual energy from scrap products and waste

OFFSET your residual greenhouse emissions

Are you aware of your suppliers and customers requirements?

Your customers would all have a specific carbon profile, and would most likely have reporting requirements of their own. You must investigate your logistics and supply chain, as there would be great opportunities for change and savings to be made there.

ASSIST your customers in reducing their emissions through new product designs

MEASURE energy use and greenhouse gas emissions along supply chains (reduced transport, light packaging)

STREAMLINE your supply chains

DEVELOP your internal capabilities to support new innovative approaches (technical, communications)

Have you?

- Determined your carbon footprint?
- Conducted an energy audit?
- Considered all options (new energy sources, better manufacturing efficiency, recovery options, supply chain improvements, etc)
- Cut your energy use?
- Reduced your greenhouse gas emissions?
- Engaged effectively with your staff, stakeholders, and your local community?

Are you investigating funding opportunities?

Whether you are in the manufacturing or services business, the current climate change policies will create opportunities that you should not overlook. There are a number of research and funding opportunities currently available, and more to come, which may assist you to:

CREATE new products or services addressing energy issues

INTRODUCE new emissions reducing and energy saving processes

CAPTURE heat produced through your production processes.

Ai Group's Energy and Sustainable Business Help Desk can assist you identify funding opportunities

Don't forget...

CONSIDER the *future* energy, fuel and water costs when making business decisions NOW

REMEMBER that reducing your energy use might increase your water needs, and vice versa

KEEP IN MIND the financial implications of climate change on your own business (water restrictions, increased risks of flood or fire, fees and potential fines for non-conformance)

BE AWARE when negotiating contracts (with energy providers, suppliers and with your customers) that extend beyond 2010. You may need to assess provisions for adjusting prices to reflect higher cost structures

Do you need further assistance?

Tailored assistance is available to industry under Ai Group's Carbon Assist program to identify options to save energy, reduce emissions and minimise exposure to continuing increases in energy prices.

Services available to industry under the program include:

- Energy audits (levels 1, 2 and 3)
- Greenhouse gas emission inventories
- Energy management training
- Assistance with reporting requirements including NGRS

Further information

Contact Ai Group's Energy and Sustainable Business Help Desk on 1300 733 752 or sustainablebusiness@aigroup.asn.au