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Carbon FootPrint: myth or minefield? James Cryer on CEO industry forum

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By Print21

Last week's Sydney CEO forum was full of ideas on how businesses can work with the environment for a greener, richer future. Roving *Print 21* commentator *James Cryer* was there and shares his thoughts on what companies should, and should not be doing.

Printng Industries has done it again – picked another thought-provoking topic which sets the mind and the passions racing. Unfortunately, as with all complex subjects it raises more questions than answers and then the afternoon play-bell rings and we all rush back to work, our minds brimming with unresolved issues.

Chewing over these issues as I returned into the sunlight and the real world of Darling Harbour, I thought to air some of them, on the chance it may prompt a debate, either in favour or otherwise.

First, some general observations:

Whether the world is actually getting warmer, or not, is debatable as is the question of whether it's natural or man-made, but I'm prepared to ignore that debate in favour of saying something should be done to reduce man-made emissions.

Many of the actions suggested by the speakers, e.g. maintaining more efficient air-conditioning and reducing waste, are things we should be doing anyway all the time as managers. It's just another name for "process improvement" and do we need climate change to remind us this should be an ongoing process? Maybe we do.

Companies, like all organisms only respond to pain or the threat of pain. We're all being exhorted to change or behaviour, but appeals to our better nature rarely work. If governments were fair dinkum, they'd lead by example and adopt measures that fell heavily upon the real culprits. And the first of these would be to increase the price of scarce resources such as petrol, electricity and water, to reflect their true costs.

This brings me to my two major questions, neither of which, however, were really addressed by our speakers, although several of the questions from the audience hinted at them.

First, why tax outputs and not inputs?

If, as corporate organisms, we respond to stimuli impacting upon us, wouldn't it make more sense to tax inputs (what we consume or purchase), rather than outputs (what gets thrown away)? If you liken a company to a car, the proposed carbon tax is a bit like saying, *We want your car to be as efficient as possible, so we'll tax you on the crap you pump out the exhaust pipe.*

No doubt that would have some impact on our behaviour, but if you strive for a closer connection between cause-and-effect, surely a more effective approach would be to tax the petrol, oil and water that you put into the vehicle whose direct cost-impacts will be more visible and even painful, thus causing a more immediate change in behaviour.

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From an auditing point-of-view, too, it's probably a lot easier to measure inputs as they are bought by the company with dollars and cents, whereas emissions are a more nebulous medium (consider what comes out the back end of a cow. I'd rather measure the grass consumed than … well, you get the point).

Second, why a trading scheme and not simply a system of taxes and/or incentives?

There is no question regarding the ideal of saving energy, the issue is how to do it most effectively. However, due to the ease that conventional wisdom often takes over in these debates, it is often considered heretical to challenge the status quo which, to-date has been the tacit acceptance of a trading scheme.

Of all the options, one would think that of creating a giant bureaucracy, based upon various and conflicting methodologies, forced to make numerous assumptions built upon un-tested values, which in turn are open to debate. All this will give rise to political lobbying by vested interests, which would have to be just about the worst possible option upon which to proceed.

Notwithstanding that the speakers at the CEO Forum vehemently emphasised there would be all sorts of protocols and procedures put in place, the experts probably said that about Enron, the NSW Railways and probably about Lehmann Brothers. But mankind has a wonderful way of exploiting a system for it's own good, especially the more complex it is. When it comes to counting things, we can see and count bits of money, so at least we have a chance of measuring costs, but I'm damned if I'd recognise a tonne of carbon if it jumped up and bit me!

A trading scheme will always be open to fraud, as its very nature implies a sub-agenda of negotiations, horse-trading, sleight-of-hand tactics, exploitation of the disadvantaged by the better-off and various arbitrage strategies. That's what the players in a trading scheme are expected to do when the commercial stakes are high.

It also assumes that an extra layer of costs will be built-in due to the presence of middle-men who thrive on the machinations of a market. In addition, it pre-supposes a vast bureaucracy, which will feed off the regulatory and compliance issues that will arise out of administering such an inherently complex scheme.

To me it seems so much more straightforward, and easier, to simply increase taxes on those industries supplying scarce/polluting resources – coal, petrol, etc. Then offer tax incentives to those industries producing renewable/clean resources – solar, wind, geo-thermal, etc. We could implement that tomorrow, not wait another two years for another review.

By increasing the cost of some inputs, and reducing the price of others, it would force firms to adjust to the new reality in a more painless way, and encourage the kind of 'good housekeeping' which we should be implementing anyway.

I got three messages out of the forum:

1) As managers we should be constantly vigilant in driving down costs within our businesses, without the issue of climate change acting as some sort of kick in the backside.

2) For those of us who typically manage small businesses (SMEs), we'll probably have no way of influencing the grand scheme of things. But we should take heart from the Focus Presses and the Finsbury Greens of this world, who have had the vision and the perseverance to carve out their own niches, without the help or hindrance of the government.

3) These climate change initiatives are a reminder that our businesses exist in the wider context of the environment, our suppliers, and especially our employees. Any reminder that it's a good thing to engage with our staff in encouraging input and feedback on these issues can only be a good thing.

But whether or not a trading scheme is the best way to bring about organisational change … I'm not convinced.

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