



Greg Combet:

WME's Person of the Year

How he changed the Australian business landscape

The stories behind the headlines of 2012

Focus issues for the year ahead

Pavan Sukhdev: Re-imagining the role of the corporation in 2020

WME is Australia's leading environment business magazine, serving those responsible for the environmental performance of their organisation or working in the environmental goods and services sector. Published monthly since 1988, WME provides news, opinion and analysis covering waste and water management, energy and emissions and strategic sustainability issues. Australia's highest circulating monthly environment business magazine is backed up by the online WME Business Environment Network (BEN), providing targeted news, resources and industry discussion on a weekly basis.

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While the debate rolls on and on

What could there possibly be left to debate? We've heard the arguments around climate change, we've experienced the carbon pricing hysteria and despite the twists and turns we are now moving down the path of de-carbonising the economy. Yet the biggest challenges are still to come – to reduce our actual emissions, to close the loop on our resources, to value and protect our natural capital and to reconcile our role as a big exporter of coal when the science is telling us global carbon emissions must peak soon to avoid dangerous climate change. The International Energy Agency concludes the probability of limiting temperature rise to 2C is only 6%.

We talk to the man at the centre of the storm, Climate Change Minister Greg Combet. He speaks to WME about being announced as our inaugural Person of the Year and the background to this year's biggest business event, the introduction of a price on carbon.

Pavan Sukhdev challenges our assumptions and asks what's wrong with taxing resource use and extraction as opposed to salaries and business creativity. There are some inspirational thoughts from sustainable "capitalist" Jason Drew and the voices of many other local commentators and industry players.

There's no doubt 2012 will be looked back upon as a watershed year in Australia's relationship with its environment and its responsibilities in a global context. There appears to be a consensus forming that business has a much broader role to play in accounting for externalities and methods being developed now could completely transform the way companies understand themselves and communicate that to the wider community. These times are uncertain but they're also exciting.

We would like to wish all our readers, advertisers and other stakeholders all the best for the New Year.

Paula Wallace
Editor



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year in review 2012

WME'S PERSON OF THE YEAR: GREG COMBET

For WME's inaugural award for the most influential player across the environmental agenda in 2012, it was impossible to go past Climate Change Minister Greg Combet. He spoke with Paula Wallace.

Everything he has said about this issue – to be frank about it and so we don't misunderstand anything I'm saying – has been complete bulls**t," Climate Change Minister Greg Combet told an industry conference last month, referring to Opposition Leader Tony Abbott's treatment of the issue of the year, putting a price on carbon.

Unleashing an attack reminiscent of, although not quite as colourful as, the serve he gave former Workplace Relations Minister Peter Reith during the Patricks waterfront dispute, this unusual outburst attracted headlines.

In 1997 Combet was assistant secretary of the Australian Council of Trade Unions, which he went on to lead for seven years. His long and respected career in the union movement earned him pre-selection in the Labor seat of Charlton as part of Kevin Rudd's election in 2007.

But to focus on the headlines would be misleading because his entry into parliament and stewardship of the government's most contentious issue has been known for its lack of headline-grabbing lines, particularly of the personal kind that has become a central feature of politicking this year.

Combet's no-nonsense approach may have won him respect from industry in his union days, but his lead role in negotiating carbon pricing with the Greens may have made business a little more wary.

With the carbon legislation now enacted and the first steps towards structurally

shifting the economy in place, he is starting to lift the lid on what he thinks of the "hostile political environment" of recent times.

Combet describes the Clean Energy Future reform as incredibly complex. He said it would take more than a 30-second sound bite to explain, which was why the Coalition ran a "public fear campaign" rather than dig into the issues.

"Tony Abbott saw an opportunity to exploit the policy's complexity to destabilise the government," he told WME. "Plenty of media outlets and groups with vested interests joined his bandwagon as well, but at the end of the day it didn't stop us from getting the job done."

Combet is optimistic that bipartisan support on climate change will eventually return in Australia, even amid Abbott's persistent promises to axe the carbon price if he wins government.

Relating to business

Now straddling the joint responsibility of climate change and, since last December, industry and innovation, Combet emphasises the synergies in his portfolios: "The government continues to work closely with industries to support innovation, exports and a transition to a low carbon economy. These are interconnected – industrial innovation is one of the keys to tackling climate change."

He acknowledges it was not feasible to develop an economic reform of this magnitude without engaging in what

he refers to as the "real economy". "I know that business often operates in an environment which is difficult, and [they] are at times forced to make difficult choices," he said.

"We consulted heavily with many stakeholders and the business community about pricing carbon and I am confident the environment in which they operate will continue to improve."

Is this the same business that he asserted in February needed to "lift its game in contributing to national economic policy debate, what is in the national interest?"

"Behind all the negative headlines there was actually significant support from the business community, companies like GE and AGL played a constructive role throughout the policy formulation, as did companies in the finance sector," said Combet, adding that it required a lot of work with others in the business community to convince them it would be a manageable economic reform.

He attributes the excessive concerns primarily to the misinformation being circulated by political rivals and "some opportunistic elements within the business community, whose views were amplified, I think, because of the wider political context".

Australia's chief climate commissioner Tim Flannery, in his latest essay in The Monthly, describes where he sees resistance among the ranks of business. Rather than see industry as a monolithic enemy of environmental action, he argues it's a

combination of powerful vested interests, industry lobby groups and "a group of disempowered, mostly older males who feel enraged that the world around them is changing, and so leaving them and their achievements behind".

The carbon price will be the primary driver of investment to harness Australia's renewable energy resources, such as solar and wind, over the longer term. But the private sector, particularly the banking and financial services sectors, also have a role.

"For example, the \$10 billion Clean Energy Finance Corporation will facilitate increased flows of finance into the clean energy sector, removing barriers to financing," Combet explained.

He believes billions of dollars of private sector investments are poised to flow to clean energy capital, making this one of the most important industry, innovation and investment policies in Australian history.

Flannery puts it simply: "For every business that is made to clean up its act, there's another that is set to profit from the change."

The turning point?

This year has seen a historic shift initiated in the Australian economy aimed at reducing carbon emissions. We are coming to the end of the first commitment period of the Kyoto Protocol and Australia is no looking to commit to the second phase. It has also committed to reduce emissions by 5% compared with 2000 levels by 2020, and possibly as high as 25%.

These are some of the climate policy decisions made by the government since 2007, although Combet is keen to point out that reducing emissions has been on the Labor agenda for 20 years.

Have these decisions improved the operating environment for business in

Australia? Have we moved on from talking about "winners" and "losers" in the low carbon economy? Is a low carbon economy even a realistic expectation?

While some argue that the turning point in the carbon policy debate will happen when people see proof the government's reforms are actually changing business behaviour and reducing emissions, Combet is more pragmatic.

"For me, July 1, 2012, was a noticeable turning point. After 16 months of rhetoric and hyperbole, reality kicked in. The sky didn't fall, regions weren't wiped off the map, the resources sector didn't grind to a halt, and prices at the supermarket didn't rise 'unimaginably'," he said.

He insisted the carbon price was doing what it was intended to do, "reducing carbon pollution and encouraging investment by businesses to improve energy efficiency and productivity".

But with our domestic emissions set to rise by 11% by 2020, according to projections (above the 2008-12 average), Australia will have to buy 100 million tonnes of emissions credits from overseas to meet the 5% reduction target. This could be a difficult message to 'sell' to a voting public.

Combet said allowing Australian businesses to source abatement overseas was the most environmentally and economically efficient way to reduce the effects of emissions, which don't "respect national borders".

"Linking to international carbon markets allows Australia to achieve emissions reductions at a much lower cost than by using domestic abatement alone," said Combet, adding Treasury modelling showed a carbon price twice as high in 2020 if Australia was to turn its back on international carbon markets, with no additional environmental benefit.



WME'S PERSON OF THE YEAR

A new feature of the December-January issue of WME, the annual Person of the Year announcement, aims to acknowledge the individual who has exerted the most influence on the leading environment business issue of the previous year, whether it be in climate change, sustainability, energy and carbon, water and wastewater or waste and resources.

Clearly the issue of 2012 for business was carbon policy, and our editorial committee was unanimous in its selection of Climate Change Minister Greg Combet as the key player in this year's developments. The government was successful in introducing its Clean Energy Future package which included placing a price on carbon emissions.

Signing on to a second commitment period of the Kyoto Protocol would enable Australian business to access international credits under the Clean Development Mechanism.

"Finalising a second commitment period helps pave the way for the main game: achieving a new international agreement covering all major emitters, including the United States and China, to be finalised in 2015 and start in 2020," Combet said.

So, what will Australia look like 30 years from now? If you read the slew of recent projections, the landscape will literally be different as ecological stress takes its toll and the rate of species extinction increases.

With frightening predictions emerging on the state of global warming, the government has a difficult job on its hands in responding to this emotionally charged issue. But then again it has been able to deliver what previous governments couldn't or wouldn't.

When asked about the Australian economy in 2040, Combet emphasises a strong regional focus with established relationships in Asia.

He believes the global economy will be well on its way to cutting its reliance on carbon pollution producing energy, and that Australian companies will play a crucial role in helping other countries decarbonise.

Will the divisions in the community and industry widen as Australia moves further down the road of decoupling economic growth from environmental ruin?

Will Combet be the man who can ease the transition?

All we know is that a year is a very long time in politics.