

POST-FORUM REPORT



NBLF

12TH NATIONAL BUSINESS LEADERS FORUM
ON SUSTAINABLE DEVELOPMENT

PARLIAMENT HOUSE, CANBERRA
THURSDAY 16 & FRIDAY 17 JUNE 2011

*Business Leadership in the
New Global Innovation Economy:*

the race is on

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For details about the 13th NBLF to be held in May 2012
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DAY 1 – Thursday 16 June 2011

FORUM WELCOME¹

Rod Leaver, Forum Chair and Chief Executive Officer – Asia Lend Lease

Rod Leaver opened the 12th National Business Forum on Sustainable Development (NBLF) by acknowledging the traditional owners, the Ngunnawal people. Mr Leaver acknowledged major sponsors ActewAGL, the Environment and Sustainability Directorate of the ACT Government and Visy Industries and thanked them and the other Forum sponsors for their support. Mr Leaver noted the Forum is convening at a time of contested climate change policy and the competing demands on governments. It is a critical time for design of mitigation and adaptation policy at international and national levels. Australian Government research shows assets worth AUD226 billion are potentially exposed to inundation and erosion as sea levels rise. Many countries are also re-thinking energy policy following the Japanese nuclear power tragedy and the best technological and policy mix to meet demand and for a low-carbon future. The many tragic and devastating natural disasters over the last year provide us with a glimpse of what dangerous climate change might look like if we fail to address these.

These natural disasters have affected global food supply and demands for food security are competing with those for bio-fuel production and energy security. Australia has an opportunity to provide a model of how to address this complex nexus and adaptation in agriculture. How can we design farming systems to address a changing climate, achieve efficiencies in water use and production, as well as deliver on environmental outcomes, whilst ensuring regional prosperity? These issues are critical for food security in Australia and the world. Mr Leaver detailed a number of important developments since last year's Forum, most of which have received little media coverage and need to be better understood:

- Launch of the International Standard Organisation's guidelines on social responsibility – these practices are now in the mainstream. ISO 26000 sets out what socially responsible companies should be doing.
- Complementary work in the St James Ethics Centre Responsible Business Practice project focusing on better practices for small to medium businesses. This work, funded by Treasury (announced at the 9th NBLF in 2008) has enabled Australia's presence on the UN Global Compact and Global Reporting Initiative, co-housing of which is a world first.
- Launch of the OECD's Green Growth Strategy: 34 Finance Ministers called for this work post GFC to assist transition to a green economy.
- Nations are committing to climate change targets: the UK has set ambitious 50% greenhouse reduction targets below 1990 levels by 2023-2027 and argued it will lead to higher economic and jobs growth, not less.
- China's 12th Five Year Plan for green transformation reflects the work of the OECD and sets targets to decouple economic growth from environment pressures.
- India is embracing the green economy and showing great corporate leadership through Tata Industries.
- The UN sponsored Nagoya meeting Convention on Biological Diversity resulted in a step change agreement to preserve and protect other species.
- At Cancun, global climate policy got back on track, with pressure from the global business community for this action.
- The UN's Rio +20 Earth Summit will proceed with some political momentum as nations recognise they must work together.
- Eco-innovation and scaling are bringing down costs of green technology. In 2009 for example, China invested more in renewable energy than fossil fuels.

Mr Leaver closed with a message about the imperative for strong business leadership as we learn from our international colleagues and each other about how we transition to a low-carbon economy.

¹ Drafted by Kathy Eyles (ANU)

A MESSAGE TO THE NATIONAL BUSINESS LEADERS FORUM ON SUSTAINABLE DEVELOPMENT²

His Royal Highness Prince Charles, the Prince of Wales

The Prince of Wales congratulated Australia's business leaders for their commitment, spoke of his admiration for Dr Simon Longstaff's work at St James Ethics Centre and Molly Harriss Olson's inspiring leadership of this Forum.

The Prince referenced his experience over 25 years that responsible business behaviour is actually enlightened self-interest – a business that cares about its people, suppliers, customers, its local community and the natural world will be more profitable and sustainable in the long term. For responsible business to flourish, there are 3 crucial elements:

- i. A genuine civic partnership between business, civil society and governments.
- ii. Robust analysis of the challenges for business using new accounting tools that allows businesses to measure and report on their impact on natural resources and recognise the interconnected impact of their decisions.
- iii. Strength and capacity to deliver real change through building expertise via development of networks and trust between companies, sharing best practice and understanding that responsible business is as much about cooperation as competition.

The Prince also spoke of recent natural disasters and all the evidence that we are living in an unstable and unpredictable world. He pointed to the need for a deeper understanding of the relationship between economic and environmental resilience, the ability to absorb, repel and adapt to external shocks. Without resilience, we have no capacity for mitigation and adaptation, nor can we bring about needed changes in behaviour and safeguard the environment. The Prince of Wales closed by sending his warmest wishes for the Forum's work to finding solutions as we strive to become a truly sustainable world.

JOINT KEYNOTE: THE SCIENCE OF CLIMATE CHANGE UPDATED: WHAT BUSINESS NEEDS TO KNOW³

Professor Tim Flannery, Chair, Australian Climate Commission

Gerry Hueston, member, Australian Climate Commission

In her introduction **Molly Harriss Olson**, Forum Convener stated that the Australian Climate Commission (ACC) was set up in February 2011 to help explain the science of climate change and the impacts on Australia, the progress of international action and the operation of a carbon price in the economy. To date, a number of public outreach events have been held throughout regional Australia. Commissioners Tim Flannery and Gerry Hueston briefed the NBLF on the Commission's role, activities and their experiences so far. The Commissioners facilitated an interactive session exploring how members of the NBLF and the Commission might work together.

Professor Tim Flannery spoke about the establishment of the Australian Climate Commission in February 2011 with its six commissioners. The ACC is independent of government and its role is to engage the public in the science of climate change; identify what is happening internationally; and examine economic options around climate action. It has three initiatives: engaging with regional communities; the Science report (prepared by Commissioner Professor Will Steffen); and the website. Professor Flannery explained the Science Report draws on a century of data to show the climate is changing and warming trends associated with onset of fossil fuel consumption. The Report shows the source of greenhouse gases is the burning of fossil fuels and activities like deforestation. The Report details those impacts for which there is a high degree of certainty – the number of record hot days per annum is increasing every decade with the global trend to warning. It also describes the well-understood risks of climate change associated with sea level rise and regional effects of this for Australia. In summary, the Report using a carbon budget approach shows this is the critical decade where our choices will shape the future. We know what 'long-term' impact might

² Drafted by Kathy Eyles (ANU)

³ Ibid

DAY 1 – Thursday 16 June 2011

mean. If we take the high emissions path, the impacts may last up to half a million years. The Professor spoke about the next tasks for the Commission – a report on international action; detailed responses to questions raised in regional Australia; and a report on how Australia is tracking and looking at adaptation. The Professor handed over to Gerry Hueston to report on the Commission's visits to the regions.

Gerry Hueston discussed the Commission's work which has included visiting regional towns, meeting business people and community leaders and holding town hall meetings, with 1,200 people engaged to date through these fora. There is passion about the subject however the polarised views evident in the media are not so obvious in regional meetings. Mr Hueston noted the level of misinformation and confusion and that of half of the meeting attendees who completed the questionnaire, 90% have learned something new from the information provided. There is mainstream interest in the impacts of taking action on climate change. Concerns were expressed about Australia being out in front and the effect on trade exposed industries and small to medium businesses. There is a widespread belief that business is not engaged because of media 'noise', although a carbon price is more widely supported than expected. Mr Hueston noted the need to follow through with new technologies to enable security of energy supply and then closed with this question 'How can the Forum help the Commission and *vice versa*?'

Q AND A SESSION moderated by **Molly Harriss Olson**

Q: What legacy would you like to see from the Commission's work?

A: *Tim* – The Commission has a four year lifespan; our job is leaving the legacy of a better-informed Australia, which is critically important in a democracy.

A: *Gerry* – I agree entirely, evidence of this will be that the debate is taking place in the mainstream.

A: *Tim* – Once the Science Report gained bipartisan support, we got a different response from media, the tone has changed once the facts were out and recognised.

Q: Why is the science still being debated?

A: *Tim* – Science debate is still open in the media and public mind, due in part to undue influence of views that don't represent mainstream science and what the academies are saying, globally. Many are welded to a particular view – dare I say it, men over 65!

A: *Gerry* – Some people hold onto their belief system and then find facts to support it – so we are not going to persuade those people. Media focuses on 'noise' and disagreement, not what is agreed on – and people at fringes play on this.

Q: What do we need in Australia to educate businesses? What needs strengthening and what's lacking for carbon literacy?

A: *Gerry* – The same question was asked in the region. Small businesses running on short-term issues find it hard to focus on the long term. For the Commission we want to be seen as an independent repository of facts. For bigger business, the Business Council of Australia reached agreement by looking at the issues of risk and reward – business can then make its own assessment.

A: *Gerry* – I had a leader who thought and learned. The CEO is there to do the strategy, thinking and educate, which may mean stepping away from belief systems.

Q: Why are climate change, adaptation, mitigation solutions and opportunities not part of your remit? People tend to deny when they can't see solutions.

A: *Tim* – We haven't discussed future reports beyond this year and want to report back to regions based on the dialogue thus far. We are looking at innovation around regional Australia and how bipartisan policy of Renewable Energy Target (RET) initiatives have created new industry e.g. Mackay sugar mill supplying one third of Mackay's electricity.

**KEYNOTE: THE OECD GREEN GROWTH STRATEGY:
HOW TO TRANSITION TO THE GREEN ECONOMY⁴**

Simon Upton, Director, OECD Environment Directorate

Introduction by **Professor Robert Hill**, Chancellor University of Adelaide and Chairman Carbon Trust Australia. The recently released OECD *Green Growth Report* characterises green growth as fostering economic growth and development while ensuring that natural assets continue to provide the resources and environmental services on which our wellbeing relies. To achieve greener growth, governments have to catalyse investment and innovation that will underpin sustained growth that makes much lighter claims on natural assets. At its heart, it is about identifying mutually reinforcing aspects of economic and environmental policy.

Simon Upton provided a brief background of the work of the OECD as well as the Green Growth Strategy which emerged from the request from 34 Finance Ministers for help to kick start growth post GFC and for Copenhagen. The Strategy brings the economic and environmental policy worlds together and Mr Upton provided some key messages from the analysis:



- i. Greener growth and natural capital: growth is unavoidable so we have to be greener. Expected global growth to 2050 will require more food, energy and resources – we can enhance biological productive capacity to keep things moving but there are limits. For example 17% of land at risk of erosion by 2030; water scarcity up 30% as 1 billion people move into water scarce areas, where 40% or more of water is taken for human uses. There are already signs of bottlenecks in energy and food supplies and costs are increasing which is not good for growth. Mr Upton also showed that natural capital has real economic value. Pollination services are worth USD150 billion globally and loss is significant e.g. attack on bees in US costing USD15 billion per annum.
- ii. New economic measurement: we need to start measuring the capital asset base of economies, including the natural asset base, as growth is dependent on these assets. If you want growth don't exploit your natural assets. GDP doesn't factor in the negatives of depleting the natural resource asset base.
- iii. Reform markets and get the regulatory environment right: there are no perfectly efficient markets. There are costs relating to other malfunctioning parts of economies like labour market productivity. Every OECD country has examples of policy malfunctions and perverse regulatory thickets. All countries can close the fiscal gap and do something for the environment by taxing the environmental 'bads' not labour and profits. OECD countries are not using environmental taxes to best effect.
- iv. Look at inertia that prevents change: subsidies for fossil fuel consumption and production in developed countries mean 3 times as much is spent making carbon cheaper than investing in renewables. Brown jobs are only a small share of the labour market – the churn will be no bigger than is normal in an active dynamic market. Need to innovate but don't try and pick winners as innovators come from a wide range of areas.

Mr Upton closed by noting that the difference between green growth and previous economic transitions is that environmental scarcity means governments will have to intervene. Countries should work consistently through the policy mix (economic and environment) to maximise growth using good economic policies, get rid of bad policies and use the most cost effective environmental policies to get more leverage, rather than bits here and there.

⁴ Drafted by Kathy Eyles (ANU)

DAY 1 – Thursday 16 June 2011

SESSION 1: TRANSITIONING TO A GREEN ECONOMY – IS AUSTRALIAN BUSINESS READY?⁵

The focus of this session was discussion about the journeys companies are taking to position for a low-carbon transition and why a carbon price is an important economic reform for Australia. Driving the session was a desire to understand the experiences of businesses and business leaders as they navigate a challenging short-term public debate on climate change and the more fundamental economic shifts occurring over the long term. The session provided a mixture of reflection on personal leadership as well as the genesis and evolution of how each business approaches climate change from a commercial perspective. It also allowed for reflection on a range of issues related to leading change in the company and the business community when opinion is divided and governments struggle to set clear direction.

CHAIR:

Nathan Fabian, Chief Executive, Investor Group on Climate Change

DISCUSSION LEADERS:

Evan Thornley, CEO, Better Place Australia

Rob Coombs, CEO, InterfaceFLOR

Ben Waters, Commercial Manager for Australia and NZ, GE

Nathan Fabian opened the session by posing the following question to each discussion leader, ‘Do you consider your business has a leadership position in addressing climate change and if so how did it get to that position?’

Ben Waters spoke of the key role played by Jeffrey Immelt, Chair and CEO of GE, who thinks ahead and has had two big ideas in ten years – clean energy and affordable healthcare which led to the initiatives Eco-imagination and Health-imagination. With Eco-imagination, GE positioned itself as for any business risk – minimising risk by reducing its footprint and maximising opportunities by repositioning the portfolio (to wind, solar and electric cars). GE invested USD5 billion in innovation in the first five years commencing in 2005 and USD2 billion for next five years. GE has developed new products/solutions while reducing its footprint, saving USD130 million.

GE’s research reveals: 54% firms think opportunities to act outweigh costs/risks; 24% are on the fence, 22% think costs outweigh risks; and 70% are already reducing footprint and risk. GE also looked at carbon policy across a number of countries and dollars of GDP achieved per tonne of CO₂ tracking back to 1980 levels of carbon productivity and wealth. France, UK and Germany improved carbon productivity while growing wealth. On CO₂ intensity, Australia is going backwards with the lowest share of renewables (6% and declining), worst coal and least efficient power stations. We are wasting energy because it is too cheap.

Rob Coombs spoke about being a small company manufacturing carpeting for 40 years which operates internationally with global sales of USD1 billion per annum. In 1996, the company had an ‘awakening’ about its underlying business model, which was then carbon and materials intensive, being out of step with nature. The company adopted a three pronged approach to be sustainable by 2020:

- reducing footprint,
- addressing the materials cycle, and
- deep engagement with customers.

In 2011, the company is halfway there, water and energy use is down 70 to 80%, greenhouse gas emissions down 35% and the balance offset. Commercial property sector customers are receptive to greener concept and product. Mr Coombs emphasised the importance of understanding your product’s footprint. For a carpet tile, only 15% of its lifecycle is within factory walls while 70% is in manufacturing of raw materials so there is a need to work with suppliers and to operate using less raw materials.

⁵ Drafted by Kathy Eyles (ANU)

Evan Thornley spoke of the need to start with intellectual leadership and uncover value so you can make money while also saving the environment. Investors understand trend lines and inevitability of it – fuel going up and batteries going down. Better Place Australia will be building and powering the networks that keep electric cars running and Australia will be the third country to roll out the network after Israel and Denmark. By the end of 2013, Australia will have the largest electric car network in the world. The firm leads by being a customer and underwriting new capacity. Mr Thornley noted that 95% of corporate firms are willing to trial electric cars for fleet purposes. Fleet managers report to CFOs on depreciation and energy cost and all report CO₂ emissions to their CEO/Board.

Mr Thornley believes Australian business is ready to take action if two criteria are met:

- i. potential to make money; and
- ii. provide price certainty (cited example of battery cost AUD12,000 and depreciation AUD6,000 after five years).

Q AND A SESSION moderated by **Nathan Fabian**

Q: Your company has a new business model – what about companies with legacy assets where transition is harder?

A: Evan – With every technological transformation in history, the big companies that move early do better and buy others out. This is an opportunity for legacy industries to get in front. Our shareholders include oil companies, hedging their bets.

A: Ben – We are in legacy technologies but choosing new investment in low carbon and renewables – cannot rule out anything including nuclear. Cannot be locked into a set of beliefs – need to be data based. Our General Manager is big enough to look at evidence and see business logic.

A: Rob – Next 10 years are critical cannot wait for new guys on the block – so many legacy businesses with low hanging fruit, we need right mechanisms and scale of movement to get them going.

Chair of the Session, **Nathan Fabian**, provided a summary and posed further points for discussion:

You seem to be saying on one hand that drivers are strong thus not relying on regulations but also that economies need to price externalities to allow transition from legacy assets.

Q: How does a company decide what to do and what role to play? Australian debate is somewhat different from say the UK, where industry is working hand in hand with government on this issue.

A: Rob – We are a small company so don't feel we have clout but set out to be a model to demonstrate how to shine a small light in the corner in which we play. We have led major transformation to prove in our marketplace what might work for others. Our number one competitive issue is how sustainable we are relative to our competitors.

A: Ben – Challenge is doing what we can, you don't win by sitting on the sidelines – an analogy for Australia as well. Inaction costs more than action – let's act.

A: Evan – Need to lead and just do it as that has the most powerful impact. We will have 2000 employees by 2014, lots of jobs, a larger number for electricians perhaps and metal workers. We work with larger organisations – giving them ammunition. At the Auto Innovation Council's 'Vision Workshop' for Australian Car Industry, we came up with the 'world's leading producer of large powerful zero emission vehicles'. We add intellectual clarity to work with partners and develop the narrative.

Q: How will Germany meet its targets given its recent decision to develop fossil fuel plants to replace base load nuclear?

A: Ben – Germany has lots of renewables (17%) more coal than nuclear already and can do a lot more with smarter electricity grid or storage elsewhere (in car batteries).

DAY 1 – Thursday 16 June 2011

Q: Is the model of not owning things being replicated elsewhere?

A: *Rob* – Our model takes the focus away from the stuff – we offer a green lease, maintain and take carpet back. Issues around how you cost carpet at end of life. No mass uptake as yet of the idea - too early perhaps but expect to succeed.

Q: Where is business? What do we need to do to help them so this room is full?

A: *Evan* – Got to bet on fundamentals but be pragmatic. People focus on any number of other narratives, particularly technology, it gets people diverted trying to pick winners. Need to focus on business decision.

A: *Ben* – In another bit of our research on innovation, Australia didn't rank highly – we still see innovation as done by people in white coats rather than part of day-to-day business processes.

A: *Ben* – To cut through media 'noise' we put together a list of 20 businesses, not all the usual suspects, those prepared to go public, already engaged in climate action.

A: *Ben* – When we get wrong answer solving wrong problem we should start questioning old paradigms like environment versus jobs. Business schools would do well to question assumed dichotomies. Modern thinking will answer the correct problem so send them out with modern paradigm thinking.

Q: Posed by Suzanne Benn UTS Business School, traditionally sustainability education has been taught in engineering and design, what could be done to assist uptake in Business Schools?

A: *Rob* – Move to new curriculum that values doing things a different way and sets out business case.

KEYNOTE: THE HON KEVIN RUDD MP, MINISTER FOR FOREIGN AFFAIRS AND MEMBER OF THE UN COMMITTEE ON 'OUR COMMON FUTURE'

The Hon Kevin Rudd MP, Minister for Foreign Affairs and Member of the UN Committee on 'Our Common Future' was welcomed by **Dr Simon Longstaff**, Executive Director, St James Ethics Centre. In his presentation the Foreign Minister spoke about the sustainability debate and the fact that it is often taken exclusively in direction of climate change. Minister Rudd noted that this is one of the most profound debates of our age and the sooner we all move to price carbon and honour commitments through the Copenhagen Accord and Cancun Agreements, the better. Any view that Australia is too small to act and can walk away is fanciful and dangerous, as countries are looking to ensure others are pulling their weight.

The Foreign Minister spoke of his appointment to the UN Global high level Panel on Sustainability (GSP) which seeks to embrace a wider debate about planetary boundaries like the future of our oceans, land degradation and nitrogen impacts. There is wide scientific literature but inadequate policy analysis and the Panel is working on this in the lead up to Rio +20. There are a number of challenges within this policy remit about how we fulfill global development commitments against sustainability limits? How do we take the development challenge forward (for the 1.2 billion people living in poverty) post 2015, while integrating sustainability? So far the two are proceeding in parallel. Sustainability enterprises agreed at Rio are not integrated with the development agenda and there has been no effort to bring them together in a consensus framework. Leading up to Rio +20 we need: the core element of climate change to be dealt with, wider policy remit across a range of planetary boundaries and integration with the global development agenda.

Minister Rudd closed by linking how we care for the environment with the imperative to care for those in poverty at home and abroad. This goes to fundamental Australian values as we cannot assume markets will deliver fairness. Investing in social sustainability, health and employment has to be achieved by policy resolve and the core belief that social democratic values are needed to shape society and the economy.

Following the Foreign Minister's presentation Dr Longstaff posed the question 'Has the Panel commenced thinking about the role of civil society, business and government in negotiating a new framework at Rio +20?' In his response Minister Rudd noted that the role of government is to forge policy consensus. In building wider national consensus never underestimate the impact of your voice. Climate change is a tough debate. Government is looking to work with industry to deliver the message premise that the sky will not fall in and a whole bunch of new jobs will be created. In terms of the wider sustainability debate, engagement with business through public advocacy is important, nationally and with partner organisations around the world as well as NGOs.

LAUNCH: RESPONSIBLE BUSINESS PRACTICE IN AUSTRALIA REPORT

Dr Simon Longstaff, Executive Director, St James Ethics Centre

The Hon Bill Shorten MP, Minister for Financial Services and Superannuation
and Assistant Treasurer

St James Ethics Centre's *Responsible Business Practice in Australia* Report to the Australian Government was launched by **Dr Simon Longstaff**. The Report was welcomed by the **Hon Bill Shorten MP**. In his address Minister Shorten noted that our society is in transition, a small nation and medium-sized economy, thinking about how we sustain ourselves over the next decades. Minister Shorten used the analogy about raising children and our forensic focus on their health and happiness. With kids we think not of the short term but in terms of decades so how can politicians apply this same commitment to sustainability. The trick is to identify the transforming forces at work now and beyond, namely:

- i. rise of Asia with China and India at the centre
- ii. need for a sustainable economy
- iii. an extra 25 year's life – redefining old age
- iv. how we best use information
- v. delivery of services will be a defining feature of our economy.

Australians know responsible business practice is necessary and public and corporate policy needs to catch up. The secret to organisational success will be an ability to align with how Australians are arranging their lives around these transformative forces. In launching the report, there is a lot already known and practiced by leaders in this Forum. The Minister closed by noting that the search for what we should do in the next 25 years is not as complex as we make it out to be. Businesses that capture these ideas will be the businesses of the future.



DAY 1 – Thursday 16 June 2011

IN CONVERSATION – THE HON GREG HUNT MP, SHADOW MINISTER FOR CLIMATE ACTION, ENVIRONMENT AND HERITAGE, FEDERAL MEMBER FOR FLINDERS AND PHILLIP TOYNE, DIRECTOR, ECOFUTURES

Phillip Toyne introduced the **Hon Greg Hunt** MP, who spoke on behalf of the Hon Tony Abbott MP, Leader of the Opposition, as he gave a brief snapshot on how we can deal with climate change discussing options for a new tax or direct action and the benefits of the latter. The Shadow Minister proposed that direct action has parallels with buying water in Australia and clean development mechanisms, like the NSW Resources, Energy and Tourism Department with annual costs of only AUD750 million.

If the Coalition were in government, it would establish an emission reduction fund to provide incentives for emission reductions as an example – landfill capture. The Coalition would then purchase the lowest cost reductions with an independent regulator or carbon bank, to accredit and verify reductions. Direct action will provide the opportunity for business to plan and participate in reduction activity.

The Shadow Minister stated that Australia is putting in place a more onerous system than the rest of the world with risks of carbon leakage and price increases in steel, electricity and food. Other countries are adopting an incentive-based system, rather than a tax or penalty regime citing China, Russia and Brazil as examples of this.

The Hon Greg Hunt sees the next election being fought on the best way to deal with climate change and during the question and answer session invited Forum attendees to join or have input into the Coalition Business Advisory Council.

SESSION 2:

COMPLEMENTARY MEASURES TO ACHIEVE A LOW-CARBON FUTURE

A carbon price will be the cornerstone of a national strategy to reduce Australia's greenhouse gas emissions and transform the Australian economy to a lower carbon intensity. However, it is only part of the solution. Complementary measures for renewable energy and energy efficiency working in parallel with a carbon price will be essential to ensure a suite of low-emission energy technologies that can achieve a transition to a low-carbon economy in a manner which is safe, affordable and the least disruptive to the national economy and quality of life of all Australians. These measures must address ongoing market failures that impede the efficient development of low-emissions energy technology, such as research and development failures, information failures and ongoing barriers in electricity grids.

CHAIR:

Professor Steve Dovers, Australian National University

DISCUSSION LEADERS:

Matthew Warren, CEO, Clean Energy Council

John O'Brien, CEO, Australian Clean Tech

Sean Kidney, Chair, Climate Bonds Initiative

Dr Alex Wonhas, Energy Transformed Flagship, CSIRO

Professor Dovers introduced the session and the concept of complementary measures as policy tools and designs that go alongside a price signal (in this case, a price on carbon).

Matthew Warren outlined the importance of complementary measures to transition to a low-carbon economy, in particular, fostering the development of clean energy technologies.

John O'Brien explored the range of clean technologies and the importance of complementary measures beyond just the renewable energy. Clean technologies exist across a huge spectrum and success in their implementation rests on a key complementary measure: creating and communicating a vision for a low-carbon future.

DAY 1 – Thursday 16 June 2011

Sean Kidney discussed the support in financial markets for a low-carbon future. Large investor groups, such as 19 of the largest 20 pension funds and the Investor Network on Climate Change (a project of Ceres) are cognisant of climate risk and are already investing with green future in mind.

Dr Alex Wonhas provided an analysis of the opportunities for innovation in the electricity sector in Australia. Current electricity prices are low (50% less than Europe), increasing steeply (over 30% increases in NSW in the next two years), and do not reflect the costs of additional peak generation capacity (estimated at AUD3,000 per kWh). This presents significant opportunities in the built environment to make cost effective investments in efficiency and conservation.

PANEL DISCUSSION:

Three themes emerged from this panel discussion: the importance of policies to foster innovation and development, the need for policy innovation and the sound business and social reasons for support of complementary measures.

Innovation, development and implementation of new clean technology is critical to transition to a low-carbon future. Complementary policies are essential to support this. Simply increasing the price of electricity will not drive this: market failures and barriers exist such that development and implementation of clean technologies is not guaranteed. Nor do the specific government policies to 'pick winners' offer the desired outcome. Government policies need to be flexible, adaptable and supporting of new technologies as they break through to a commercial scale.

Given the complexity of the policy space, policy innovation for complementary measures is needed. Public-private risk sharing mechanisms for developing new technology is an area of need. Conversely, policy change should be treated with care as it may threaten existing long-term investments in new technologies and sources of renewable energy.

Policy innovation is required to manage the serendipitous effects of past and current policies. Feed in tariffs have supported the strong development of the solar photovoltaic cell, with grid parity expected within 4 to 6 years and AUD1 Watt costs on the way. Renewable Energy Targets have created a large clean energy industry that can be harnessed in the transition to a low-carbon future.

Complementary measures are a necessary feature in our transition to a low-carbon future but there are sound business and social reasons for their use. Targeted improvements to housing efficiency could save AUD17 billion per year in energy costs. Investment in distributive generation, coupling generation and heating, has been valued at AUD50 billion net present value (at a 7% discount rate). Complementary measures will make available new technologies to reduce costs, make houses safer and provide energy security.

The Chair of this Session **Professor Steve Dovers**, suggested the key outcomes of this session included:

- i. The range of complementary measures indicates the golden rule of public policy: a mix of policy instruments is always needed.
- ii. Given the complex policy environment, policy innovation in complementary measures, is needed.
- iii. There are sound business and social reasons for complementary measures in the transition to a low-carbon future: safer houses, more sustainable resource use, societal benefits, reduced costs and increased energy security.

DAY 1 – Thursday 16 June 2011

EXCERPTS FROM REMARKS PRESENTED BY THE US AMBASSADOR JEFFREY L BLEICH

Fostering Innovation for a Clean Energy Future

The topic of this Forum – how we make the transition to a clean economy – requires our best leaders and thinkers. And it requires an honest exchange among all of us. Much of the time we think we are thinking, when we may be merely rearranging our prejudices. But on this topic, where it is so easy to simply criticise rather than act, we have to get it right. The one thing on which there is clear agreement is, that we cannot do, nothing.

The judgment of the United States about carbon emissions is unequivocal. Climate change is real and most of the warming in recent decades is very likely the result of greenhouse gas emissions from human activities. This has massive implications for the future health, security and prosperity of everyone on this planet. As President Obama reminded the British Parliament just a couple of weeks ago, no country on Earth can hide from the dangers of carbon pollution. While every nation is constrained in some ways by its unique politics, natural resources, economic factors and technological resources in how it responds, we all have to respond. This may mean bridge technologies like natural gas, shale gas, or nuclear, it may mean improved capture and sequestration methods like what is going on at Barrow Island now, and ultimately it will mean transitioning to new sustainable technologies. It is for each nation to develop for itself ways of meeting its carbon reduction goals.

But the need to change our energy systems comes from reasons beyond reducing carbon emissions. Our current system is unsustainable for many other reasons as well. These include:

- i. It is a health issue. Even at current levels, we are putting our health at risk, and not simply because of carbon.
- ii. Our current system is putting our environment at risk – and again – not just because of carbon.
- iii. Energy also is an important economic competitiveness issue. Right now, our economies depend upon fuel sources that are exhaustible.
- iv. It is a security issue. Right now, we are beholden for energy to nations that may not have our best interests at heart.
- v. We need to view all this in the meta-context that we will soon add another two billion people to the planet.

The needs of those who comprise the additional population and their growing aspirations to enjoy the same living standards that we in the United States and Australia enjoy, will require ever greater quantities of additional energy supplies in the years ahead. So the question for the US is not ‘if’ or even ‘when’ but only ‘how’ we make the transition to a new, lower-carbon energy mix and how long it will take.

Indeed, it is a hallmark of our being a great society that this is going to happen. Successful societies have changed their energy sources many times in the past. We have evolved in our own histories from relying on human muscle to animals to wood to generate power. We moved from wind, water and coal, to petroleum and nuclear energy to power our growth. Our economies evolved and survived all those transitions to newer sources of energy. If you go back through history, the economies that ultimately advanced in those periods were those that adapted best.

No one here is naïve enough to believe that this will happen smoothly and in a rational, linear fashion. The word ‘energy’ equates with the Greek word for ‘challenge’. This type of change will be a challenge. The politics of fundamentally reforming something that affects every aspect of a country’s economy will be difficult. That is as true in the United States as anywhere else.

But our greatest renewable resource is not the sun, or the wind, or the waves. It is our will to leave our children a better future. So I hope I have been able to make at least one thing clear: the Obama Administration is forging ahead with the President’s clean energy vision; we are putting massive resources behind it; and we are not turning back.

SESSION 3:

TRANSFORMING TRANSPORTATION AND INFRASTRUCTURE SYSTEMS TO ACHIEVE A LOW-CARBON FUTURE⁶

Transformation of our transportation and infrastructure systems will contribute materially to the achievement of a low-carbon future. A number of innovative measures is currently being implemented and this session surveyed some of the work being undertaken both in the US and in Australia. Transportation is a key element given the significant emissions attributable to this sector. A number of exciting and innovative programs in the airline and road transportation sectors, such as those designed to facilitate the mass adoption of electric vehicles, will see unprecedented change occur within our transportation systems in the very near future.

CHAIR:

Michael Costello, CEO, ActewAGL

DISCUSSION LEADERS:

Evan Thornley, CEO, Better Place Australia

Gai Brodtmann MP, Member for Canberra (ACT) (on behalf of the Hon Mark Dreyfus QC MP Parliamentary Secretary for Climate Change and Energy Efficiency)

Merren McArthur, Group Executive Alliances Networks and Yield, Virgin Australia

Cameron Hoffmann, Principal – Planning RPS

Michael Costello introduced the session commenting on the fact that greenhouse gas emissions from the transport sector are significant in Australia and around the world. He spoke about how transport is often the missing link in discussions on how to reduce greenhouse gas emissions which tend to focus on other sectors and the de-carbonising of electricity generation. Michael Costello also commented on the world leading partnership between ActewAGL and Better Place Australia which will result in Canberra being the first city in Australia to roll out plug in electric car infrastructure. He spoke of how transformation of our infrastructure and transportation systems will contribute materially to the achievement of a low-carbon future.

Evan Thornley spoke about a new wave of innovation occurring in the transport sector to transition over time to a low-carbon future based⁷ on greater levels of energy efficiency combined with electrification powered by renewable energy.⁸ This innovation, Mr Thornley explained, is being enabled by improved electric battery capacity, lower battery prices, advances in plug in hybrid-electric engines and higher oil costs.

This wave of innovation will also be driven over coming decades by innovations in vehicle-to-grid and smart grid technologies. Vehicle-to-grid technologies will enable road transport companies to be paid whilst their plug-in hybrid electric or plug in electric trucks are being recharged and sitting idly. A wide range of research is showing that plug-in vehicle owners could be paid between USD3,000 and USD5,500 per annum⁹ for the multiple services their vehicle electric batteries could provide when they are connected to the grid.¹⁰ This is forecast to significantly drive the uptake of plug-in electric and hybrid vehicles overtime, providing further impetus to the improvement of battery technology and further reducing the costs of electric vehicles. This will further open up fuel efficiency opportunities for the road transport sector in coming decades.

⁶ Drafted by Dr Michael Smith, ANU Research Fellow.

⁷ Went, A., Newman, P. and James, W. (2008) 'Renewable transport: How renewable energy and electric vehicles using vehicle to grid technology can make carbon free urban development', Discussion Paper, Curtin University Sustainability Policy Institute, Fremantle, Australia http://www.infrastructureaustralia.gov.au/publications/files/CUSP2008_11_13DiscussionPaper.pdf

⁸ Mathiesen, B., Lund, H. and Norgaard, P. (2008) 'Integrated transport and renewable energy systems', Utilities Policy, vol 16, pp107–116 and Lovins, A. B., Datta, E. K., Bustnes, O. E., Koomey, J. G. and Glasgow, N. J. (2004) Winning the Oil Endgame: Innovation for Profits, Jobs and Security, Rocky Mountain Institute, Snowmass, CO at <http://www.oilendgame.com/>

⁹ Kempton, W., Udo, V., Huber, K., Komara, K., Letendre, S., Baker, S., Brunner, D. and Pearre, N. (2009) A Test of Vehicle-to-Grid (V2G) for Energy Storage and Frequency Regulation in the PJM System, University of Delaware, Pepco Holdings Inc, PJM Interconnect, and Green Mountain College. http://www.magicconsortium.org/_Media/test-v2g-in-pjm-jan09.pdf

¹⁰ Went, A., Newman, P. and James, W. (2008) 'Renewable transport: How renewable energy and electric vehicles using vehicle to grid technology can make carbon free urban development', Discussion Paper, Curtin University Sustainability Policy Institute, Fremantle, Australia http://www.infrastructureaustralia.gov.au/publications/files/CUSP2008_11_13DiscussionPaper.pdf



**LEFT TO RIGHT:
MICHAEL COSTELLO, EVAN THORNLEY,
MERREN MCARTHUR, CAMERON HOFFMANN
AND GAI BRODTMANN.**

DAY 1 – Thursday 16 June 2011

Finally, Mr Thornley spoke about how these developments are being harnessed by Better Place Australia to provide an exciting new model of how the private sector can revolutionise both the transport and electricity generation sectors and thereby contribute significantly to the solving of the climate change problem.

Merren McArthur spoke of the good work Virgin Airlines¹¹ is doing to implement a broad range of fuel efficiency opportunities as well as investing in an alternative fuels strategy and supporting technological step changes. The air transport industry has been focused on achieving fuel efficiency improvements for decades. Passenger jet aircraft today are, on average, 70% more fuel efficient (defined as energy use per passenger km) than aircraft 40 years ago, through mainly improved engine efficiency, aerodynamic performance and light-weighting.¹² Even though significant progress has been made, the potential to improve fuel efficiency by 2020 and 2050 is significant through further improvements in flight management and logistics, further weight reduction, aerodynamics, engine efficiency, use of alternative fuels and the upgrade of fleets.¹³

Ms McArthur featured the new CSIRO study, 'Flight path to Sustainable Aviation', of which Virgin is a co-sponsor. This important CSIRO report shows that ongoing fuel tests, numerous demonstration flights and proven refining technology have given the aviation industry confidence that bio-derived jet fuel blends can be created to meet the industry's stringent safety and technical fuel standards. One class of bio-derived jet fuel was certified in 2009 and a second covering most other biomass sources is expected to be approved for commercial use in 2011.¹⁴ CSIRO has also shown that a sufficient, affordable supply of sustainable bio-derived fuels can be commercially produced for aviation transport in Australia and New Zealand.¹⁵ The CSIRO study shows that "by using a variety of existing and new non-food biomass resources and sustainable practices for growing them, there will be sufficient biomass to support almost half (46 per cent) of the aviation fuel needs of both Australia and New Zealand by 2020 and over 100 per cent of fuel needs by 2050".¹⁶

Gai Brodtmann spoke passionately about the importance, to the Australian economy and environment, of the commitment to transition to a low-carbon future. Ms Brodtmann advised that many countries are now investing in the new clean and green economy because of the need, simultaneously, to mitigate climate change and create new jobs through positioning themselves for the new growth industries for the low-carbon economy. Ms Brodtmann pointed out that responsible leaders across Australia – whether from business, politics or the third sector – now acknowledge that a carbon price is essential to cutting pollution and ensuring a long-term place for energy efficiency and renewable energy investment in our energy mix.

Ms Brodtmann clarified that it is not, however, and has never been, the Government's policy to rely solely on a carbon price to address climate change and transform our economy. Support for renewable energy and energy efficiency are equally essential parts of the solution. They complement and enhance a carbon pricing system and speed us along the path to a cleaner and more efficient energy future. Transformation of our energy supply and strong energy efficiency policy can deliver important benefits to our productivity and our long-term competitiveness. These policies can also overcome a variety of market barriers and provide further support to the projects that a carbon price will make economically to help Australia transition this century to a low-carbon economy.

Cameron Hoffmann spoke on the need to focus on demand management and end use fuel efficiency as the foundation for a transition to a low-carbon future in the transportation sector. He showed that, despite demand management only receiving 4% of the investment, it provided the bulk of water efficiency savings for south east Queensland during the last decade's drought. Mr Hoffmann drew parallels from that experience to demonstrate that a demand management and energy efficiency approach is the most cost efficient and effective way to achieve, rapidly, greenhouse gas reductions.

¹¹ Virgin Airlines (2009) Aviation in a Low Carbon World Virgin Airlines.pp11-12 at http://cdn0.virgin.com/doc/misc/Aviation_in_a_low_carbon_world.pdf

¹² IPCC (1999) *Aviation and the Global Atmosphere* [Penner, J.E., D.H. Lister, D.J. Griggs, D.J. Dokken and M. McFarland (eds)]. Special report of the Intergovernmental Panel on Climate Change (IPCC) Working Groups I and III, Cambridge University Press, Cambridge

¹³ IATA (2009) The IATA Technology Roadmap Report. IATA http://www.iata.org/SiteCollectionDocuments/Documents/Technology_Roadmap_May2009.pdf

¹⁴ CSIRO (2011) Flight path to Sustainable Aviation. CSIRO. <http://www.csiro.au/files/files/p10rv.pdf>

¹⁵ Ibid

¹⁶ Ibid

Mr Hoffmann showed that there are many strategies to reduce transport demand and improve transport efficiency through investing in alternative ‘lighter’ fit for purpose vehicles, car sharing schemes, better public transport, cycling and pedestrian infrastructure. Significant transformations are also technically possible because in most OECD cities, the majority of trips/commutes are five kilometres or less and thus could be done by walking, cycling, public transport or car sharing or combinations of these. In several European cities cycling already contributes over 30% of commutes. Further details available at: <http://www.nblf.com.au/2011-forum/program/>

Michael Costello concluded the session by reminding people of the opposition to earlier efforts at economy wide reform in Australia, such as the productivity enhancing measures of the 1980s, tariff reform and the floating of the Australian dollar. He talked about how much these reforms have subsequently helped Australia. He drew parallels with the arguments today around the need to act on climate change. He urged all present to learn from and take courage from history.

SESSION 4: REGIONAL DEVELOPMENT SOLUTIONS FOR PROSPERITY AND CLIMATE CHANGE

Tackling climate change clearly provides new and exciting options for regional development, creating new sources of income for farmers and a more diversified and resilient regional economy. Globally this could have huge positive economic benefits for poor rural communities in the developing world. Some of those options include renewable energy (wind, solar, geothermal, biomass and biofuels) that offer significant financial and other benefits to landholders and rural communities; the potential for creating carbon offsets through soil carbon and vegetation sinks is very large. However realising these benefits will require clarification of policy settings, effective global frameworks and improvements to accreditation arrangements as well as environmental stewardship payments that have the potential to address climate related pressure on both landholders and ecosystems.

CHAIR:

Harriet Lamb, Executive Director, Fairtrade Foundation, United Kingdom

SETTING THE SCENE:

The Hon Tony Burke MP, Minister for Sustainability, Environment, Water, Population and Communities

DISCUSSION LEADERS:

Reverend Tim Costello, CEO, World Vision

The Hon Tony Burke MP, Minister for Sustainability, Environment, Water, Population and Communities

David Nieh, General Manager, Shui on Land for Knowledge Community Developments

Harriet Lamb opened the session by reminding participants that Australia and developing countries need fair green growth with greater equity in that growth and we need solutions to build communities to tackle poverty. The poor in developing countries have done the least to contribute to climate change. They are the ones who are least able to afford to adapt and yet they are the people who are hit the hardest. It is then important to hear the perspectives on how Australia, China and the developing world achieve sustainable growth for communities, so we can understand fair green growth and think about the actions that we can take from today.



DAY 1 – Thursday 16 June 2011

The Hon Tony Burke dealt with the topic by looking at Australian and international examples. His basic premise is that markets are the right way to be able to get outcomes and we need to make sure that the market will take all the cost into account. If the market takes all cost into account, then he believes that market solutions are the right way to develop the outcome that we seek. Actually public policy is needed to get the market right. For example, pricing carbon is not a market intervention; it is a market correction. It is putting back into the market something that has been priced generally to those who are benefiting most from the pollution being caused.

As for water, this is an area where Australia is more advanced than anywhere in the world because this country increasingly has a real water market, where people can choose to sell parts of their water entitlement so Australia gets the right balance in terms of environmental sustainability. In the area of biodiversity, there is increasing interest where people want to establish market mechanisms. Here, an environmental stewardship program has been developed with some effective tender processes however tradable rights have not been established. The weakest link in this is the regulation in the ocean. Currently the form of management in Australia is for 'blue economy' in the ocean. The regulations have been direct quota and government intervention. Australia still needs to find the sustainable cap for blue fin tuna, as an example, that is allowed to be traded. To achieve sustainability, people need to work within the world limit and allow market to flourish within that limit.

Reverend Tim Costello discussed a great challenge of clean growth. Sustainability requires short-term sacrifices just as parents make sacrifices to ensure their children have a better future, which is the engine that drives human history. Current rules of the game have not properly priced the impact on the environment, especially for the poor. Those contributing the least have been suffering most. For an organisation like World Vision, green economy and reforestation are at the heart of solutions. Most solutions are using small, pro-poor, simple technology. For example, in tackling reforestation in Ethiopia, World Vision creates fuel efficiency stoves. This kind of simple solutions can be feasible for business. Business needs to use its imagination to find solutions that are good for the market, good for the poor and good for the planet.

David Nieh talked about the driving forces of China's sustainable urbanism, growth and development. In China city regions are the true engine of growth for cultural, economic and social development. Earlier this year China announced its 12th five year plan and it continues with a growth rate of over 10% GDP increase average per annum. Since its establishment in 1978, China's open door policy continues. To be sustainable China realises that it needs to structure itself in a cradle to cradle approach – a tri-partite of balancing social harmony, environmental protection and economic growth. To achieve sustainable urbanism, the plan is 'to go West and stay West' – to prevent migration to the East and sea borders or affluent cities. China also works on its talent development and its planners understand that if people move to cities, their skills have to be improved for them to make a positive impact.

In relation to land use, planners have a target with a sliding scale when looking at how China uses one sixth of its land. People may think China has a lot of land however in reality only one sixth of its land mass is developable. China categorises its land as developable, agricultural and open space and in the city of Shanghai for example, this division is one third for each category. However when in 1999 Shanghai did a comprehensive plan for the period to 2020, it did not really capture the growth and land use entitlements for those three categories. Now Shanghai has already run out of developable land when compared to its plan, so its development has to be up; it can't go out. Big cities cannot keep on spreading out because of China's security policy of a green line around its cities. Each city has to be able to feed itself. This is after thousands of years of experience of this issue. In this township plan, cities are developing from agricultural, industrial, information and globalisation economy. The townships will develop these simultaneously, so the infrastructure on energy, water and waste management system are huge. To link people, goods and services within city regions and between city regions by June 2011, China completed 9,500km of the proposed 17,000km of high-speed rail network.

In relation to implementation of sustainable development in China, David Nieh posed two questions to the audience. First, how does Australia continue to finance its sustainable development path? Second, what then is the cross-border nexus between best practice in Australia with other countries like China, in terms of technology development and capital flows?

David Nieh also questioned the definition of region, whether it is city scale, city region scale, the country scale or global scale? For Mr Nieh, region is community, which is the scale that is actionable.

Harriet Lamb, Chair of this Session, provided a summary of the discussion:

- i. Australian water policy: Australian Government research and development expenditure across university, across local government, across federal government to improve food production is extraordinary compared to other areas of research. The farmer's take up rate on the new technology is quite extraordinary.
- ii. Implementation of best practice: the best way to encourage people to implement best practice is to provide financial reward so that people are willing to do so, for example with water entitlement, 70% – 80% of farmers are selling part of their entitlement because they make profit.
- iii. Similarities of Australia and China: the governance systems of Australia and China are different which leads us to different mechanisms in achieving sustainability. In terms of a direct intervention to get more sustainable outcomes, the approach taken in China may be different from what is applied here in Australia. However, the patchwork economy of the resources industry and other parts of industry are quite similar in both Australia and China.
- iv. Sustainable population: there is no linear relationship between population numbers and the extent to which it becomes sustainable. The resources boom, the ageing population and the rollout of broadband means that the previous theory for Australia that all future growth would focus on large cities is simply no longer true. Good public policy in the area of population and sustainability is about the distribution of population and planning for that distribution.
- v. Urban policy and sustainable population policy: in Australia there is close collaboration in the development of urban policy and sustainable population policy. Currently this county uses datasets to capture data such as travel time between hubs of works. Without reliable datasets, the government may end up with inevitable problems as decisions are being made on the strengths of lobbying campaign or by the margins in electoral seats rather than by solid data.
- vi. China's urban policy: as a consequence of China's one-party system this policy is driven top down. Yet, land development is actually controlled at the district level, as that is the level where the actual collection occurs from land sales and it has increasingly larger treasury. Therefore, China is top down but also very bottom up.
- vii. Earthquake recovery in China: World Vision responded to the disaster in Sichuan and it was incredibly impressed by the response of the leaders in China, especially with their exemplary vision and clarity in actions. Some 15% of the population didn't want to return however for the people who stayed, the housing was rebuilt very quickly. The area has recovered; although there were a lot of ideas that the government and the private sectors wanted to implement the most important factor is that China achieved its prime directive of fast redevelopment of the affected area.
- viii. About the word 'poverty': World Vision usually narrows the definition of poverty as material poverty, however in the global village the question is how the 'power' is organised. Disturbing 'power' is what development agencies are doing by disturbing the power of patriarchy in household income; the power of money lenders by introducing micro finance; the power of caste. Climate change has brought this issue to the fore. In China it is about the social unit – not many homeless people are seen however visibility may not really tell the whole picture. China is looking at the statistics about how people access public welfare such as health care, education, jobs and housing. In Shanghai, they continue to pursue 50% – an affordable house balance by 2020 – in the next nine years. China continues to address the issue of poverty, to lower the gap between the 'haves' and the 'have-nots'.

DAY 1 – Thursday 16 June 2011

2011 FORUM DINNER

Ms Fiona Geminder, part owner, Visy

Ms Geminder expressed her great pleasure and the honour she felt in Visy being the sponsor of the Forum Dinner thus continuing Visy's support which has been offered to National Business Leaders Forum on Sustainable Development since its inception 12 years ago.

Prior to its inception, Ms Geminder's late father, Richard Pratt, discussed with Phillip Toyne and Molly Harriss Olson (founders of the NBLF) the essential link between good business practice and good sustainability practice. Thus continuing her father's dialogue on sustainability is at the top of her priority list.

Ms Geminder shared her opinion that any company wanting to secure its own future should be looking at its own operations and assessing opportunities to create a more sustainable platform moving forward.

This Forum is dedicated to sharing views, ideas and innovation on the topic of sustainability leadership and with that in mind Ms Geminder invited the Hon Julia Gillard MP, Prime Minister of Australia to share her thoughts on the sustainability issues that currently face all Australians.

WELCOME ADDRESS: THE HON JULIA GILLARD MP, PRIME MINISTER OF AUSTRALIA

It's terrific to address the National Business Leaders Forum on Sustainable Development this evening in Canberra.

This isn't a political event but you all know that the issues you've been so dedicated to for so long are now at the absolute centre of national debate. It's a time that calls for courage, but it's an exciting time as well. The fact that your Forum is now in its twelfth year is testament to your work over many years to find better, more innovative and more sustainable ways to do business.

And your Forum theme 'Business Leadership in the New Global Innovation Economy: the race is on' rightly reflects the urgency of sustainable innovation – an open trading economy like Australia's cannot afford to be left behind in the world.

I know that your program today has been focused on discussion about how the advent of the low-carbon economy will impact your business. I hope you are all buoyed by the very real steps now being taken towards the development of more sustainable and cleaner energy sources. And I hope you share my sense of excitement about the new era Australia is about to embark on as changes in the global environment open up exciting opportunities for our nation.

Australia is perfectly placed to make our way with confidence into the 21st century. We have a strong economic record and robust institutions. We emerged from the global recession with stronger employment growth, lower debt and lower deficits than all of the major advanced economies.

Yes, the summer of natural disasters here and overseas hurt our economy in the first quarter of this year, but the outlook is for solid growth in coming years. These strong credentials, coupled with our geographic position, make us a place of opportunity for business and investment as the re-emergence of Asia's economic power heralds a new phase of prosperity for our nation.

And just as we see opportunity in the transition in the global economy from west to east – so we see opportunity in the transition in the global economy to low-carbon growth. 89 countries responsible for more than 80% of global emissions pledged to reduce or limit their emissions under the United Nations Framework Convention on Climate Change. Our close neighbour New Zealand, a coalition of US states and 31 European countries already have emissions trading schemes in place.

Australia is among 20 major emitters which need to work together if we are to successfully tackle climate change. More than half of these countries contribute similar levels of emissions as Australia does to the global whole, countries like the United Kingdom, France, the Republic of Korea and South Africa. I am determined to ensure Australia and Australians are not left behind.

DAY 1 – Thursday 16 June 2011

As you are all keenly aware, only a market-based solution can provide long-term investment and consumer confidence. A market-based solution means a price on carbon. A price on carbon is the most efficient means of achieving our bipartisan emissions target and our nation is well equipped to make the transition.

And a price on carbon will encourage businesses to invest in energy efficiency and clean energy and those businesses and industries that are preparing for the advent of the pricing framework now will be best placed to take advantage of the impending clean energy economy. Investments in a clean energy future will improve our chances of competing in the global clean energy economy of tomorrow.

The Australian Government is committed to helping industry to realise future opportunities and enabling firms to harness their comparative advantage. My Government has committed to returning every cent raised from carbon pricing to assist households, to help businesses make the transition to a low-carbon future and to fund programs to tackle climate change.

Assistance to business will support jobs and competitiveness and encourage innovation. And we will provide ongoing assistance to support zero emissions energy generation and renewable energy – the new clean energy technologies that will be critical to achieving deep cuts in emissions from the electricity sector while maintaining the high levels of energy security and reliability that households and businesses expect.

Australia has bountiful supplies of renewable fuel sources – wind, solar, wave and geothermal and the Government has a range of measures in place to drive renewable generation. These include the Connecting Renewables program, Solar Flagships and the Renewable Energy Target, the RET scheme as it is called.

The RET will help us meet our commitment of 20% of our electricity supply coming from renewable sources by 2020. Large-scale renewable energy projects such as hydro, wind farms, and geothermal are expected to deliver the vast majority of this 2020 generation target. With a carbon price in place, the RET is expected to drive AUD16 billion in new renewable energy investment in Australia by 2020. This is great news for regional and rural Australia where much of this money is destined and the benefits will range from investment in local infrastructure to investment in training and employment.

Friends, the world is acting. The race is on – Australia does not want to be left behind. In a few minutes you'll hear from your keynote speaker tonight, Kishor Chaukar, who'll speak to you about India's 'innovation economy'. I'm sure you'll learn much from Kishor and I'm sure you'll carry new ideas and new inspiration with you when you go home from Canberra.

Our Asian neighbour India is a country that is becoming a global powerhouse by seizing the opportunities from the transition to low-carbon growth. I've come tonight to make sure you all know this: I lead a Government which is determined that Australia will do the same.

VOTE OF THANKS:

On behalf of the NBLF Business Leaders and assembled guests **Molly Harriss Olson**, Forum Convenor, thanked the Prime Minister for her address and noted the vital importance of the price on carbon for business confidence and leadership as we move toward a low-carbon global economic framework. Learning from the tremendous leadership of companies like TATA, the inspiring work of Simon Upton and the OECD's Green Growth Strategy as well as the long record of leadership in the network of CEOs that represent the Forum, the Forum Convenor expressed her hope that Australia would join those nations and leaders committed to these low-carbon innovations and get on with the job of creating a bright economic future.



DAY 1 – Thursday 16 June 2011

DINNER ADDRESS:

KISHOR CHAUKAR, MANAGING DIRECTOR, TATA INDUSTRIES, INDIA

The Innovation Economy: the race is on in India

In his address **Kishor Chaukar** described the Tata Group's approach to community and innovating in the green economy. The origins to the Tata Group can be traced back to 1868 and the foundation of a cotton trading enterprise of Jamsetji Tata. To this day the Tata Group has followed the founder's view of business as a multi-stakeholder relationship with community. Community relationship includes viewing the company as more than just financial capital: social capital and environmental capital are also valued and invested. Social capital and environmental capital do not necessarily give returns before seven years however they are important if an organisation wants to stay in business over the long term.

Tata Group's approach to innovation focuses on three key areas: products and services, processes and technologies. Tata Group invests in developing innovative products and services that are both commercial as well as of benefit to the community. Low cost water filters, cars, household appliances and medical technology are profitable to the enterprise and benefit a developing country like India.

Processes to incorporate and reward sustainability, business ethics and community awareness have been developed across the Tata Group. These processes include reporting triple bottom line and indexing of businesses across the Group, awards and rewards as well as maintenance of ongoing community programs. Community programs have included employing NGOs, relocation of business support activities to disadvantaged regions and providing free training programs for society's most disadvantaged.

Mr Chaukar also shared the following words from Jamsetji Tata, the founder of Tata Group:

In a free enterprise, the community is not just another stakeholder in our business,
but is in fact the very purpose of the existence of our enterprises.

Looking to the future, Tata Group is investing in new technologies for the green economy. Current projects include carbon capture and storage, 'microbubble' technology for water recycling and new forms of photovoltaic electricity generation. In closing, Kishor Chaukar reminded guests at the Forum Dinner that if the purpose of companies is profit, then the purpose of profit is people.



PRESENTATION: 'TAKING CARE OF BUSINESS' A TV SHOW PILOT

Lachlan Daddo, host of 'Taking Care of Business'

Romilly Madew, Chief Executive Officer, Green Building Council of Australia

Smart business knows that innovation and operational efficiency are the keys to growth and survival. Through innovation and implementation corporate Australia is leading the way in many fields and creating a profitable and sustainable future.

Taking Care of Business is an NBLF program designed to provide a platform for selected sustainable business leaders to present their initiatives to the world. The concept is to identify and showcase businesses who have adopted change which has led to stronger performance and a better bottom line.

These stories will help other businesses 'follow the leaders' and reduce risk, when implementing similar strategies to prosper. In a market that is jaded by greenwash and sceptical of big business, these are real stories with real results and are merit-based choices of the NBLF.

**SESSION 5:
LEADERSHIP FOR PROSPERITY AND EQUITY:
LOW-CARBON COMMUNITIES AND CITIES.**

This year alone Australia and New Zealand have dealt with floods, cyclones, bush fires and earthquakes. All levels of government and industry need to ensure the concept of resilience is built into policies and company strategies, to ensure they are not responding following an event but effectively before an event has occurred. During this session lessons learnt from sudden changes and natural disasters were discussed and debated as well as how we might ensure that we create resilient communities that have already adapted to meet future challenges. How can a carbon tax or ETS empower communities to be more resilient?

CHAIR:

Fran Kelly, Journalist, Political Correspondent and Host of ABC Radio National program *Breakfast*

SETTING THE SCENE:

Joe Van Belleghem, Director Sustainability Leadership, Lend Lease

DISCUSSION LEADERS:

Daniel Grollo, CEO, Grocon

Joe Van Belleghem, Director Sustainability Leadership, Lend Lease

Romilly Madew, CEO, Green Building Council of Australia

Tony Shepherd, Chairman, Transfield Services

Fran Kelly commenced the session by outlining Australia's recent experiences with a summer of natural disasters and then introduced the panel and invited Jo Van Belleghem to 'set the scene' for this discussion.

Joe Van Belleghem provided some context for the session by describing the Dockside mixed use development developed by Lend Lease in 2005. It is a 100% carbon-neutral building, naturally cooled, built with recycled materials and its own 'micro-utilities' – including its own sewage treatment plant and a storm water system which is not connected to the metropolitan system. The development process not only considered the environment but included social equity considerations such as integrated affordable housing into the project as well as employment and training programs (run by a not-for-profit).

DAY 2 – Friday 17 June 2011

Fran Kelly posed the following questions to the panel. ‘How can we make communities better prepared for such disaster events? What does a resilient community look like and how do we build it?’

Daniel Grollo discussed the need for leadership to facilitate change at a community level. Australia has lots of examples of leadership and is playing a role globally as an incubator of good ideas. The Pixel building was one example of such ‘leadership’ which is energy positive and can be disconnected from the water mains. The owners stepped up to the plate in supporting the cost of the development however there are still challenges in getting the users to do so.

Romilly Madew outlined some of the lessons from the summer’s disasters for building: we can’t keep doing what we’re doing (we need to change our thinking); we can’t build as we have before; and we have to work with communities to build resilience. Leadership is needed to address these challenges in the form of building codes and planning schemes. Communities also need tools to understand the need for change. This means that governments also need to be a key part of leadership and the change process.

Tony Shepherd said Australians are the most wasteful society ever when seen in terms of use of materials and space, which relates to our ‘quarter-acre block’ history and the perception of plentiful resources. However the recent example of water and how the community has responded to drought provides a very positive example of what can be achieved. Mr Shepherd suggested we learn from that and do the same for the rest of our resources.

The Chair of the Session, **Fran Kelly**, moderated discussion on a range of issues:

Industry discussion is needed about what needs to change to ensure we learn from recent fire/flood disasters and the need to ‘build it back better’. This applies not only to building homes but also other infrastructure that was damaged (e.g. roads and railways).

The challenge is to ‘change the mindset so that improvements which increase resilience are not seen just as a cost but as an investment’ which increases value. Government forms a key part of changing this cost ‘mindset’. The insurance industry is also a key part of changing the mindset but may need to be led by government.

Consumer education is important to enable consumers to drive demand for change in government policy. Part of the required shift in mindset is from individual approaches to collective approaches to services, as collective approaches are often more efficient (e.g. larger scale cooling by natural ventilation rather than a plethora of individual air conditioners). It was also pointed out that builders need education and training as well, as a lack of experience in sustainable building substantially adds to the costs of sustainable building and retrofitting.

The role of retrofitting to increase sustainability of current buildings was discussed. It was suggested that governments needed to lead by example in association with its own buildings however it was recognised that costs are an issue for governments as well. The Sustainable Melbourne Fund was mentioned as an example of an innovative system developed in that city where loans for retrofitting are being implemented over seven to ten years through rate systems (for non-residential buildings).

In relation to a price on carbon, the need was supported but recognising there is a need for further community education and awareness as well as more detailed implementation discussions with industry including consideration of those policies which might work at odds with this policy.

Following the interactive dialogue the Chair,

Fran Kelly, then summarised the key points:

- i. More community awareness and education of the need for change is required to provide pressure to match the leadership being shown.
- ii. Government needs to recognise what is being done and put in place policies to support it.
- iii. Support is also needed for training within the building industry.

SESSION 6:

HIGH PERFORMANCE WORKPLACE: LEADERSHIP FOR ACCOUNTABILITY

How can business lead in building the right culture and accountability for sustainability across its economy? What do high performance workplaces have to do with a company’s sustainability leadership? The role of business leaders in creating the right environment is essential, as is the need for better insights into leading indicators of organisational performance. This session explored the need to develop organisational leaders who can create and lead sustainable business organisations. Integrated reporting and the movement toward high performance workplaces provide key insights for success.

CHAIR:

Steve Vamos, President and CEO, Society for Knowledge Economics

SETTING THE SCENE:

Ernst Ligteringen, Chief Executive, Global Reporting Initiative

DISCUSSION LEADERS:

Harriet Lamb, Executive Director, Fairtrade Foundation, United Kingdom

Ernst Ligteringen, Chief Executive, Global Reporting Initiative (GRI)

George Kostas, Joint Managing Director, Brookfield Multiplex Australasia

Alison Ewing, Head of Sustainability, Westpac Banking Corporation

Steve Vamos opened the session by reminding the audience that the session is really about exploring the needs to develop organisational leaders to create and lead sustainable business organisations. The session would capture the ‘outside in’ and ‘inside out’ perspectives. The ‘outside in’ perspective will discuss the movement towards new standards and higher standards of organisational reporting. The ‘inside out’ perspective will explore the drivers of change from within organisations and the new mindsets from within. Today’s organisational leaders are confronted by many challenges: how to be more innovative, how to be more productive, how to embrace technology, how to compete in the globalised world, global markets and how to make work places more diverse, more inclusive, fairer and flexible. The importance of mindset and leadership were explored in this session.

In ‘setting the scene’ **Ernst Ligteringen** updated the participants with key developments in GRI highlighting a company’s approach to tackling big issues; transparency and reporting, as strategic areas.

A company’s reputation is key to its relationship with stakeholders. The company has to tackle issues that matter to its customers, employees, suppliers and the communities in which it operates. The way a company tackles these fundamental issues will influence its transaction cost and cost of capital. If trust is high, the transaction costs and cost of capital can be lower. There is a scientific method to try out whether you are in a good place to attract talents. It is a party test. When somebody is asked in a party “where do you work?” There may be two different reactions: positive reaction from people who feel great and comfortable about the place they work and the negative reaction from people who do not like their job. The party test is very important to see what kind of issues do come to the table: climate change, unfair trade practices, child labour and destruction of nature. Companies can no longer just ‘tell’ what they are doing; they have to come with proof. To ensure competitive positions in the future, companies will need to carry stakeholders with them, keep their trust and devise the strategy accordingly. Companies need to bring their stakeholders on the journey of their green economy.



ERNST LIGTERINGEN

For companies that practice transparency, reporting is a strategic exercise. Sustainability reporting is about communicating and measuring the company’s social, environmental and economic impacts. This is a dialogue with stakeholders. Reporting makes issues real and it really influences mindsets. The accountability exercise really helps companies to ensure what they measure becomes real. The readers expect the companies to live in a real world, to explain the key challenges in the future and what steps will be taken tomorrow as well as how it will be in the long term. They also want to see commitments and results.

DAY 2 – Friday 17 June 2011

On the reporting, Australia is doing well, it has great companies that have really built upon the experience and it continues to be part of GRI when we build this common framework using a common language, to be used around the world. However, Australia needs to be more robust and take the reporting to the mainstream. It needs hard information; we also need more reports. For the companies who are reporting, the questions are: why are you doing it? Why do you spend your money on it? What's your business case? For those who are not reporting, the question is: sustainability is key, why are you not practicing the reporting? Why are you, in other words, choosing to fly blind? Reporting can help Australian companies to be more competitive and become more attractive workplaces.

George Kostas shared his experience that as a CEO, he is a custodian and he represents the entire workforce. The workforce is the subset of the entire community. By listening to his employees he can also get insights about the concerns of the community. Therefore, listening is critical in the entire leadership process. In the context of reporting, listening is very important, not only in measuring outcomes but also in getting the information for the reporting. It is also very important to provide research on the outcomes of the buildings to give some tangible information to show true improvements in the workplace; also true value generations of the products. By listening, the company knows what is wanted; it then acts and works collaboratively with other organisations and comes out with true benefits, not just theories.

Best practice in the private sector can also be replicated in a public asset, such as hospital. There is enormous research that the public sector can tap into to improve public service performance however it takes public sector leadership to make it happen.

Harriet Lamb built on the theme that putting sustainability at the heart of business takes top leadership commitment. Sustainability is not a cost rather it is an investment for the future. That actually means taking risks and putting the company's weight behind it. As an example Fairtrade Foundation works with Sainsbury, the UK's major retailer, and now wants to be the world's largest 'fair trade' retailer. It is a very big commitment, not only to meet public expectation but it also requires large investments. This is the risk the company wants to take and that is when the leadership came to the picture.

Then the challenge is to take the public with the company on the journey. This is the area where we need reporting. The facts and the figures will show the impacts of what fair trade has done to change people's lives. Fairtrade works commercially and brings success to Sainsbury. Where people are interested in the business story, most are interested in the people's story.

Alison Ewing shared some dimensions of high performing companies, that sustainability and consumer centricity are linked together to make a sustainable organisation. Sustainability requires cooperation from all parts of an organisation. In Westpac sustainability is an organisation-wide approach. Reporting is essentially about people and connectedness. It relates to leadership and the relationship among people within the organisation. Besides, external stakeholder relations are also very important as many parts of a sustainability report are written by the stakeholders rather than by Westpac. However people express their opinions about Westpac. The organisation is now moving to put quantitative measures on the reporting, so individual team leaders know what the customers and employees are saying about them. One further step is needed to engage academe, NGOs, climate scientists and encourage them to extend the thinking and bring their views together into the organisation. This is how the company can lead on emerging issues.

The Chair of this Session, **Steve Vamos**, posed the following questions:

There are links between mindset, leadership, sustainability and reporting. Why are organisations doing this? Why does the leadership in the organisation care?

Harriet Lamb: Anyone who is a human being cares about other people and also about the planet and the children. So the question is not about care anymore; it is about listening and being able to take risks; to take bold action to put all the weight of the company behind what the leaders think is the right thing to do. Sustainable practices have impacts on tackling climate change or poverty but also it could work well commercially. Leadership is about being able to see the bigger steps to take; that there will be bigger risks but also bigger reward.

DAY 2 – Friday 17 June 2011

George Kostas: If a leader can align the core values of his/her workforce with the core values of the organisation, the engagement will create good outcome. The challenges always change: today it is about sustainability, tomorrow it will be about something else. The fact that leaders have to listen, engage and motivate people to achieve company objectives is not new; it has been around for decades.

Alison Ewing: From the start, leaders need to think about sustainability on top of other priorities and see the business case and find where the company needs to act.

A summary of the key points of the dialogue provided by the Chair, **Steve Vamos:**

- i. The movement toward integrated reporting becomes key to development: how companies connect sustainability reporting with financial reporting; how they are equipped to see the trade offs and make the decisions. The integration of economics, social and environmental aspects are some of the things that the company considers in decision-making. Tools to measure biodiversity or water inputs are available. Some leading companies have integrated their CSR report into their mainstream reporting.
- ii. Sustainability education should start from kids at school. When these children go to university, the whole mindset will be different. So here in Australia we start fair trade schools, thus sustainability is something that students talk about in their daily life.
- iii. Reporting plays an important role because it can balance short-term targets with the long-term impacts of company strategy. It is also a matter of communication to make people believe in what you are doing and what you want to achieve.
- iv. There should be a balance between achieving a company's short-term reporting requirements and the long-term vision of leadership and business objectives.

WRAP UP:

George Kostas: Reporting is very important – it needs to be tailored to individual outcomes. There should be a balance, not just generalised reporting but also reporting on specific objectives.

Alison Ewing: First, listening is a very important dimension. It is not just taking on feedback but also contributing to the debate. Second, through leadership, one can use reporting not only as the guideline but also to shape the business.

Harriet Lamb: Reporting is also about the public within which the business operates. For example, when Cadbury decided to do fair trade it was a big financial decision and the public responded positively. This is a good example of a company that listens to the public and takes it to the next step.

Ernst Ligteringen: It is very important for companies to be part of solutions. People are concerned about their health, environment and society. The experiences of GE and Siemens in health care are very similar; there are good business opportunities for sustainability solutions.

Steve Vamos: For integrated reporting we can start with the identification of stakeholders' needs and expectations and the relationships as the first step of 'doing' strategy. This is a fundamental change from the way managers currently formulate strategies.

BOOK LAUNCH:

CENTS AND SUSTAINABILITY: SECURING OUR COMMON FUTURE BY DECOUPLING ECONOMIC GROWTH FROM ENVIRONMENTAL PRESSURES

Dr Michael H Smith, ANU, Fenner School of Environment and Society

Dr Smith launched a new co-authored book *Cents and Sustainability* from Australia which is the first book publication to complement the OECD’s work and show how to achieve ‘Green Growth’. As such Dr Smith’s launch complemented the earlier keynote on green growth by the OECD’s Simon Upton. Dr Smith showed that *Cents and Sustainability* highlights that the need for green growth has long been recognised. *Cents and Sustainability* shows that US Republican President Theodore Roosevelt first articulated it in 1908:

In a word, we have thoughtlessly, and to a large degree unnecessarily, diminished the resources upon which not only our prosperity but the prosperity of our children and our children’s children must always depend. We have become great in a material sense because of the lavish use of our resources ... but the time has come to inquire seriously what will happen when our forests are gone, when the oil and the gas are exhausted, when the soils shall have been still further impoverished.

Between 1907 and 1909 Roosevelt implemented many changes to foster what the OECD now calls green growth. He even tried to catalyse this approach to development globally in 1909, asking world leaders to meet at The Hague to consider the conservation of natural resources.

In researching *Cents and Sustainability*, Dr Smith explained that he found that by 1908 humankind possessed much of the design and technical know-how to at last start to pursue green growth, including electric cars, biodiesel engines, renewable energy, sustainable forestry and farming, and passive solar buildings. For instance, solar hot water systems provided hot water to 30% of households in Pasadena, California, in the 1890s. *Cents and Sustainability* also shows that early scientific warnings of unsustainable development were issued by respected scientists by 1900. These included over-fishing (1712), deforestation and degradation of soils (1864), dry-land salinity (1864), acid rain (1872), PCBs (1899), greenhouse emissions (1896) and the damming of rivers (1900s).

Critically, Dr Smith explained that *Cents and Sustainability* shows that whenever nations have implemented effective environmental policies, economic growth has been significantly decoupled from environmental pressures. The Netherlands is a good example (see Figure 1).

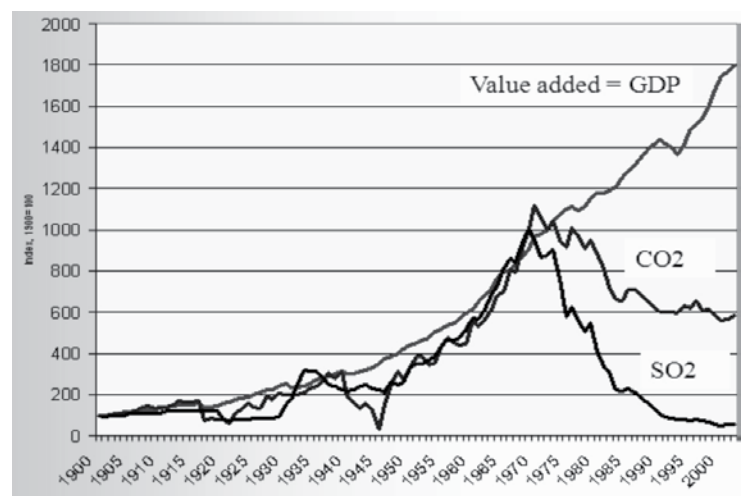
Another is the US state of Massachusetts, which between 1990 and 2005 reduced toxic chemical emissions by over 90%, toxic chemical by-products by 72% and toxic chemical usage by 40%, without harming profits or economic growth.

If many of the ideas that underpin green growth are so old and successful examples of green growth now exist, why haven’t all nations already embraced and achieved ‘green growth’? The main reason has been certain interests in society have long played on the prevalent but mistaken assumption that action on the environment harms the economy and jobs.

Blocking coalitions have over and over again mounted significant media and political lobbying campaigns, based on this false assumption, to delay and even block efforts to reduce environmental pressures. The strategy has been very successful in significantly reducing momentum for sustainable development on the last three occasions when there have been major global economic recessions; after the UN Stockholm Conference on the Human Environment in 1972; after the Rio Earth Summit in 1992 and again around Copenhagen in 2009.

Figure 1

Netherlands GDP, Carbon Dioxide and Sulphur Dioxide Trends, 1900-2000.



Cents and Sustainability is one of the first books to tackle these false claims head on and shows that the opposite is true, namely that efforts to achieve green growth will lead to higher productivity, economic and jobs growth, not less. This is a vitally important finding because productivity levels have been falling for much of the last decade in most OECD countries. Hence OECD governments are looking for new sources of productivity and jobs growth to help build and sustain economic prosperity out of the global financial crisis. Historically, national governments have sought to improve productivity and economic growth through a focus on labour productivity. Improving resource productivity, namely the economic return per unit of resource consumption, has been relatively neglected despite the fact that it provides another avenue to improve national productivity and jobs growth. Focusing on resource productivity has multiple benefits including reducing environmental pressures, oil dependency, the need for costly new energy and water supply infrastructure and the risks of 21st century ‘resource wars’¹⁷. As well as resource productivity, there are other ‘green’ ways to improve productivity such as pollution prevention. Reducing pollution loads has been well documented as leading to improvements in population health and labour productivity.

A focus on resource productivity and pollution prevention also helps to improve shareholder value in the private sector through:

- i. reducing operational costs through energy, water and materials efficiency and waste reduction
- ii. strategically positioning companies for rapidly growing markets in ‘cleaner and greener’ products and
- iii. providing a cost effective way to stay ahead of environmental policy reform.

Dr Smith mentioned four world class examples that highlight the benefits of a renewed focus on resource productivity and pollution prevention.

- The COAG Australian National Water Initiative (2003 to present): Between 2001 and 2009, Australia has achieved approximately a halving of water resource consumption and a doubling of water productivity from AUD50 million to AUD95 million per gegalitre (GL) of water. Companies have profitably reduced freshwater usage by as much as 80%.
- Californian Energy Efficiency and Demand Management Policy (1978 to present): Since 1978, California’s energy-efficiency policies have flattened electricity demand, saved more than USD56 billion in electricity and gas costs, and created 1.5 million jobs from 1977 to 2007. California’s history of smart energy and climate change policy leadership is also good for business. It has resulted in California attracting the majority of all US clean tech investment.
- US Clean Air Act (1970 plus 1990 Amendments): The direct benefits from the US 1990 Clean Air Act Amendments are estimated to reach almost USD2 trillion for the year 2020 from 1990, significantly higher than the direct costs of implementation. A byproduct of the Clean Air Act has been the growth of the US cleantech industry which generates USD282 billion per year in revenue and employs 1.6 million people.
- Massachusetts Toxics Use Reduction Act (1989 to present): Between 1990 and 2005, toxic chemical emissions were down by over 90%, toxic chemical byproduct production reduced by 72% and toxic chemical usage has fallen by 40%. All this was achieved without harming business profits. Economic and worker health and safety benefits have exceeded costs.

These examples show that well-designed environmental policies need not harm profits, productivity and economic growth. The historical perspective used throughout *Cents and Sustainability* also shows that these case studies are not unique. *Cents and Sustainability* shows that over the last century, whenever governments have implemented environmental policy changes, in all cases industry’s estimates of the costs of action were exaggerated, in some cases as much as a fifty-fold more than they proved to be in practice.

Finally, *Cents and Sustainability* is the first book to provide a detailed framework and roadmap to assist all nations, rich and poor, develop and implement the OECD green growth strategy. Mentored by leading economists from the OECD, the authors have ensured that *Cents and Sustainability* will help all nations develop green growth strategies in the lead up to the 2012 Earth Summit. For these reasons *Cents and Sustainability* was recently chosen as one of the top 5 sustainability books for 2010 by Cambridge University.

Cents and Sustainability by Dr Michael Smith, Karlson Hargroves and Dr Cheryl Desha is published by Earthscan Publishing, London and is distributed in Australia by New South Books, Sydney. Further details of Dr Smith’s presentation are available at <http://www.nblf.com.au/2011-forum/program/>

¹⁷ Dupont, A. (2001) *East Asia Imperilled: Transnational Challenges to Security* (Cambridge: Cambridge University Press, p. 87 Klare, M (2001) *Resource Wars: The New Landscape of Global Conflict* (New York: Metropolitan Books, 2001).

DAY 2 – Friday 17 June 2011

SESSION 7:

THE INNOVATION ECONOMY – THE RACE IS ON IN CHINA AND INDIA

China and India are the two greatest emerging powers in the world.

What will be their approach to sustainable development change? What does that mean for the rest of us?

CHAIR:

Dr Simon Longstaff, Executive Director, St James Ethics Centre

SETTING THE SCENE:

David Nieh, General Manager, Shui on Land for Knowledge Community Developments

DISCUSSION LEADERS:

Kishor Chaukar, Managing Director, TATA Industries, India

David Nieh, General Manager, Shui on Land for Knowledge Community Developments

Kerry Rooney, Acting General Manager Industry Group, Austrade

David Nieh set the scene with his presentation about China which has had an average GDP growth of 10% since 1978. China has made a smooth transition to a market economy with detailed five year plans but this 12th five year plan is now less prescriptive and more of a framework or guide, albeit very complex. The key themes in the current five year plan include:

- i. Adjust the growth model through economic re-structuring: they don't see the current growth rate as sustainable and are looking at quality as well as quantity of economic growth. This involves pushing the service sectors and changing from a manufacturing base to a knowledge economy.
- ii. Enhance innovation capability: increasing R & D and Public Private Partnerships are key drivers for economic re-structuring.
- iii. Speed up growth in the western provinces for example by improving transport and information infrastructure.
- iv. Improve living standards and reduce the urban-rural divide. Provide more social services such as affordable social housing and healthcare so that benefits of growth are more equitably distributed.
- v. Environmental protection is a major priority and forms 30% of the targets of the plan, of which seven eighths is mandatory and many relate to industry.



China has a huge market opportunity to support economic growth with its population growth rate it is urbanising 12 million people per annum. This creates huge consumer demand which is a key economic driver.

For Australian businesses this means opportunities are in the growing sectors of healthcare, white collar manufacturing and education as well as emerging industries such as renewable energy, environmental protection, aerospace, biotechnology and high end manufacturing. From the Chinese perspective they have a long-term goal to be a leader in electric vehicles. They also see major opportunities in next generation IT – cloud computing.

Mr Nieh's corporation is involved in the creation of Knowledge and Innovation Communities of 100,000 to 300,000 people at locations around China. This real estate corporation is however linked with education, innovation and environmental protection (LEED equivalent). The corporation's multinational partners are not the usual suspects such as Silicon Valley Bank and EMC. This is because there is a deliberate approach to move away from the large state-owned enterprises of the past to develop SMEs. The idea is to link these communities throughout China and to 'best-practice' communities elsewhere around the world.

Australian businesses are doing well in China – half are increasing by more than 15% of annual revenue per annum. Mr Nieh noted that those with leadership on-shore in China do better.

Kishor Chaukar, when responding to the request to compare India with China, began with the reflection that he had never done business in China. However from what he knew decision-making was faster in China, than India, and that roles are much more defined in terms of government and the private sector. Mr Chaukar also identified the advantages of doing business in India and then spoke of issues which businesses coming into India need to be aware of and those that need to be handled carefully.

Those issues requiring careful handling include: the awareness of a multiplicity of ideologies in different governments, which co-exist, which in turn means that decision-making is slow and the arbitrage of power, driven by self-interest (and as Mr Chaukar advised, this is also called corruption), which is particularly difficult to manage.

The advantages of doing business in India include the fact that the country's population is young and many of its young people are well-educated, well-travelled and speak English – so there are tremendous opportunities for consumer products and services. Alternatively corporate partnerships are very old and therefore Indians are used to the idea of them and the negotiations required; the judiciary is also active and there is a strong system of business governance that operates largely successfully. Finally India is experiencing huge economic growth. The government has its own priorities – education and infrastructure.

DISCUSSION ABOUT COMPETITION BETWEEN CHINA AND INDIA:

David Nieh saw India as being vastly different, with a different skill base and being very active in the knowledge business. India has the advantage of language in terms of business development and its young population whereas China has an ageing population.

Kishor Chaukar commented that India could learn much from China and its business success. However both countries have things to bring to the table. It was noted that cooperation would be better than competition.

Kerry Rooney advised that Austrade is now focusing more on high growth markets of China and India compared with European markets. Its strategy is to focus on investment attraction (developed economies) with the aim to assist businesses to enter high growth emerging economies. In terms of sustainability one of the key sectors has become the clean energy sector. China is the world's largest investor in clean energy technology and India is also expanding in this area. China's economies of scale have been key drivers to decrease the costs of these technologies and investment. Australia's most effective role is at the early stages of development (R and D) whereas China and India are better in the later stages.

David Nieh commented that there was a significant venture capital market emerging from China and India. This was an opportunity for developing small businesses which he encouraged Australian businesses to consider.

DISCUSSION ABOUT SUSTAINABILITY:

David Nieh commented that food production, water and energy are key issues underpinning social sustainability and hence the current Chinese five year plan focuses, to a large extent, on these and government is aware of the importance of these issues.

Kishor Chaukar indicated that these were also key issues in India and mentioned the ongoing social challenge of the caste system.

Arising from concerns about water security, **Kerry Rooney** commented on the increasing global demand for services around water management and environmental remediation as well as contamination issues – these are key opportunities for Australian business – and it was noted that Austrade is involved in this sector.

DISCUSSION ABOUT CLIMATE CHANGE:

David Nieh indicated that China has a plan to manage its emissions but is pragmatic and does not want to stall the economy.

Kishor Chaukar indicated that an international measure was needed for this issue to be better addressed.

Kerry Rooney stated that the real challenge was to transition to an economy based on activities which did not generate emissions.

REFLECTIONS

Rod Leaver, Forum Chair and Chief Executive Officer – Asia Lend Lease

Rod Leaver concluded the 2011 Forum by thanking all the business leaders, sponsors, members of the NBLF steering committee, the Forum Convenor, **Molly Harriss Olson** and participants who made this Forum one of the most inspired ever. One indication of this success was fact that the 12th National Business Leaders Forum on Sustainable Development attracted a high level of media interest, thus raising the profile of these vital issues to the wider Australian community. The increased media interest over previous years is attributed to the timing of the Forum against the backdrop of the debate on the Gillard Government’s ‘carbon tax’ and the high calibre of the speakers at the NBLF.

MEDIA COVERAGE

Momentum2 principal and NBLF Steering Committee member, Kim McKay, AO managed the media outreach for this conference and also provided strategic advice to the Forum about communications on an ongoing *pro bono* basis with consultant Minta Burn, who assisted with the day-to-day activity.

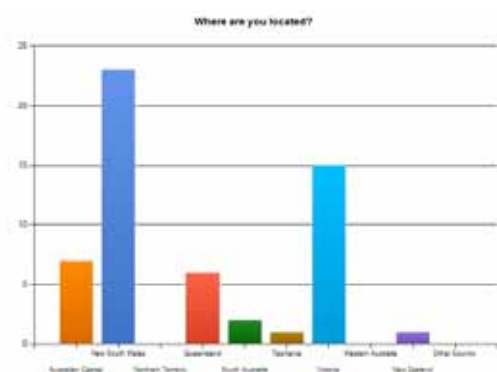
Media outlets were very interested in interviewing international speakers **Kishor Chaukar**, Managing Director, TATA Industries and **Simon Upton**, Director, OECD Environment Directorate, for a global perspective about the need for a price on carbon, as well as speakers including **Tony Shepherd**, Chairman, Transfield Services for an Australian perspective.

Specific coverage included:

- i. Sky News Business conducted live feeds of several NBLF sessions from the Great Hall and interviewed speakers **Kishor Chaukar**, **Simon Upton**, **Tony Shepherd** and **Steve Vamos** in the press gallery studio.
- ii. ABC News Breakfast interviewed **Molly Harriss Olson** in the studio on Thursday 16 June and Whitney Fitzsimmons interviewed **Kishor Chaukar** for ABC Business Today. ABC also interviewed Fairtrade UK Executive Director, **Harriet Lamb** for TV news.
- iii. **Kishor Chaukar** was interviewed by **Fran Kelly** on ABC Radio National Breakfast sourced by **Molly Harriss Olson**.
- iv. The Daily Telegraph’s business editor Phil Jacob interviewed **Kishor Chaukar** and **Simon Upton**.
- v. Giles Parkinson of Climate Spectator interviewed **Kishor Chaukar** and NBLF Steering Committee Chair, **Rod Leaver**.

EVALUATION SURVEY

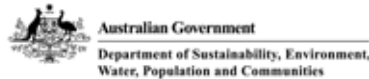
2. Where are you located?		Response Percent	Response Count
Australian Capital Territory		10.7%	7
New South Wales		41.8%	23
Northern Territory		0.0%	0
Queensland		10.0%	6
South Australia		3.3%	2
Tasmania		1.9%	1
Victoria		27.2%	16
Western Australia		0.0%	0
New Zealand		1.9%	1
Other Country		0.0%	0
		answered question	55
		skipped question	1



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