

Joint Submission to the National Carbon Offset Standard Discussion Paper

Compiled by a group of accredited Greenhouse Friendly™
product and service providers



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Introduction

This joint submission has been prepared by the following companies with products and services certified as carbon neutral under the Department of Climate Change's Greenhouse Friendly™ program:

- ▶ **Foster's Group**
- ▶ **Paperlinx**
- ▶ **Dulux**
- ▶ **Lion Nathan**
- ▶ **Sustainable Living Fabrics**
- ▶ **Renewtek**
- ▶ **Printer Workz**
- ▶ **Carbon Planet**
- ▶ **Mystique**
- ▶ **Energetics**

We applaud the Australian Government's clear commitment to tackle climate change and appreciate the opportunity to make a submission in response to the National Carbon Offset Standard Discussion Paper (the Discussion Paper).

The Discussion Paper explains that "the Government is currently considering the implications of the [CPRS] for the Greenhouse Friendly™ program and will advise on how it will address them in early 2009" (Department of Climate Change, 2008: page 32). The Department of Climate Change has subsequently emailed participating Greenhouse Friendly™ companies to advise that the program will be discontinued from 1 July 2010.

We are extremely displeased and disappointed with the apparent decision made by the Australian government to discontinue Greenhouse Friendly™. The Department of Climate Change has previously committed to us that our certification would be valid for **five** years subject to an annual submission of an Emissions Monitoring Plan. Attaining Greenhouse Friendly™ certification for carbon neutral products and services has represented a considerable investment for us in terms of time and money. We specifically made this investment due to the indicated longevity of the program. Moreover, attaining certification under the rigorous Greenhouse Friendly™ program represents a high-grade level of achievement for us and is one that all companies can aspire to. Discontinuing the Greenhouse Friendly™ program removes the only rigorous and credible benchmark in Australia for carbon neutral products/ services.

We are strongly in favour of retaining the Greenhouse Friendly™ program. However, we understand that with the introduction of a National Carbon Offset Standard its continuation will have to be in a modified form. The Greenhouse Friendly™ program essentially consists of two parts: it offers credible and robust certification for carbon neutral products/ services and it offers a certification standard for carbon offsets. We believe that the Greenhouse Friendly™ program should continue to provide the former function even though the later function is to be discontinued due to the introduction of a National Carbon Offset Standard. We agree that Greenhouse Friendly™ should be discontinued as a carbon offset standard.

Why Greenhouse Friendly™ should be continued for carbon neutral certification

- ▶ It is vital that the introduction of the CPRS does not inadvertently crush Australian enthusiasm for voluntary action on climate change. Voluntary action, while certainly not the only solution, should continue to play an important role in addition to the CPRS. There is a clear willingness for voluntary action in Australia. To illustrate this, a 2008 survey by Quantum Research found that one third of all eastern seaboard supermarket shoppers seek environmentally friendly products regularly and 50% of all supermarket shoppers feel it is very important that organisations use carbon neutral products and services. The Greenhouse Friendly™ program can continue to be a credible mechanism for voluntary action on climate change in Australia. It supports good environmental outcomes, thereby playing an important role in engaging and empowering Australian consumers to take voluntary action on climate change.
- ▶ The Greenhouse Friendly™ program, since its launch in 2001, has provided Australian consumers with a valuable and credible certification process for carbon neutral products and services. Research published in August 2008, *What Assures Consumers in Australia on Climate Change?*, argued that Australian consumers' willingness to tackle climate change can be a crucial national asset, but key obstacles include credible product information and trust. Greenhouse Friendly™ certification has played, and can continue to play, an important part in providing Australian consumers with such assurance.
- ▶ In addition to individual consumer demand for carbon neutral products and services, Australian businesses are increasingly demanding sustainable procurement options. To illustrate the increased focus on business sustainability, KPMG recently released a report finding that 45% of the ASX100 listed companies currently publish a Sustainability Report, up from 23% in 2005 (KPMG, 2008: page 16); it was found that the issues of climate change and sustainable supply chain management was commonly considered by companies to be important. For this reason, the Greenhouse Friendly™ program can continue to play a role in meeting the demand for carbon neutral products and services by Australian businesses.
- ▶ Australian consumers have developed a strong recognition of the Greenhouse Friendly™ logo/ brand; this awareness can be retained through the continuation of the program. Quantum Research found that 34% of supermarket shoppers are aware of the Greenhouse

“Following many years of environmental improvements, Foster's remains committed to doing our part to reduce greenhouse gas emissions. The development of Cascade Green - our first 100% carbon offset beer - draws on this commitment and growing consumer interest in environmentally responsible products and services. As we planned the development of this product, our market research confirmed that independent verification of environmental claims was vital for the release, and consumer acceptance, of Cascade Green.

The Greenhouse Friendly™ program offered both credible external verification and a robust and detailed process to understand and mitigate carbon emissions associated with the full lifecycle of the product. Since launch, Cascade Green has achieved strong and sustainable growth, in no small part related to the credibility of the Greenhouse Friendly™ certification. Having established the Greenhouse Friendly™ certification as an essential part of the product claim, we are concerned that the discontinuation of the program will both harm our product and curtail further development of 'carbon offset' offerings.”

Scott Delzoppo, Sustainability Manager, Foster's Group Limited

Friendly™ logo (2008). Further, Google's Adwords finds that an average of 1000 internet users a month within Australia search for the key words Greenhouse Friendly via internet search engine Google.

- ▶ As previously noted, we have already invested a considerable amount of time and money into attaining Greenhouse Friendly™ certification. For example Foster's Group invested over \$150,000, Carbon Planet invested \$20,000, Lion Nathan invested over \$150,000, Mystique invested \$40,000 and Paperlinx invested \$200,000 in attaining certification alone. Product development and marketing related costs are additional to these costs. If our Greenhouse Friendly™ certification was to be discontinued, the significant certification investments we have made would be lost.
- ▶ Similarly, we have invested significantly in the Greenhouse Friendly™ brand to date. For example, Sustainable Living Fabrics estimates it has invested approximately 10% of its turnover for one year, Mystique estimates it has spent over \$60,000 in Greenhouse Friendly™ marketing materials and Paperlinx has spent over \$1 million on media advertising. As above, if Greenhouse Friendly™ was to be discontinued, the significant Greenhouse Friendly™ marketing investments we have made would be lost.
- ▶ We have gone through the rigorous Greenhouse Friendly™ certification process in order to meet a specific market demand. As noted, this process has been expensive and time consuming. The discontinuation of the program would therefore effectively financially punish us for being an early mover with respect to voluntarily acting on climate change. This would send an unfortunate signal to all companies within Australia: that not only does the Australian Government not support, but it also chooses to penalise, companies that have voluntarily elected to be part of the climate change solution. If we are to effectively work together to combat climate change, the Australian Government should be sending out the very opposite message to Australian business.
- ▶ Given our considerable investment in Greenhouse Friendly™ to date, we would not sign up to nor actively support any new voluntary scheme the Australian Government may formulate if Greenhouse Friendly™ is discontinued.

Since launching ENVI Greenhouse Friendly™ Carbon Neutral paper in January 2008:

- ▶ Over 33,000 tonnes of ENVI stock has been sold
- ▶ Over \$40m in revenue has been earned
- ▶ Over \$1m has been spent on media advertising
- ▶ Over \$200k has been spent on gaining Greenhouse Friendly™ certification
- ▶ Over 20 million items have been printed with the Greenhouse Friendly™ logo visible

“ ENVI and the Greenhouse Friendly™ logo is a crucial part of Paperlinx growth plans. In an increasingly commoditised paper sector, genuine environmental certification and singular branding, provides a unique and commercially viable business opportunity.”

Paul Allen, General Manager - Marketing, Paperlinx

“ Every fabric we sell is certified carbon neutral through the Greenhouse Friendly™ program.

We have distributed to the commercial interiors market (architects, designers, project managers, corporations, government departments and furniture manufacturers) approximately 55,000 colour cards and 90,000 individual colour chips, mainly in permanent binders and chip boxes, all with the Greenhouse Friendly™ logo clearly displayed and a prominent explanation of the Greenhouse Friendly™ program. This cost represents approx 10% of our turnover for one year.

We have made a corporate video that features Greenhouse Friendly™ which has been shown to over 1000 architectural firms and is a feature of our regular public addresses to players in the building industry at events such as Designbuild, Futurarc, FM Forum etc and to design and engineering students in universities. We have also run a series of advertisements in leading trade journals promoting Greenhouse Friendly™ to our market.”

Bill Jones, Managing Director, Sustainable Living Fabrics

Our Key Requests for Greenhouse Friendly™

1. Carbon neutral certification for products/ services.

As previously noted, the Greenhouse Friendly™ program currently provides two functions: it offers credible and robust certification for carbon neutral products/ services and it offers a certification standard for carbon offsets. We agree that Greenhouse Friendly™ should be discontinued as a carbon offset standard. However, for the many reasons outlined previously in this submission, we strongly advocate the continuation of the carbon neutral product/ service certification component of the Greenhouse Friendly™ program.

2. Retain the Greenhouse Friendly™ logo.

A single logo for certified carbon neutral products and services is vital to ensure marketplace confidence and avoid 'greenwash'. Having a single logo allows the robustness and verifiability of the Greenhouse Friendly™ program to be clearly communicated to the marketplace and provides assurance as to certified carbon neutral product/ service claims. As discussed, companies with Greenhouse Friendly™ certified products and services have made significant Greenhouse Friendly™ brand investments to date. Retaining the logo enables the already strong recognition of the Greenhouse Friendly™ brand in the marketplace to be built on and further strengthened.

3. The term 'carbon neutral' retains its original and credible meaning.

The Discussion Paper outlines that "a common understanding [of carbon neutrality is] defined by the Oxford English Dictionary is making no net release of carbon dioxide equivalent emissions to the atmosphere" (Department of Climate Change, 2008: page 5). The Discussion Paper suggests that the introduction of the CPRS and Australia's ratification of the Kyoto Protocol will alter the meaning of carbon neutrality. The Discussion Paper asks "if all an entity's emissions were covered by the Scheme, would it be sufficient for the entity to participate in the Scheme to be considered carbon neutral?" We firmly reject this suggestion. Instead, the concept of carbon neutrality must be associated with genuine additional carbon abatement and good environmental outcomes beyond business as usual. Compliance with the CPRS

“ Since the inception of Greenhouse Friendly™ certification in March 2007, Mystique Printing has seen a considerable amount of growth. We had an increase of over \$1 million dollars in the first financial year from certification 07/ 08, and this figure has continued to rise: sales have increase by over 25% since initial Greenhouse Friendly™ certification.

Mystique has won preferred supplier contacts in the last 6 months for the Melbourne City Council, Country Fire Authority and Southeast Water. Mystique was directly contacted by these organisations due to our Greenhouse Friendly™ certification and asked to submit a request for Tender on their printing requirements.”

Mat Eldred, Environmental Manager, Mystique Printing

“ Our Greenhouse Friendly certification has added value to Energetics as it has allowed us to demonstrate that we practice what we preach. Our company values are to “provide our partners with innovative and sustainable solutions” and to “act as an environmental role model for our partners”. Our Greenhouse Friendly certification has meant that we are able to prove our beyond compliance approach.”

Mary Stewart, Principal Consultant, Energetics

and Australia's Kyoto obligations clearly does not constitute action beyond business as usual. We feel particularly strongly about this point because any weakening of the concept of carbon neutrality inevitably weakens the credibility of the entire Greenhouse Friendly™ program.

4. Full greenhouse gas life cycle analysis (LCA) calculations for the 'carbon footprint' of products and services.

The Discussion Paper notes that "under the Greenhouse Friendly™ initiative, LCA Assessment must be performed in accordance with the current Australian Standard for Life Cycle Assessment in the ISO 14040 series. The ISO 14040 Standards provide the general framework, principles and requirements for conducting and reporting LCA studies" (Department of Climate Change, 2008: page 15). The full life cycle analysis as per the ISO 14040 Standards should continue to be utilised for greenhouse gas assessment and verification of products and services in order to retain the rigour and credibility of the Greenhouse Friendly™ program. This is because it is important for the Greenhouse Friendly™ program to set strict and transparent standards for the calculation and audit of product/ service carbon footprints in order to set a high standard for subsequently certified carbon neutrality.

5. Regulated by a government body.

We would prefer that the Greenhouse Friendly™ program continues to be regulated by the Department of Climate Change, but it could also be regulated by another Australian Government department. The Discussion Paper notes that "consumer confidence is provided through an objective independent verification process that underpins Greenhouse Friendly™ certification" (Department of Climate Change, 2008: page 32). We strongly believe that the independence, rigor and transparency required to underpin consumer confidence in the Greenhouse Friendly™ certification process is best delivered under the regulation of a government body. However, the Greenhouse Friendly™ program could continue to be administered by SMEC, or another independent organisation, such as IPAART or DNV.

6. Australian carbon offsets constitute 'additionality' by the surrender of AAUs and AEU.

It is vital that products and services certified as carbon neutral under Greenhouse Friendly™ result in carbon abatement that is truly additional to business as usual. This is fundamental to the concept of voluntary action on climate change; the demand for voluntary (and by extension additional) action is what carbon

“ We have benefited immensely from public relations and marketing perspectives in being the first Information Technology & Communications (IT&C) company to achieve Greenhouse Friendly™ certification. It has provided us with access to clients, potential clients, key senior people, forums and speaking platforms that would have not otherwise have been available to us. This has led to incremental business which would not otherwise have been available.

Our involvement with the Greenhouse Friendly™ program and associated branding has resonated very well with our staff. Our people feel proud about working for an environmentally responsible company.

Renewtek has spent a considerable amount of time and effort to achieve and maintain our Greenhouse Friendly™ certification. We have also invested a considerable sum of money in promoting the brand and scheme. The proposal to terminate the Greenhouse Friendly™ program puts all of our investment to waste.”

Neil Perry, Chairman, Renewtek

neutral products and services offer to meet. For this reason, carbon offsets eligible to be purchased by Greenhouse Friendly™ certified products and services program going forward **must** meet the requirement of additionality. Voluntary carbon offsets must therefore go beyond caps imposed by the CPRS and Australia's current and future Kyoto obligations. The Australian Government can facilitate this by surrendering an equivalent number of AAUs (plus AEU for covered sectors) for any eligible Australian carbon offset.

7. Preference given to carbon offsets generated in Australia.

A vibrant and innovative carbon offset industry has developed in Australia in recent years. We wish to continue to support this new and important industry, and the contribution it makes to good environmental outcomes. Australian carbon offsets not only contribute to reducing national greenhouse emissions, but often have secondary benefits within Australian communities, such as supporting biodiversity and building landscape resilience. Further, we believe that the purchase of credible and verifiable Australian carbon offsets tells a better story in the carbon neutral product/service marketplace about the positive local impact of voluntary action. Nevertheless, in the case of limited availability of local carbon offsets, we are prepared to purchase international carbon offsets as a second resort.

“ Many companies in the market have tried to leverage our world's environmental issues by using unscrupulous methods of marketing such as changing their packaging to green colours, or including words such as “eco” in their product descriptions, without actually having done anything to be more environmentally friendly. This is no different from those companies that tried to leverage the ever increasing obesity issues, by using words such as “light” or “natural” in their product names, when in fact they were not healthy at all. The Greenhouse Friendly™ program and brand allows consumers to purchase with the confidence that they are buying a product that actually has the environmental benefits it claims. Without it what does the consumer have?

Particularly in the industry we operate in, remanufactured toner cartridges, there are numerous suppliers who promote their products as 'green', without necessarily committing to any program that specifically reduces their carbon footprint. The rigour of the Greenhouse Friendly™ program has given us a clear point of difference from our competitors and set the benchmark for sustainable business operations.

Since joining the Greenhouse Friendly™ program, we have completely re-launched our company and our brand. Greenhouse Friendly™ is an integral part of our brand positioning and this has been well received by our customers, the market and our staff. If we lose the Greenhouse Friendly™ logo we lose a big part of what separates us from our competitors, which we have worked so hard for.”

Daniel Davis, CEO, Printer Workz

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