

The drivers for Carbon Accounting¹

Why would an organisation decide to develop a carbon inventory or carbon report?

What is the intent behind the exercise?

What are the risks and opportunities present?

Reasons can be grouped in two primary areas:

Risk Management

- **Regulatory requirements** – government regulations, such as the National Greenhouse and Energy Reporting Act (NGER), require carbon reporting by organisations that meet specific resource consumption or greenhouse gas thresholds. An organisation does not know whether it is bound by carbon related regulations until it has calculated its emissions
- **Liability** – an organisation with significant emissions may want to protect itself from possible future litigation regarding carbon pollution. One may compare this with cases involving issues such as asbestos, smoking, obesity
- **Costs** – energy prices are increasing, adding in a carbon price signal (as intended by the Carbon Pollution Reduction Scheme (- CPRS) will increase prices even further. Other (non-energy) inputs costs may increase too
- **Revenue** – if a price is put on carbon through a cap and trade scheme (such as the proposed CPRS) those organisations included in the scheme (via NGER) will be required to pay for permits to emit carbon. Starting at \$10 per tonne in the first year, and rising in its second year to match the global market, currently around \$14 per tonne. Prices of \$75-\$100 per tonne are often quoted as necessary to meet the kind of emissions abatements indicated by the science
- **Access to capital** – following the tight economic and financial situation experienced since mid-2008, lending institutions have shown higher sensitivity to risk. Any company attempting to raise capital on the open market will benefit from a good reputation and low risk profile
- **Market Value** – assessment of an organisation's carbon responsibilities/risk/opportunities may influence its share value
- **Supply Chain** – organisations may take proactive approach by choosing to push their upstream supply chain (suppliers) towards taking responsibility for carbon emissions. In doing so, the organisations will need to report its own emissions to set an example. Alternatively, organisations may react to pressures from their own (downstream) customers to report on carbon as part of their own supply chain management

¹ "Develop a Carbon Accounting" – Swinburne University of Technology

Opportunities

- Reputation – support or improve branding and reputation in the marketplace
- Competitive advantage – be one step ahead of the others in the field
- Recruitment – hire and retain the best staff. Studies show that the staff are attracted to organisations and are more content if the organisations values are aligned with their own
- Carbon management – an inventory is the first step in the Carbon Management framework
- Volunteering reporting – the organisation may choose to voluntarily report its emissions through one of the various schemes available, such as the carbon Disclosure Project. It may also wish to report internally for reasons such as supporting an energy or resource efficiency plan
- Carbon market – to develop and supply or trade in carbon offsets. Some industries may be able to derive income from carbon offsets, possibly even along with native vegetarian offsets
- Moral/Ethical concerns – it may be part of the organisations policy or the drive of a leader to ‘doing the right thing’ – for purely altruistic reasons, helping to save the planet

These lists are not exhaustive and some of the items overlap. Organisations may be able to start one clear driver, but others may be present and not stated or nor considered. It is highly likely that a number will apply to every organisation.

It is very important to define and understand the drivers behind the organisation’s carbon accounting initiative. They help shape our approach to certain aspects of developing a carbon inventory and a carbon report. By shaping them to match the drivers, they will be highly relevant to the organisation and, its needs. In doing so, the greatest value and benefit will be derived from the work.

Definition and understanding can only come from engaging with the organisation and its stakeholders. Some drivers may be explicitly stated by the organisation’s leaders. Others may be implicit and must b derived from the organisation’s culture, its direction and business strategies.

They may be implicit because leaders have not considered a list such as that outlined above. In this case, it is worth discussing risks and opportunities with stakeholders in order to define what truly are the drivers.