

# Understanding the Impact of a Carbon Price on Australian Business

A Survey of Business Perspectives

August 2013



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Client: Businesses for a Clean Economy

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## Executive Summary

In May 2013, AECOM invited over 570 Australian businesses across all sectors of the economy to participate in a survey on the impact of the carbon price. These included ASX100 companies, liable entities under the carbon price imposed by the *Clean Energy Act*<sup>1</sup> and businesses providing lower-carbon products and services in the emerging 'clean economy'. The aim of the survey was to better understand business attitudes towards:

- the need for action on climate change and preferences around policy mechanisms to reduce greenhouse gas (GHG) emissions;
- the impact of the carbon price on business decision making;
- views on alternative policy response; and
- the impact of *uncertainty* around the future of the carbon price on business decision-making.

The survey and report was commissioned by Businesses for a Clean Economy (B4CE).<sup>2</sup>

Responses were received from 180 businesses with broad sectoral representation. Twelve supplementary in-depth interviews were also completed with a range of businesses and industries.

The survey found that business supports the need for a long term price signal on carbon to provide confidence in investment decision-making and to enable a transition toward a cleaner economy. The survey revealed significant support, 88%, across the business community, for Australia to reduce its GHG emissions in order to mitigate climate change. Business respondents identified the use of a market-based mechanism in the form of an emissions trading system as the preferred option for achieving emission reductions, with 65% of respondents favouring this model.

The results indicate that the introduction of a price on carbon into the Australian economy in July 2012 has already started to change business decision-making in relation to strategy, investment, operations, supplier contracts and future employment decisions, as businesses factor in the cost of carbon. Australian businesses have invested time, operational funds, capital and other resources in order to respond to the carbon price.

However, survey results suggest that *uncertainty* about the future of the carbon price after the September 2013 Federal Election, is having a measurable and negative impact across the business community. This has caused companies across all sectors to be cautious in their approach to investment in cleaner technologies and services.

Businesses in the emerging low carbon economy have been particularly impacted, as carbon price uncertainty has negatively affected their ability to access funds, invest in projects, employ staff and expand their businesses. This has flow through impacts for broader industry sectors which rely on the availability of lower carbon goods and services to support their own transition to a cleaner economy.

In summary, the survey results reveal that cementing long-term policy frameworks around a market based carbon pricing mechanism, such as an emissions trading system (ETS), would allow low carbon investment to continue and support businesses across all sectors to capitalise on the investment undertaken to date aimed at transitioning to a cleaner economy.

Providing a long term price signal will underpin new investment in cleaner assets, alter 'business as usual' business models, and realise the potential growth and development of Australia's nascent green technologies, products and services sector.

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<sup>1</sup> Further information on the *Clean Energy Act* 2011 (Cth), including the carbon pricing mechanism can be found at <http://www.cleanenergyregulator.gov.au/Carbon-Pricing-Mechanism/Legislation-and-regulations/Pages/default.aspx>

<sup>2</sup> Further information on Businesses for a Clean Economy can be found at [www.b4ce.com.au](http://www.b4ce.com.au).

## Key findings

### Business support for reducing emissions

Business clearly supports the need for Australia to respond to climate change.

- 88% of respondents 'strongly agree' and a further 11% 'agree' with the need for Australia to reduce emissions to address climate change.

### The impact of the introduction of a price on carbon on business

The survey showed that the carbon price is influencing business decision-making across all sectors.

- The price on carbon has impacted business strategy and investment decisions for Australian business. 50% stated that the carbon price had impacted business strategy, with 15% of overall respondents directly liable under the Carbon Price Mechanism.
- 17% stated that the carbon price had impacted decisions regarding staff and employment.
- 30% stated that the carbon price had impacted contractual decisions.
- 39% stated that the carbon price had impacted investment or capital allocation decisions.
- 22% stated they had received some form of 'benefit, grant or funding' under the Clean Energy Future package.

### The preferred model for pricing carbon

The survey found that business supports the pricing of carbon and that a market based ETS is the preferred model.

- 65% of all respondents support an emissions trading scheme and 29% support a fixed price response for pricing carbon.
- 85% 'support' or 'strongly support' the Clean Energy Future package.
- 7% 'support' or 'strongly support' the Direct Action policy, with 17% indicating that they did not know enough to comment and 12% "undecided".

### Uncertainty and future policy directions

Uncertainty around future directions in climate change policy is having a negative impact on business with more than half the respondents indicating that the uncertainty impacts had been either 'negative' or 'significantly negative'<sup>3</sup>.

- 20% of respondents indicated that the carbon price uncertainty had resulted in 'significantly negative' impacts to their business.
- A further 34% stated that the carbon price uncertainty had resulted in 'negative' impacts.

### For mainstream businesses:

- 45% report that the carbon price uncertainty had impacted their investment decisions. With 19% stating uncertainty had changed decisions around the timing of investment, 13% stating uncertainty was impacting expected payoffs from investments, and 12% experiencing difficulties securing funding.
- 48% reported the carbon price uncertainty has had an overall negative impact on their business
- 18% stated uncertainty had delayed expansion into new markets, products, services or investments. A further 17% reported a decrease in demand for some products or services.
- 14.2% stated uncertainty had resulted in delaying hiring new staff.

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<sup>3</sup> Note business responses to this question were much lower compared to the general response rate with reported results representing a smaller sub-sample of around 110 businesses.

**For businesses offering lower carbon services and products:**

- 78% reported that the carbon price uncertainty was having a negative impact on business.
- 60% stated uncertainty had delayed businesses expanding into new markets, products, services or investments. A further 38% reported a decrease in demand for some products or services.
- 60% stated uncertainty had changed decisions around the timing of investment, with 52% stating uncertainty had resulted in difficulties securing or justifying funding.
- 67% stated uncertainty had resulted in delaying hiring new staff.
- Of 63 businesses that identified as participating in the Carbon Farming Initiative (CFI), almost 32% had delayed involvement in the scheme compared to only 6.3% who brought forward their involvement.

## Chapter 1. Background, methodology and report format

### 1.1 Background

Over the past 15 years Australia has moved towards the establishment of a policy framework to respond to climate change. Both of Australia's major political parties agree on a target for cutting Australia's CO<sub>2</sub> emissions: by five per cent from 2000 levels by 2020<sup>4</sup>.

In 2011, the *Clean Energy Act*<sup>5</sup> was passed by the Australian Parliament. This legislation established an Emissions Trading Scheme (ETS), which is a market-based mechanism that sets an absolute limit on Australia's carbon pollution for the first time. The legislation also provides industry and household assistance.

Under this ETS about 370 companies must purchase a permit for every tonne of CO<sub>2</sub> equivalent they emit, and find ways to reduce their emissions as the overall cap on emissions is lowered every year. When it commenced operation on July 1 2012, a carbon price was fixed for each tonne for the first three years, starting at A\$23, before moving to a floating, or unregulated, price in July 2015. Subsequently it was announced that the Australian ETS would be linked to the European Union ETS from the start of the floating price period.<sup>6</sup>

The adoption of a carbon price in Australia is in line with a global trend towards direct pricing of the emissions. By the end of 2013, carbon-pricing schemes are expected to be operating in at least 33 countries and 18 sub-national jurisdictions including Europe, New Zealand, Tokyo, California and Shenzhen in China.<sup>7</sup>

The policy intent of an ETS is to create a long-term price signal to reduce high carbon emitting activities, including industrial production, while simultaneously supporting the emergence of new forms of technology and innovation so as to facilitate Australia's transition to a low carbon economy. Since its commencement, businesses covered by the ETS have had to determine the most appropriate strategy for managing and reducing the cost impact. To date this has included reducing their emissions to lower the number of permits required, passing the cost through their value chain or purchasing carbon units through secondary markets.

Assistance has also been provided to business to buffer the initial impacts of the introduction of the carbon price, particularly for emissions intensive trade exposed industries. At the same time additional funding programs have been established to deliver investment support for cleaner technologies.

Meanwhile new and existing business enterprises have developed to support these policy initiatives to deliver products and services to reduce the carbon intensity of Australia's economic activity. This is achieved through technological solutions, alternative energy sources, energy management strategies, carbon offsets, or a mixture of all these elements.

The introduction of a price on carbon across the Australian economy has been a contentious process. Views differ across the community and the political spectrum on the value of and best approach for establishing and maintaining a price on carbon

The Opposition Coalition party's climate policy commits it to a different approach to emissions reduction were it to form Government after the election in September 2013. Our Plan - Real Solutions for all Australians<sup>8</sup>, released in January 2013, explains the direction, values and policy priorities of a potential Coalition Government. It proposes to repeal the enabling legislation that established and operates the ETS.<sup>9</sup> In its place the Coalition would put in place the Emissions Reduction Fund (ERF), which would cost \$3.2 billion over four years to purchase emissions reduction and be funded from savings within the budget<sup>10</sup>. The ERF would fund activities including re-vegetation and improving soil carbon to reduce emissions. The coalition's plan, titled the Direct Action Policy, also

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<sup>4</sup> <http://www.liberal.org.au/latest-news/2011/07/11/carrots-not-sticks-rethinking-global-approaches-climate-change> [As at 1 June 2013]

<sup>5</sup> Further information on the *Clean Energy Act* 2011 (Cth), including the carbon pricing mechanism can be found at <http://www.cleanenergyregulator.gov.au/Carbon-Pricing-Mechanism/Legislation-and-regulations/Pages/default.aspx>

<sup>6</sup> Further information on the Clean Energy Act and the carbon pricing mechanism can be found at <http://www.cleanenergyregulator.gov.au/Carbon-Pricing-Mechanism/Legislation-and-regulations/Pages/default.aspx>

<sup>7</sup> See Climate Commission Report "The Critical Decade: International Action on Climate Change" [http://climatecommission.gov.au/wp-content/uploads/climatecommission\\_internationalReport\\_20120821.pdf](http://climatecommission.gov.au/wp-content/uploads/climatecommission_internationalReport_20120821.pdf)

<sup>8</sup> Real Solutions for all Australians, Liberal Party of Australia, January 2013

<sup>9</sup> See <http://www.liberal.org.au/our-plan-abolish-carbon-tax>

<sup>10</sup> Real Solutions for all Australians, Liberal Party of Australia, January 2013, pg 45

proposes a carbon buyback approach to purchase abatement in Australia at the least possible cost. Virtually all the Direct Action money will be spent on purchasing least cost abatement through competitive tender.<sup>11</sup>

With the completion of the first year of operation of the carbon price under the *Clean Energy Act*, Businesses for a Clean Economy (B4CE) commissioned AECOM to survey business to understand attitudes toward action on climate change, preference for mechanisms to reduce greenhouse gas (GHG) emissions, the impact of the carbon price on business decision making and also the impact of uncertainty in relation to the future of the carbon price.

Since conducting the survey and releasing the preliminary results, it should be noted that a number of significant events have occurred in Australian politics which may have influenced or changed the view of businesses responding to the survey. In particular, Prime Minister Rudd has announced an intention to bring the flexible pricing phase of the ETS forward by one year to July 2014. While it is arguable that some respondents may have answered differently if the survey had been taken after this announcement, the results still provide an important insight into business views almost a year into the operation of the ETS.

Some initial results on questions relating to whether Australia should take action to reduce its carbon emissions and the preferred policy mechanism for this were released in summary in the report *Business Perspectives on Australia's Climate Policy*, in early July 2013. This second and final report summarises all the findings from both the survey and the follow up interviews.

## 1.2 Methodology

The survey was conducted in two phases, an online survey that captured quantitative and qualitative responses followed by more in-depth, one-on-one interviews with a smaller number of business representatives.

The online survey tool comprised 25 questions and included sections where businesses could provide more qualitative responses and further information. Not all businesses approached to participate in the survey agreed to do so, with some citing a general policy to not respond to research requests. Ultimately 573 businesses, across 15 industry sectors, were emailed the survey link including 46 ASX 100 companies, 95 liable entities that are required to remit permits under the *Clean Energy Act*, in addition to B4CE initiative signatories and other contacts.

The online survey tool was released on the 10th May 2013 and remained live for two weeks. During that time 180 businesses, or 30%, responded to the survey invitation and shared their views and experiences of Australia's current carbon policy environment<sup>12</sup>. All responses were provided anonymously to allow appropriate disclosure of views and other information.

The responses by industry sector are shown below in Table 1 and show broad coverage across all sectors<sup>13</sup>.

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<sup>11</sup> <http://www.liberal.org.au/latest-news/2011/07/19/direct-action-efficient-'no-regrets'-approach-reducing-co2-emissions> [as at 1 June 2013]

<sup>12</sup> All responses provided through the survey are anonymous, meaning individual companies and their affiliations cannot be identified from the results

<sup>13</sup> Note, the 'other' category includes miscellaneous businesses, largely from the hospitality and personal services industries.

Table 1 Industry coverage of survey recipients and respondents

Industry sector	Businesses included in sample	%	Responses by industry sector	%
Agriculture	5	0.90%	3	1.70%
Carbon offset production	36	6.30%	5	2.80%
Energy – Fossil Fuels	18	3.10%	3	1.70%
Energy – Renewables	70	12.20%	29	16.10%
Energy – Retail	5	0.90%	3	1.70%
Engineering/Consulting	77	13.40%	28	15.60%
Banking/Investment/Superannuation	30	5.20%	6	3.30%
Food Processing	12	2.10%	3	1.70%
Legal/Accounting/Business Services	56	9.80%	13	7.20%
Manufacturing	44	7.70%	18	10.00%
Mining and Metals Processing	37	6.50%	1	0.6%
Other	59	10.30%	32	17.8%
Property & Retail	71	12.40%	16	8.90%
Transport	7	1.20%	5	2.80%
Waste (Including local governments)	46	8.00%	15	8.30%
<b>Total</b>	<b>573</b>	<b>100%</b>	<b>180</b>	<b>100%</b>

To better assess the results, respondents to the survey were asked to identify all activities that contributed significantly to their carbon emissions. As shown in Table 2, just over 60% of respondents reported energy usage as a major contributor to their emissions profile, while a further 8.9% identified energy generation as a main contributor to emissions. Transport related emissions were also significant with almost 27% of businesses highlighting this as a major emissions activity. Other major activities included waste disposal, client services/operations and manufacturing.

Table 2 Main emissions generating activities for businesses

Main emissions generation activity	Percentage
Energy usage	60.6%
Energy generation	8.9%
Waste disposal	13.9%
Manufacturing/Processing	11.1%
Investment and Lending	2.2%
Client Services/Operations	13.3%
Fugitive emissions	1.1%
Transport related emissions	26.7%
Agricultural emissions	1.1%
Other	1.7%

The survey also invited businesses to nominate to be interviewed to provide further insights. In addition, some other companies were directly invited to be interviewed to ensure cross-sectoral representation and balance. More than forty companies that responded to the survey were approached to be interviewed with twelve interviews ultimately being scheduled and completed over May and June with representatives from a range of industry sectors including energy generation, waste services, consulting and manufacturing.

### 1.3 Report format

This report aims to provide a broad summary of business views on Australia's carbon reduction policy, as well as perspectives on the impact of the carbon price to date on business decisions and also the impact of continuing uncertainty regarding the future of climate policy in Australia.

Survey results highlighted a number of consistent trends across all industry segments, but it was also deemed appropriate to investigate some of the differences in impacts between certain sectors of the economy. A total of 34 survey responses, or around 19%, identified themselves as being either renewable energy generators or carbon offset providers and, where relevant, the responses from these businesses have been grouped and analysed separately to reflect the views of businesses operating in the 'clean economy'. The 'mainstream' sector includes the remaining 146 respondents across all other categories.

This is however a largely artificial divide given that there is economic activity across all sectors and value chains that contributes, either directly or indirectly, towards reducing GHG emissions and therefore are contributing to the transition to a cleaner economy. Nevertheless for the sake of clarity and transparency, where appropriate, the results have been presented based on this categorisation.

While 180 businesses responded to the broader survey, response rates to individual questions varied. To simplify the presentation of results, non-responses have been removed from the reported results. Non-response rates ranged from 0% to 15% depending on the question. Where the non-response rate is significantly higher, the actual proportion of respondents will be identified.

Case studies have also been used to further illustrate the impacts on businesses. AECOM and B4CE wish to thank all businesses that participated in the survey, that volunteered to be interviewed and that agreed to be used as case studies.

The report is set out as follows:

- Chapter 2 outlines business views on the need for emissions reductions
- Chapter 3 provides an understanding of how the carbon price has impacted business.
- Chapter 4 summarises business views on future climate policy directions.
- Chapter 5 focuses on the impact of carbon price *uncertainty* on business

## Chapter 2. Business perspectives on the need for emissions reductions

The Australian community has been engaged in debate for more than a decade on the most appropriate policy response to climate change. This has included robust discussion on the level of reduction required, the mechanism best suited to the Australian economy and the impact of various proposed models on business and the community. Business has played an important role in this debate.

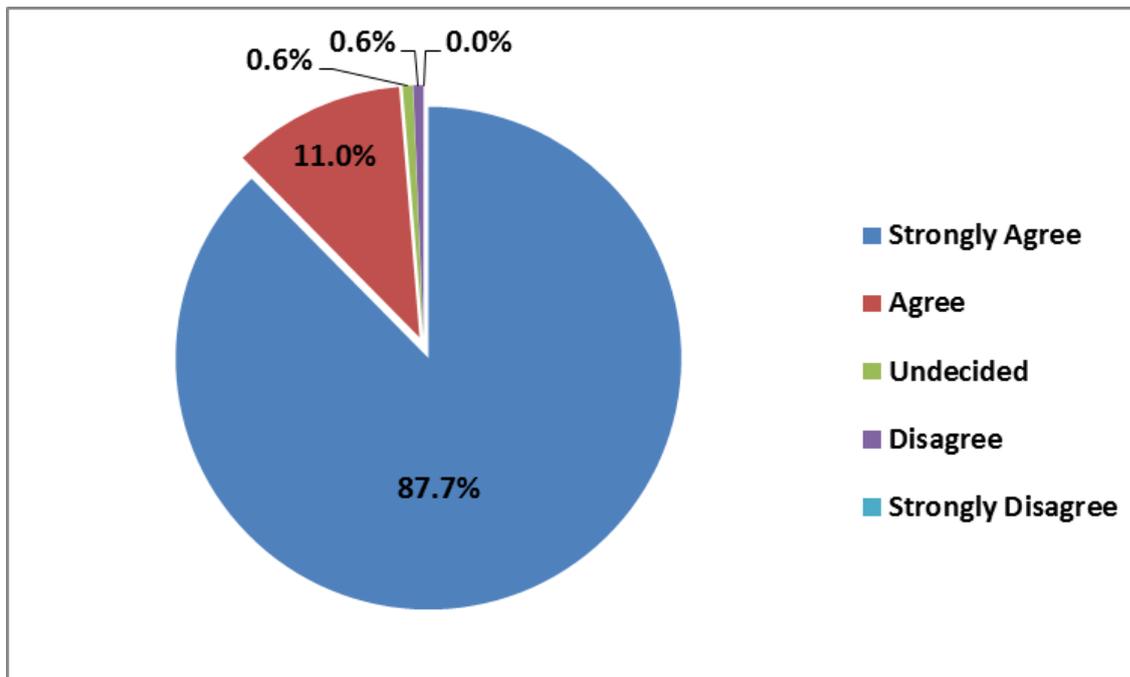
In a key question that helps frame business responses to the rest of the survey, participants were asked if they support Australia’s efforts to reduce carbon emissions in order to tackle climate change.

Around 14% of the 180 survey participants did not respond to this question. For simplicity, these non-responses are excluded from the presentation of results.

### 2.1 Australia’s role in reducing global carbon emissions

As shown in Figure 1 below, the survey found that around 88% of businesses ‘strongly agreed’ that Australia has a role in tackling climate change through reducing emissions, and a further 11% ‘agreed’. Only 0.6% of responses disagreed with the statement. The result is higher than earlier surveys which suggested around 73% to 82% of Australians supported actions to reduce carbon emissions and mitigate climate change impacts.<sup>14</sup>

Figure 1 Do you support Australia’s efforts to reduce carbon emissions in order to tackle climate change?



<sup>14</sup> Leviston, Z., Leitch, A., Greenhill, M., Leonard, R., & Walker, I. (2011). Australians’ views of climate change. CSIRO Report. Canberra

## Chapter 3. Perspectives on how the carbon price has impacted business

This survey was undertaken in May 2013, one month prior to the end of the first year of compliance under the carbon price mechanism. The survey sought to better understand business perspectives on how the adoption of a national price on carbon has impacted business strategy, decisions on staff and employment, contractual decisions and investment or capital allocation decisions. This includes responses from both liable entities that face direct costs under the scheme and companies that face changes in costs or market opportunities as a result of the policy.

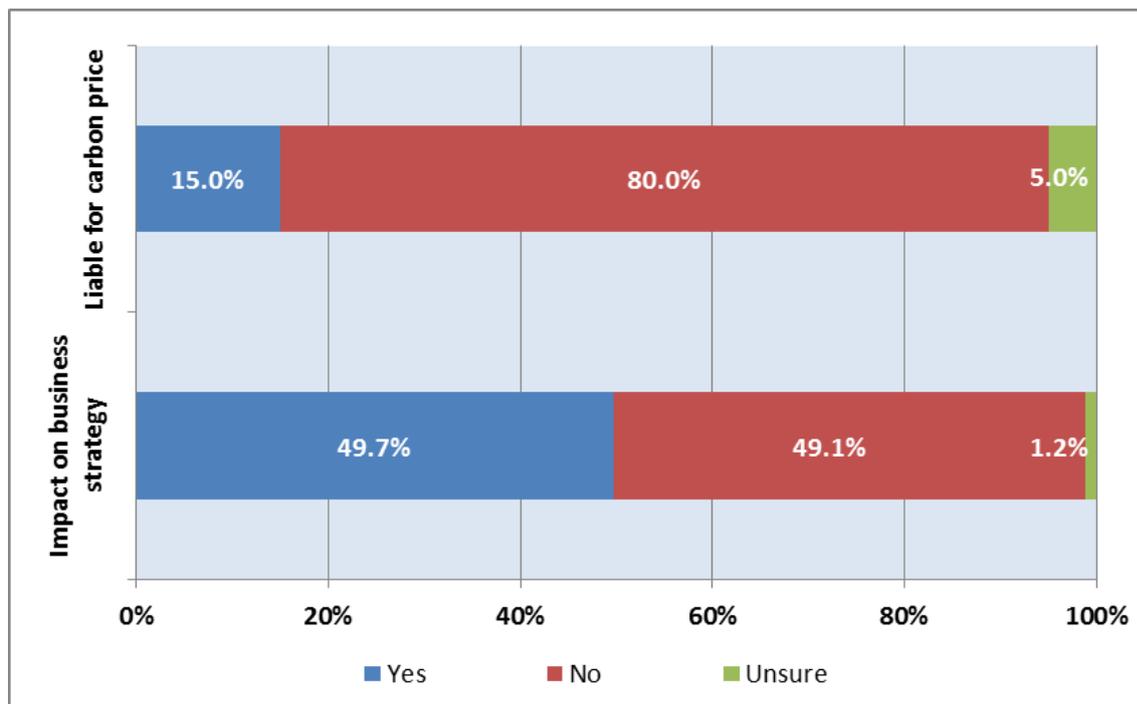
The Clean Energy Future package provides for a range of transitional assistance, benefits, grants and funding allocations, intended to support business in adapting to the introduction of the carbon price. The survey also looked at the level of involvement in these schemes, and reviewed business perspectives on their effectiveness.

Note around 8% of the 180 survey participants did not respond to the questions presented in this section. For simplicity, these non-responses are excluded from the presentation of results.

### 3.1 Adjustment to a price on carbon

As shown in Figure 2 below, although only 15% of survey respondents reported being directly liable under the carbon price, half of the businesses surveyed indicated that the carbon price influenced their business strategy.

Figure 2 Is your business liable for the carbon price? vs. Has the carbon price impacted your business strategy?



Business operating in mainstream industry sectors stated that they were strongly influenced by the introduction of the carbon price, with around 46% of respondents from this sector reporting that the policy had influenced their business strategy. Qualitative responses provided through the survey and as part of the interviews showed that these impacts were diverse. Many businesses reported an accelerated effort to reduce energy costs through adoption of energy efficient practices and investment in new lower carbon technologies such as renewable generation and energy efficient plant and equipment as the carbon price makes these options economic. A number of respondents undertook an analysis of the carbon intensity (& cost impacts) of their suppliers and

reviewed their supplier choice to move to suppliers that were reducing emissions or had a lower carbon intensity than their peers.

Businesses reported that the carbon price is a factor that contributed to them taking steps to reduce energy and industrial emissions. However, they acknowledged that there were other factors independent of the carbon price that had caused large increases in energy prices and that therefore some of these initiatives were really a cost reduction activity rather than being a strategic shift in their business operations. Many businesses reported that reducing and reporting carbon emissions had been part of the business for a number of years and the adoption of the carbon price just further ingrained the practice into everyday operations.

Unsurprisingly, the impact of the carbon price on business strategy was particularly high for clean economy companies with 69% of businesses in this sector reporting that the carbon price had influenced their business strategy. The clean economy sector businesses reported increased demand for their products, with the carbon price making low carbon products and technologies more cost competitive.

### 3.2 Impact on decisions on staff and employment

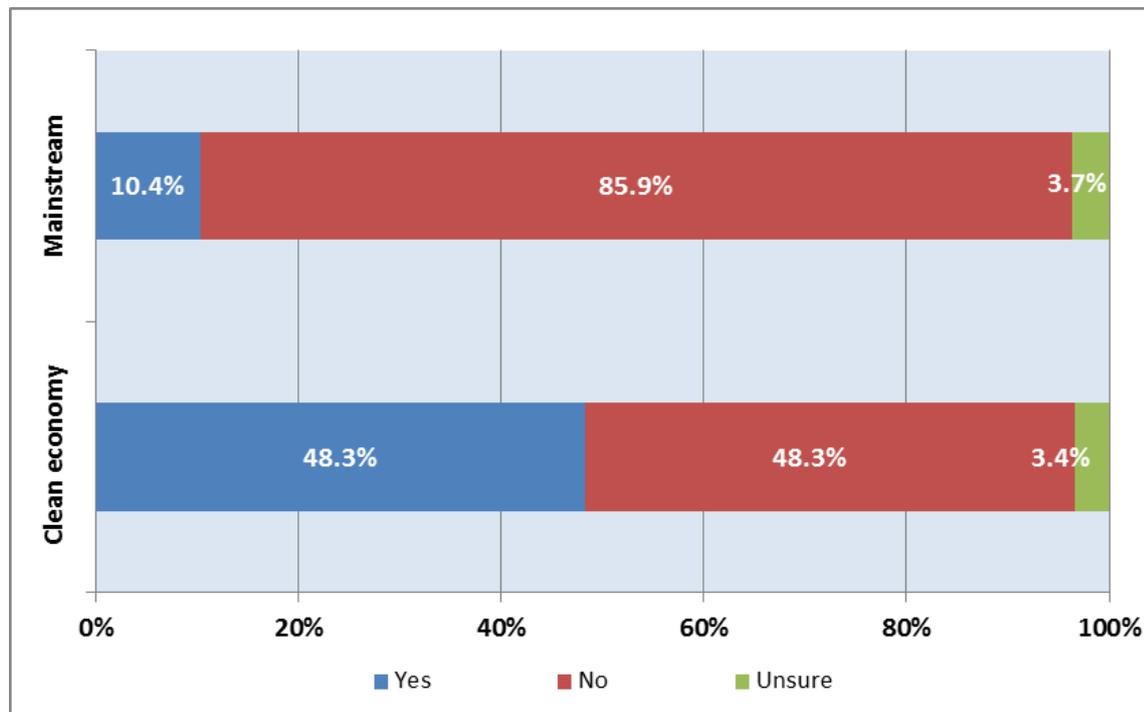
Businesses were asked whether the carbon price had influenced their decisions regarding staff and employment.

Mainstream businesses responded that the impact was modest, with only 10.4% of respondents reporting that the carbon price had influenced employment decisions. Both positive and negative impacts were reported. For example, one respondent stated that they had reduced staff numbers to offset costs associated with the carbon tax. In contrast, another mainstream business reported “...in some assets we have employed additional technical specialists to manage the carbon related issues.”

In contrast, almost 50% of clean economy businesses stated that the carbon price had impacted their staffing decisions, with one business stating “...the business is larger than it otherwise would be due to the increased opportunity for renewable energy projects”.

The difference in the magnitude of impact between the green and mainstream business sectors is well illustrated in Figure 3.

Figure 3 Has the carbon price influenced your company’s decisions about staff and employment? – Clean economy vs. mainstream sectors



Considering impacts on strategy and employment, the impact of the introduction of a carbon price was reported to be modest on the whole, with positive and negative impacts across industry segments. This would appear to

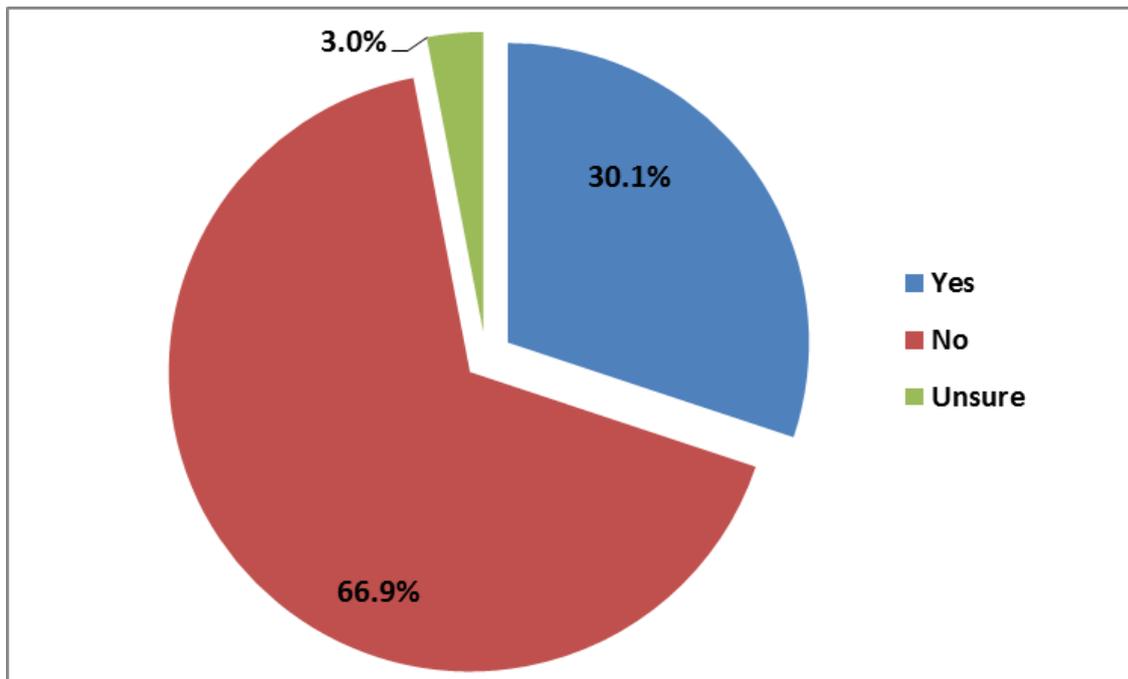
support the view that the introduction of a price on carbon has facilitated a small transition in jobs and employment between mainstream business and clean economy business.

### 3.3 Impact on contractual arrangements

Survey results indicate that the introduction of the carbon price has resulted in a renegotiation of some contracts to take into account the potential impacts on future prices and costs.

As shown in Figure 4, survey results showed the carbon price had impacted contractual decisions for around 30% of respondents overall.

Figure 4 Has the carbon price influenced your company's contractual decisions?



Across the mainstream business sectors, around 24% of respondents reported a change to their contractual decisions as a result of the carbon price. This proportion was much higher in the green sector with 48% of respondents reporting a change in contractual decisions, reflecting the significant impact of the carbon price on this industry in general.

Businesses from mainstream sectors highlighted a number of reasons for contractual changes as a result of the carbon price. One key area reported was the need to amend contracts to clarify responsibility for any additional costs resulting from the carbon price. For example, in industries where significant cost increases were expected, negotiation generally occurred along the supply chain to determine where these costs would be absorbed and where they would be passed on. This led to many businesses seeking independent advice and modelling on the likely cost increases that would occur as a result of the carbon price and how these would likely flow through the supply chains.

This supports previous surveys, such as that conducted by *The Economist Intelligence Unit* prior to the introduction of the carbon price, which found that almost a third of businesses surveyed (29%) had undertaken modelling to understand the impact of the carbon price on their business<sup>15</sup>.

<sup>15</sup> The Economist Intelligence Unit, *Cleaning up: Australia's readiness for a low-carbon future*, 2012. <http://digitalresearch.eiu.com/cleaningup/report>

### **Case Study: Adjusting to Price on Carbon – SITA & the Landfill Sector**

SITA is a leading provider of resource recovery, recycling and waste management services in Australia. Given the inclusion of methane emissions from landfill (waste) as part of the Clean Energy Future package the company is liable to pay the carbon price for emissions from waste disposed at their sites.

As waste landfilled today continues to generate GHG emissions over the next 40-50 years, the pricing structures and contracts for waste disposal under a carbon price need to include provisions to recover the carbon cost of all future waste emissions. SITA therefore undertook extensive contract discussions with its customers prior to the introduction of a carbon price to take into account the long term carbon cost. Generally waste management contracts include contractual provisions allowing a pass through of additional costs due to changes in laws and regulations. SITA invested significant resources in applying these contractual provisions to pass through the carbon price and to ensure its customer base understood the carbon price and impact on the price for landfill and other waste management services.

Leading up to the introduction of the carbon price, SITA had undertaken significant investment, developing and managing seven Advanced Resource Recovery Technology (ARRT) facilities around Australia. The company has also invested in developing alternative fuels and green energy at its sites. The Clean Energy Future package has allowed SITA to benefit from these efforts, with SITA now able to generate carbon offset credits from its carbon abatement activities as part of the Carbon Farming Initiative (CFI). SITA is also involved in supplying renewable energy through the Renewable Energy Target (RET) program. These policies complement the carbon price, providing further incentives to reduce GHG emissions

Prior to the introduction of the carbon price SITA had a strong framework for measuring and reporting carbon emissions given demand for such services from their customers and the reporting requirements of the National Greenhouse and Energy Reporting (NGER) Act. However, the introduction of a carbon price made consideration of the carbon impact of operations more central to business operations.

SITA have invested strongly in reducing their carbon emissions and developing new technologies and processes to create further Resource Recovery opportunities within the waste sector. Given a repeal of the carbon price, these activities will likely continue, however the financial incentives to continue investment will be reduced in the absence on a long term price on carbon.

In response to the current uncertainty SITA has stated that in terms of managing their carbon emissions, they are mainly focussed on their CFI projects due to the certainty of this policy continuing over the medium term. The current carbon price uncertainty means that SITA has delayed implementation of some components of its carbon strategy until after the next federal election.

SITA would welcome regulatory certainty in this area to underpin investment decisions and streamline business processes.

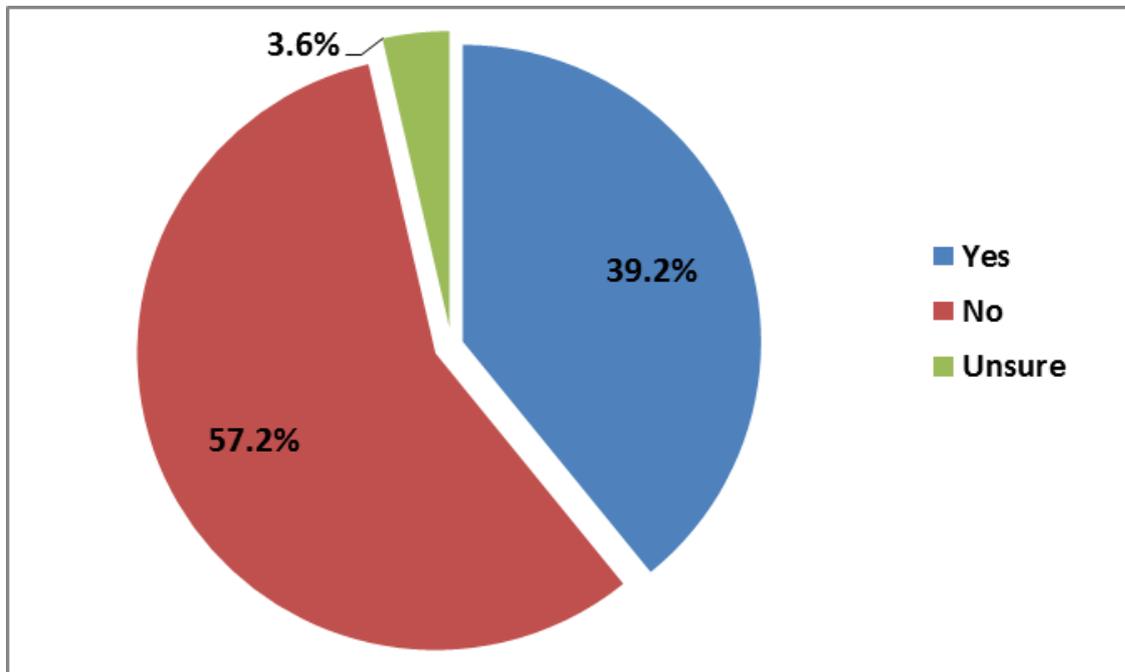
More information on SITA's CFI projects is available at:

<http://www.sita.com.au/sustainability/achievements-in-sustainability/>

### 3.4 Impact on investment or capital allocation decisions

A significant 39% of all respondents reported that the carbon price had impacted their investment decisions as shown in Figure 5.

Figure 5 Has the carbon price influenced your company's investment or capital allocation decisions?



Investment impacts in the mainstream business sectors were weaker than the survey average but still significant, with 34%, or just over a third, of businesses stating that the carbon price had impacted their investment decisions.

Many businesses have stated that the carbon price has also spurred innovation in reducing emissions as the additional cost encourages investigation of alternative inputs and processes. Other companies have investigated and implemented a range of energy saving practices that would not have been considered without the carbon price.

For most mainstream companies the impact was modest, with one respondent stating, *"It hasn't been a major factor but it has had a small impact"*. Other businesses reported bringing forward investment or changing the character of investments due to the carbon price with businesses stating that *"we have accelerated certain investments in carbon reduction"* and *"(the carbon price) has influenced the prioritisation for funding"*.

As expected the impact of the carbon price on investment by the clean economy business sector was particularly strong with 69% of respondents from this sector reporting an impact on investment. Feedback from this sector highlighted the importance of the carbon price in underpinning the long term investment needed to develop renewable energy and carbon offset projects. For renewable energy providers in particular, the long term nature of a price on carbon was identified as a strong investment driver which complements the existing Renewable Energy Target (RET) support.

### 3.5 Grants and funding support

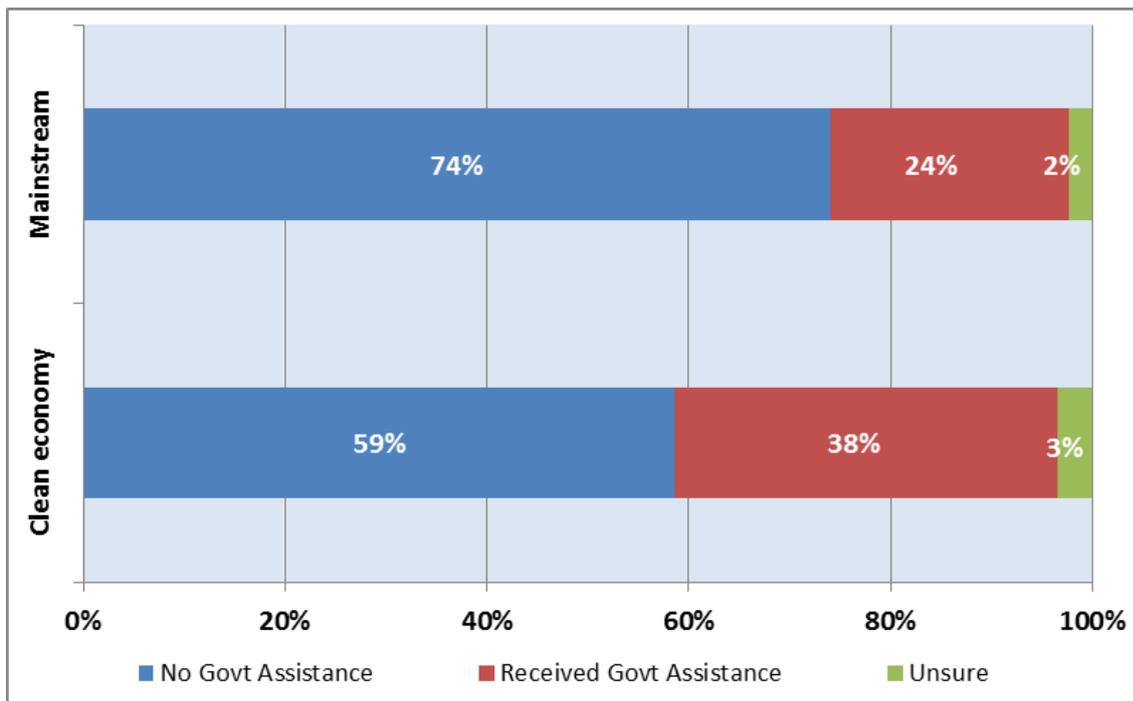
A key part of the business and household assistance underpinning the *Clean Energy Act* is a wide range of transitional programs, grants and funding support to support business in managing the introduction of a price on

carbon. These range from relatively minor project specific grants to substantial transitional assistance in the form of free permit allocation under the Jobs and Competitiveness Program.<sup>16</sup>

Respondents to the survey were provided with a list of potential cost relief, grant and funding sources and asked to nominate which ones they had received. The type of sources of funding most noted by respondents were the Small Business Instant Asset Write-off Increase (4%), grants from the Jobs and Competitiveness Program (3%) and Clean Technology Investment Program grants (3%).

Figure 6 shows that almost 40% of respondents in the green sector claimed to have received funding compared with almost a quarter (24%) in the mainstream business sectors.

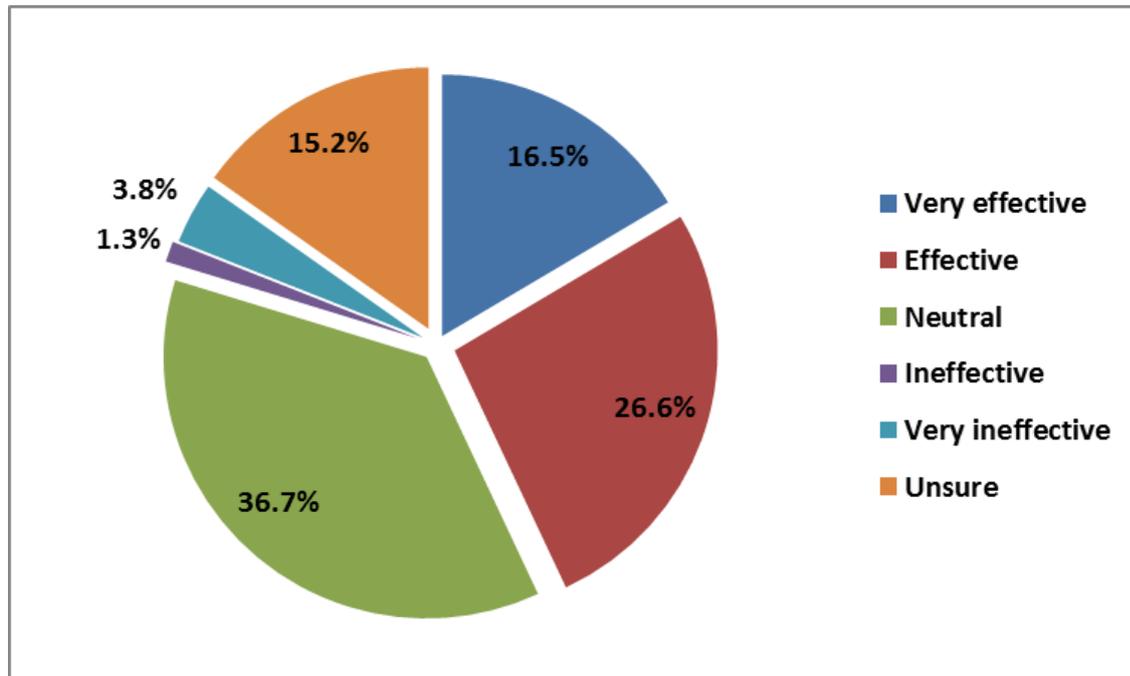
Figure 6 Has your business received any benefits or grants under the Clean Energy Future package? Responses by sector



Business generally found grants effective in helping reduce emissions, remain competitive or build capacity, with 43% of respondents stating that the grant was effective or very effective. A further 36.7% found that the funding received had a neutral impact on their business and around 15% were unsure of the impact. Around 5% found the funding provided to be ineffective as shown in Figure 7 below.

<sup>16</sup> For further information on the full range of grants and funding support provided under the Clean Energy Future Package, please refer to <http://www.cleanenergyfuture.gov.au/helping-business/>

Figure 7 How effective was this grant in helping your business reduce emissions, remain competitive or build capacity?



### 3.6 Summary of key findings

#### 3.6.1 The impact of the introduction of a price on carbon for all business

The price on carbon has impacted business strategy and investment decisions for Australian business. These impacts are both positive and negative and vary across industry sectors.

- 50% stated that the carbon price had impacted business strategy, with 15% of respondents directly liable under the Carbon Price Mechanism.
- 17% stated that the carbon price had impacted decisions regarding staff and employment.
- 30% stated that the carbon price had impacted contractual decisions.
- 39% stated that the carbon price had impacted investment or capital allocation decisions.
- 22% stated they had received some form of 'benefit, grant or funding' under the Clean Energy Future package.

#### 3.6.2 The impact of the introduction of a price on carbon for business in mainstream industry sectors

The impacts for companies in mainstream industry sectors were modest, with decisions on business strategy and investment identified as the most significant immediate impacts.

- 46% stated that the carbon price had impacted their business strategy.
- 10% stated that the carbon price had impacted decisions regarding staff and employment.
- 24% stated that the carbon price had impacted contractual decisions.
- 34% stated that the carbon price had impacted investment or capital allocation decisions.
- 24% stated they had received some form of 'benefit, grant or funding' under the Clean Energy Future package.

### 3.6.3 The impact of the introduction of a price on carbon on clean economy businesses

The impact for companies operating in the emerging clean economy sector were more pronounced, with business strategy and investment identified as key impact areas, although employment and staffing impacts were also significant.

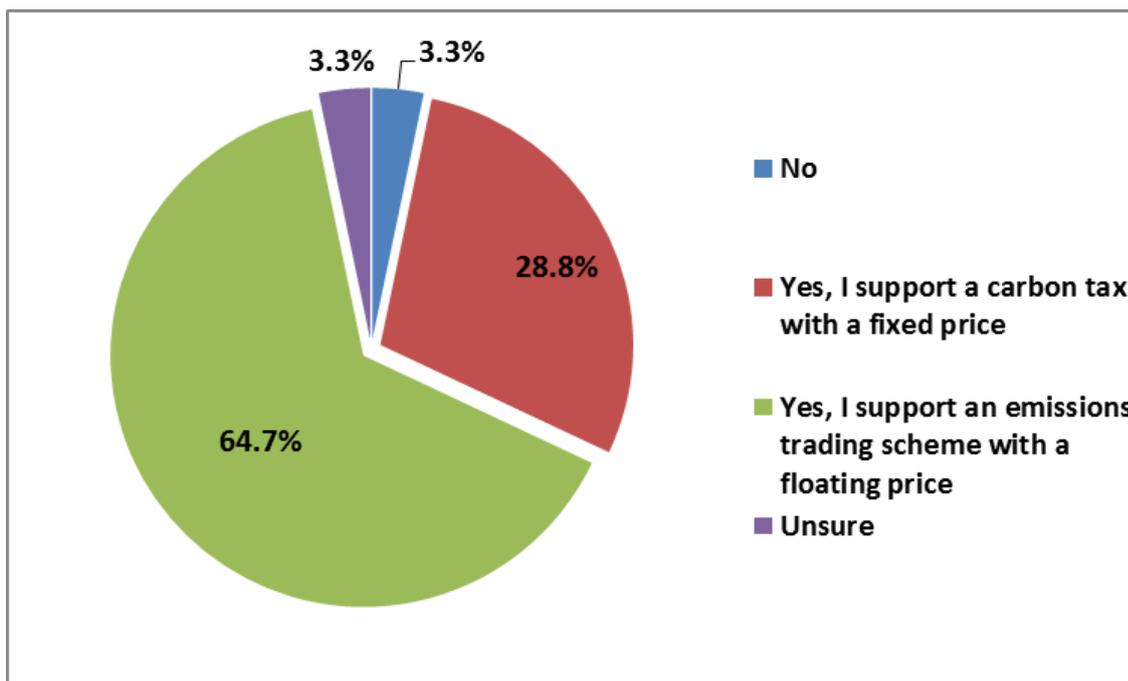
- 69% stated that the carbon price had impacted business strategy.
- 50% stated that the carbon price had impacted decisions regarding staff and employment.
- 48% stated that the carbon price had impacted contractual decisions.
- 69% stated that the carbon price had impacted investment or capital allocation decisions.
- 38% stated they had received some form of 'benefit, grant or funding' under the Clean Energy Future package.

## Chapter 4. Business views on alternative policies

### 4.1 The role of a price on carbon

Given that a price on carbon is often identified as being part of an effective climate change policy response, respondents were asked to indicate their views on the two current models for pricing carbon. It should be noted that respondents were not asked in this question to consider proposed policy from any of the major political parties; therefore support (or lack thereof) in this question for any alternative cannot be taken as preferring any current or proposed policy initiative over another. The results are shown in Figure 8.

Figure 8 Do you support a price based mechanism for reducing Australia's carbon emissions?



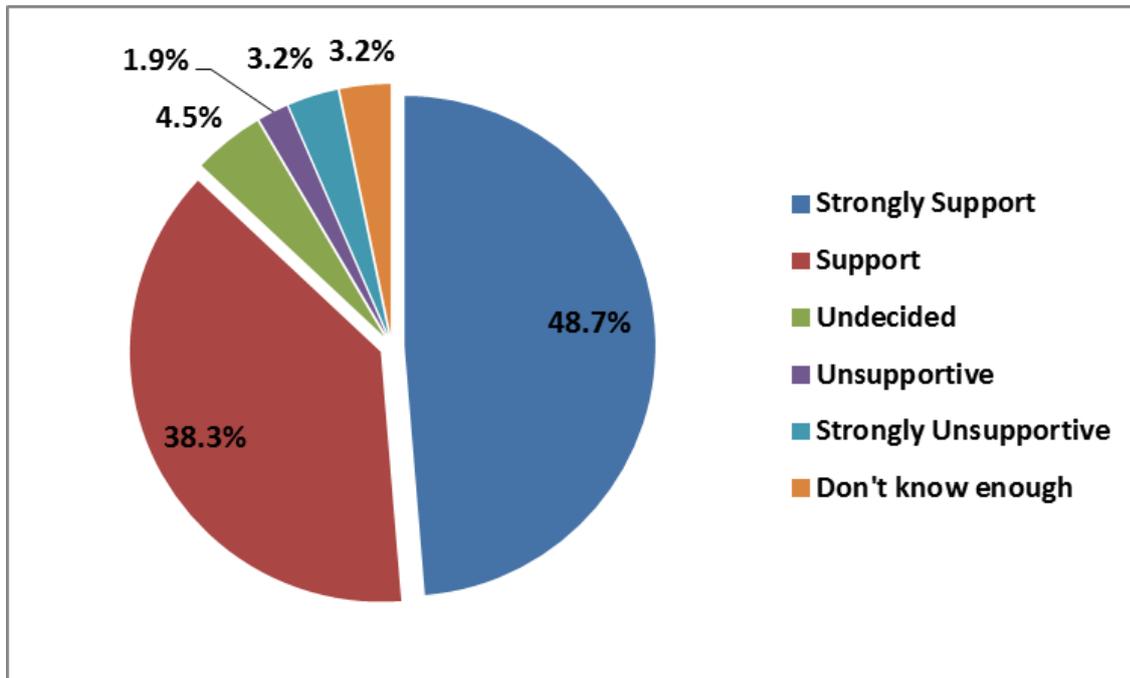
### 4.2 The preferred model for pricing carbon

Given that Australia's response to climate change will be shaped by carbon abatement policy put forward by the two major political parties in Australia, B4CE and AECOM felt that it was appropriate to survey business perspectives on the two major policy frameworks currently under consideration. The survey sought business views on the Clean Energy Future package and the alternative Direct Action policy.

Business views on these specific policy initiatives showed a larger spread of responses compared to the earlier questions regarding the level of support for reducing Australia's carbon emissions as illustrated in Figures 9 and 10 below.

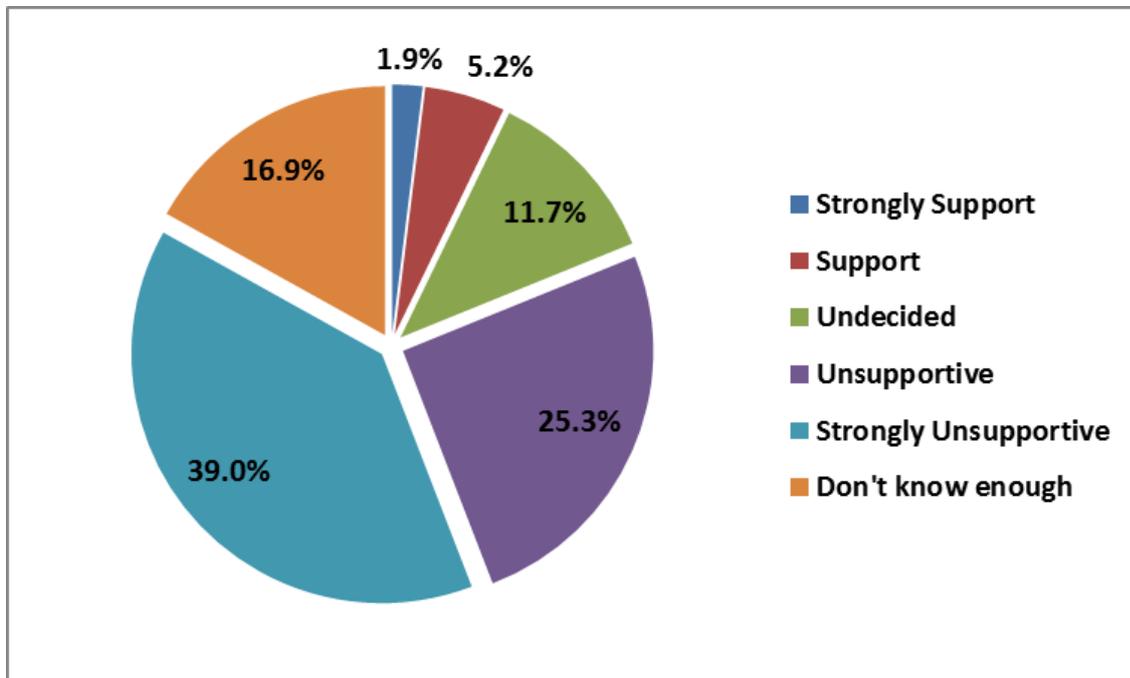
Figure 9 shows that respondents are generally supportive of the Clean Energy Future package, with almost 50% reporting strong support for the package and a further 38% reporting general support for the package. Around 5% of respondents reported being in some way unsupportive of the policy, whilst 4.5% of respondents were undecided. Only 3.2% of respondents reported that they didn't know enough about the package, which reflects a generally high understanding given the policy had been in operation for almost a year at the time of the survey.

Figure 9 To what extent do you support the government’s Clean Energy Future package to reduce Australia’s emissions?



In contrast, the proposed Direct Action policy was generally not as well supported in the survey (Figure 10), potentially reflecting that the policy has not been implemented and has not yet had the benefit of going through a detailed consultation process, such as a White or Green Paper process, compared to the Clean Energy Future package. Around 7% of respondents identified as supportive or strongly supportive of the proposed policy, while 17% reported that they did not know enough about the Direct Action policy to form a view. A further 11% of respondents were undecided as to their support for the package.

Figure 10 To what extent do you support the Coalition’s Direct Action package to reduce Australia’s emissions?



### 4.3 Summary of key findings

The survey found that business generally supports a price on carbon.

- 65% of respondents support an emissions trading scheme and 29% support a fixed price response for pricing carbon.
- 85% 'support' or 'strongly support' the Clean Energy Future package.
- 7% 'support' or 'strongly support' the Direct Action policy, with 17% indicating that they did not feel they knew enough and 12% 'undecided'.

## Chapter 5. Impact of uncertainty about future climate policy directions

Uncertainty around future directions in climate change policy is having a negative impact on business, with more than half the respondents indicating that the uncertainty impacts had been either 'negative' or 'significantly negative'. 20% of respondents indicated that the carbon price uncertainty had resulted in 'significantly negative' impacts to their business. A further 34% stated that the carbon price uncertainty had resulted in 'negative' impacts<sup>17</sup>.

As previously indicated, in analysing the data AECOM found that perspectives often differed between companies operating in mainstream business sectors and companies operating in the emerging clean economy sector. This was pronounced in the survey questions that focused on business perspectives on the current uncertainty regarding future climate policy directions. Therefore to appropriately represent the views of business on these questions, the results in this section have been disaggregated between companies operating in the mainstream and clean economy sectors.

### 5.1 Perspectives on future climate policy directions: mainstream business sector

The current uncertainty regarding Australia's future carbon policy direction is impacting investment in the mainstream business sector, albeit less significantly compared to emerging clean economy businesses. Concerns regarding the carbon price uncertainty for this sector are part of the broader economic and policy uncertainty that business is facing within the current operating environment.

In the mainstream business sector, uncertainty was identified as having a negative impact on investment decisions and expansionary business strategies. However, businesses participating in the in-depth interviews highlighted that the lack of a bipartisan approach to carbon price policy is merely one of many uncertain factors facing the business community at present, with the high Australian dollar (at the time of the survey), a slowing economy, rising energy prices and political uncertainty all raised by businesses as key challenges.

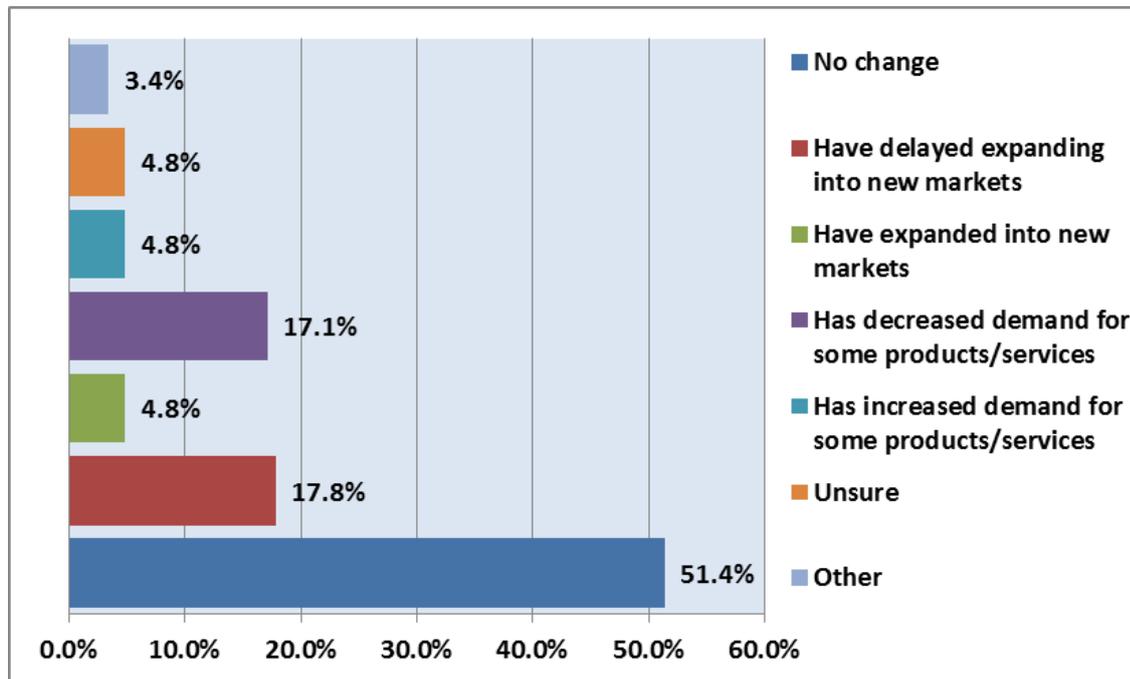
#### 5.1.1 Impacts on strategy and investment decisions for the mainstream business sector

The impact of the carbon price uncertainty on strategic decisions is illustrated in Figure 11 below. Just over 50% of businesses in the mainstream sector reported no change. However 18% reported delaying expansion into new markets or product areas while another 17% reported a decrease in demand for some of their products or services. For some respondents, the carbon price uncertainty appeared to have a positive impact with around 5% of respondents reporting an expansion into new markets and increased demand for some products or services.

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<sup>17</sup> Note business responses to this question were much lower compared to the general response rate with reported results representing a smaller sub-sample of around 110 businesses.

Figure 11 What has been the impact of the carbon price uncertainty on your business strategy? Choose all that apply - Mainstream business sector



Further commentary on the survey provided by some respondents highlighted the current guarded approach being taken by businesses in response to uncertainty regarding the carbon price, with one respondent stating *"We have expanded production but delayed/avoided over investment in production"*. Another participant stated *"...the uncertainty appears to be a major factor in businesses not taking any decisions that assist them with managing carbon price impacts"*.

Interviews with business also raised the doubt as to whether prices, in particular energy prices, would revert to pre-carbon price levels given a repeal of the policy. This would leave companies in the position of losing the government support mechanisms available to help businesses transition to higher energy prices that occurred as a result of the carbon price, but with energy prices potentially staying high. There is also the potential for a large number of contractual disputes with businesses needing to readjust prices to customers and the investment in resources to negotiate these changes. These issues are likely to have contributed to the tentative approach to strategic decision making taken by a significant proportion of survey respondents.

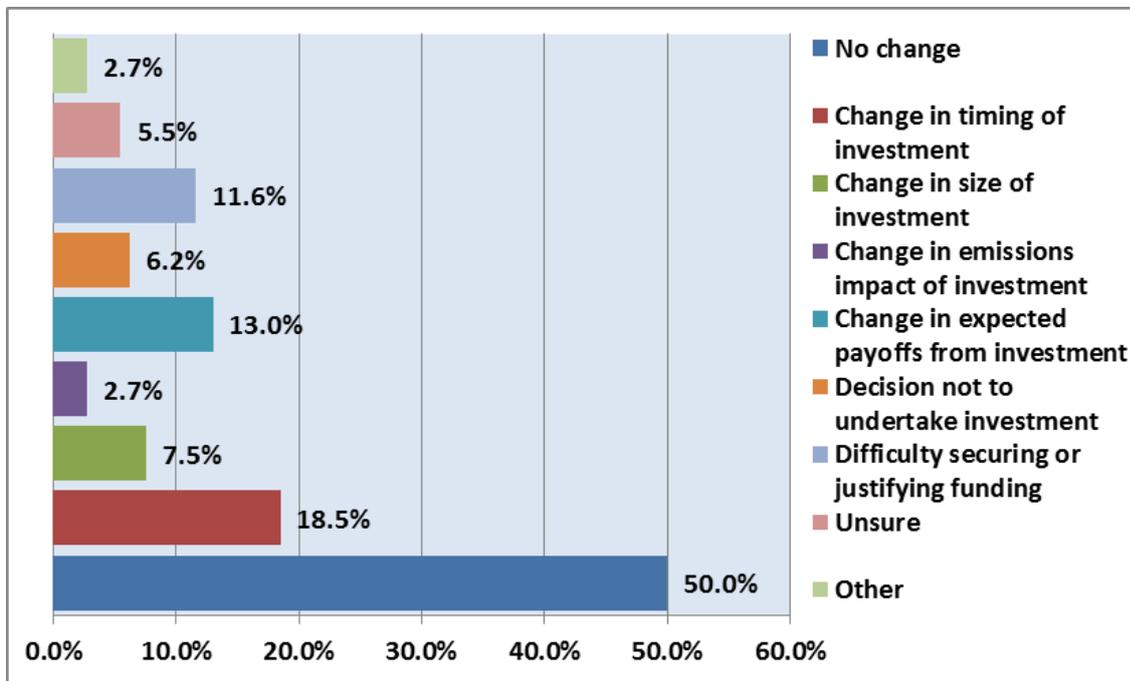
An uncertain business environment generally results in a negative impact on investment, as without some level of certainty, convincing business cases cannot be developed and funding allocated. Responses to the online survey as well as the in-depth interviews suggested there is limited appetite for investment across industry generally, with participants from across a number of sectors suggesting that only investments with a payoff period of less than five years would be considered. Other businesses suggested a payoff period of less than a year would be needed.

However, the carbon price is just one of many uncertainties currently faced by business with one survey respondent stating *"there are other larger uncertainties at play"*. A national manufacturing company representative expressed a similar view in the in depth interview suggesting that the uncertainty of maintaining the current carbon price was just one factor of many, *"...with so many balls in the air it would be nice to have a clear direction on carbon pricing"*. This is in line with previous findings on the value of a certain carbon policy in encouraging investment in emissions reduction. A survey conducted by *The Economist Intelligence Unit* in 2012 found that 38% of respondents considered uncertainty about the future of the carbon price as the primary barrier to making further progress on carbon reduction in their companies.<sup>18</sup>

<sup>18</sup> The Economist Intelligence Unit, *Cleaning up: Australia's readiness for a low-carbon future*, 2012. <http://digitalresearch.eiu.com/cleaningup/report>

As shown in Figure 12 below, 45% of respondents report that the carbon price uncertainty had impacted their investment decisions. A change in the timing of investments was the largest impact reported, with 18.5% of respondents. Changes in the expected payoffs from investments was also identified as a key impact from a further 13.5% of businesses, while another 11.6% reported difficulties in securing or justifying funding for investments as a result of the carbon price uncertainty.

**Figure 12 What has been the impact of the carbon price uncertainty on your investment decisions? Choose all that apply – Mainstream business sector**



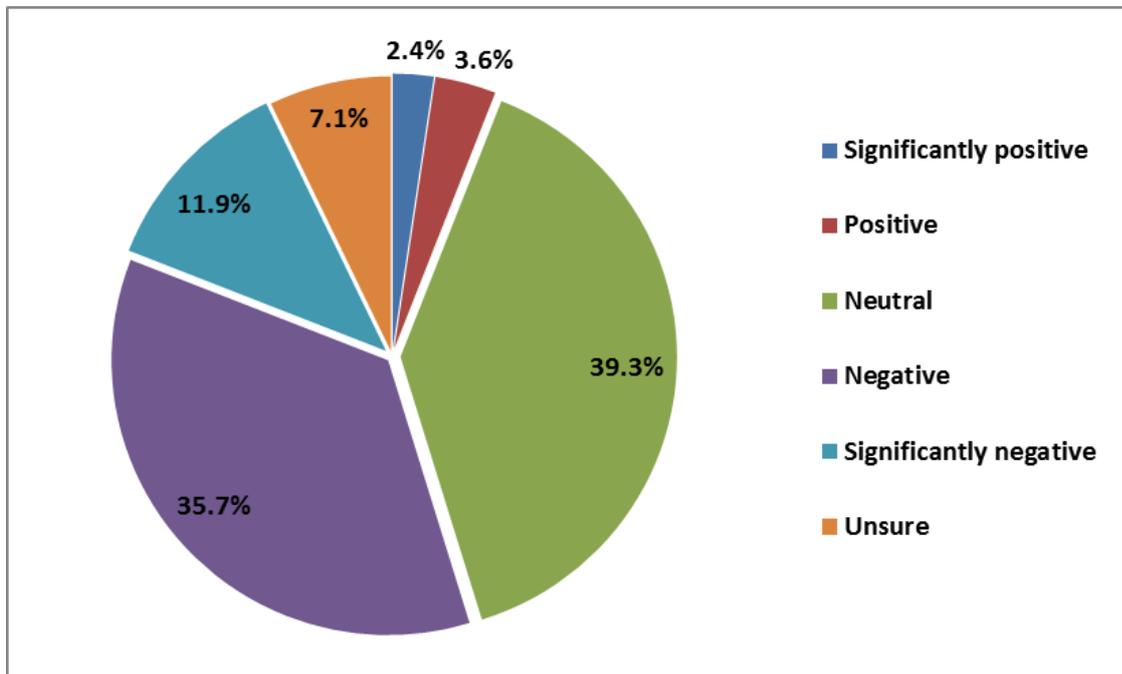
Some multinational companies interviewed also suggested that with fixed investment budgets, particularly for sustainability projects, a repeal of the carbon price may drive investments in energy efficiency and carbon abatement technology overseas. For example, a major food processing company reported that a removal of the carbon price would reduce the expected returns on more energy efficient production equipment in Australia. With many companies working in a global environment, the option of investing in energy efficiency in Australia is generally compared against alternative projects internationally.

Given the differing policy positions of the major parties, the lack of certainty regarding the longevity of the carbon price is therefore having a modest but material impact on overall business investment. Providing a solid basis for investment in low carbon assets is likely to have an overall positive impact on investment levels and therefore the business environment as a whole.

**5.1.2 General impact of carbon price uncertainty on the mainstream business sector**

Survey results indicate that the carbon price uncertainty has generally had a negative impact on the mainstream business sector in terms of investment and general business direction, with a slowing of industry efforts to stem carbon emissions. This was illustrated through survey responses on the overall impact of carbon price uncertainty on business, with around 36% rating the uncertainty as having a negative impact on their business and a further 12% rating the impact as significantly negative (Figure 13). Only 6% identified the uncertainty as positive or significantly positive. Note that response to this question was significantly lower than other questions within the survey with only 84 respondents from the mainstream sectors providing their views.

Figure 13 Where the carbon price uncertainty has resulted in changes to your business please rate the overall impact on your business? – Mainstream business sector



It is worth noting that the uncertainty regarding the future carbon price was generally seen as a negative across the mainstream business sector, with businesses that were not in favour of a carbon price still facing negative impacts from the policy uncertainty. A manufacturer interviewed for the study, stated the carbon price had resulted in significant cost increases for their business and was on the whole negative, but that the uncertainty regarding the future of the price was impacting investment decisions that would aid adjustment to a carbon price over the longer term.

Other businesses responded that the overall impact of the carbon price, in both its implementation and potential repeal, was minimal. For these businesses, while the carbon price uncertainty was deterring investment and its removal would take away many incentives to invest in carbon abatement and energy efficiency, the overall impact on the business would be low. These businesses indicated that while the adoption of the carbon price imposed some costs on their business, it also provided opportunities to innovate and cut emissions or develop new products. These would be lost under the repeal of the carbon price; however the impact on the business would be minimal. In these cases, the impact of a carbon price repeal on business is unlikely to be significant at the business level, but the broader Australian economy would face higher abatement costs in the long term given the delay to abatement and innovations in reducing emissions shifting to international markets with more robust carbon policy. This is illustrated further in the case study below:

### **Case Study: Investment in clean technologies in Australia**

Through the in depth interviews, a multinational technology company with a significant global research and development program discussed the impact of Australia's carbon price and their global product development strategy. As part of its drive to ensure a role in the low-carbon technology market, the company has invested heavily at the global level to develop products to meet the increasing demand for low carbon infrastructure. This includes developing renewable and low-carbon generation technology and energy efficiency solutions for a variety of industries.

Discussions indicated that Australia's carbon pricing policy and supporting measures, such as the ARENA grants program, increase Australia's attractiveness as a location to trial international technology developments. These potentially include world-leading developments in solar photovoltaic technology and distributed energy systems. The long-term price signal offered by the carbon price provides a solid market foundation for developing and trialling these technologies in Australia. The carbon price provides a strong financial signal to invest here as it provides significantly reduced payback periods for more efficient and lower-carbon assets. Uncertainty over the future of the carbon price puts the continued development of these technologies in Australia at risk. The company stated that *"We are a global company with global product development. Uncertainty over the carbon price here won't impact our global technology strategy. A long-term price on carbon in Australia supports us as we develop, test and localise low-carbon technologies in the Australian market working with local partners."*

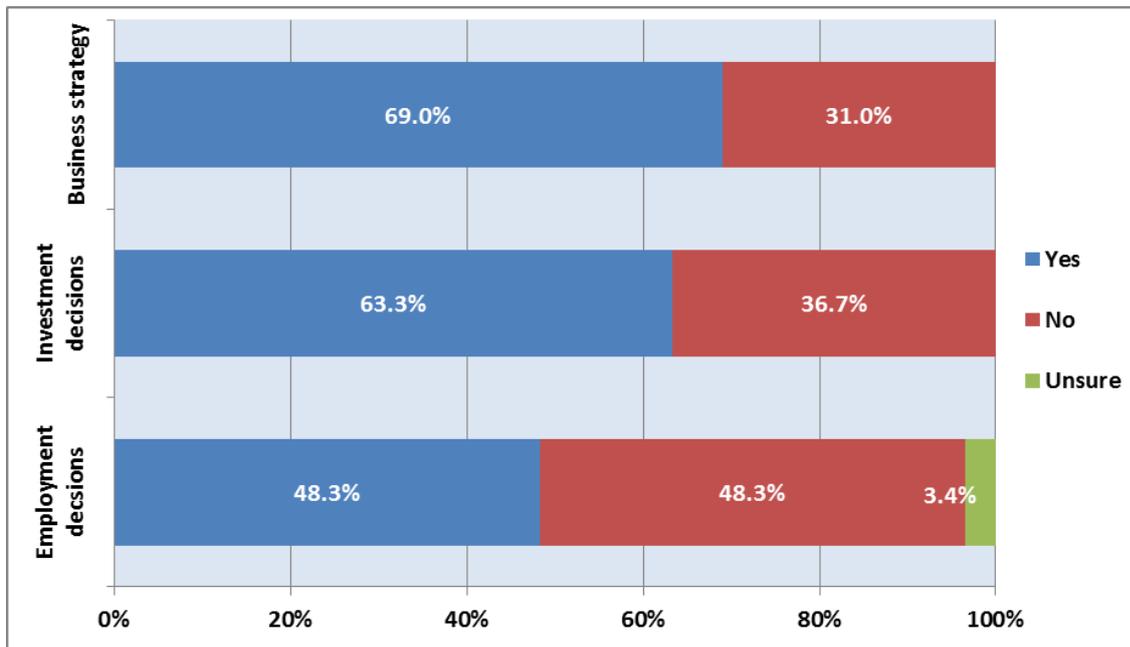
## **5.2 Perspectives on future climate policy directions: Clean economy businesses**

Uncertainty around the direction of Australia's future climate policy framework is having a more pronounced effect for businesses operating in the clean economy sector. This is causing delays in the expansion of new products and services, decreasing demand for existing products and services and delaying investment in projects, staff and recruitment.

In broad terms, these results show that the effect of a potential carbon price repeal for industries in the clean economy sector may be twofold. First, it may devalue existing assets or investments (i.e. wind farms, offset planting schemes) where a positive return on assets is predicated on there being a price on carbon, or where the carbon price would form a supplementary revenue stream. Second, it may slow investment, or make investment harder to secure for new assets and projects which reduce carbon emissions. Secondary impacts may also include reduced employment, loss of innovation, reduced R&D funding and reduced knowledge capture for Australia.

Figure 14 shows that a strong majority of clean economy businesses reported changes to their strategies and investment decisions as a result of the carbon price uncertainty (69% and 63% respectively). The impact of the carbon price on employment decisions was lower but still showed that that carbon pricing had influenced employment decisions for around half of the businesses surveyed.

Figure 14 Has the carbon price influenced your decisions regarding business strategy, investment and employment? – Clean economy sector



Some of the challenges faced by clean economy companies in the uncertain carbon price policy environment are highlighted in the case study below.

**Case Study: The Renewable Energy Market – Pacific Hydro**

Pacific Hydro operates internationally but has a major focus on Australia, which has increased as a result of the carbon price. The company owns and develops significant renewable energy assets and offers retail electricity to large commercial customers. They have previously been the recipient of grant funding under ARENA.

The renewable energy market is in a unique position as a result of the carbon price uncertainty. This market is currently supported by both the Renewable Energy Target (RET) and the carbon price, with the RET having bipartisan support until at least 2020. However, while some have suggested that the RET should keep the renewables market buoyant, as Bloomberg New Energy Finance observed:

*“... the Renewable Energy Target was not intended to achieve Australia’s emissions reduction targets on its own. Rather, it was designed to work in tandem with an early stage carbon price”* (Source: Bloomberg New Energy Finance. 2010. Renewable energy investment opportunities and abatement in Australia. Sydney: Climate Institute and Bloomberg New Energy Finance.)

It is likely that current uncertainty has contributed to the stalling of some renewable energy projects in Australia. Projects cannot remain in the pipeline forever, with options to purchase land for potential sites being time constrained due to options on land, planning permits and approvals. For a renewable energy developer there are frequent decisions that need to be made with respect to individual sites – ‘use it or lose it’. With the current uncertainty these decisions are extremely challenging.

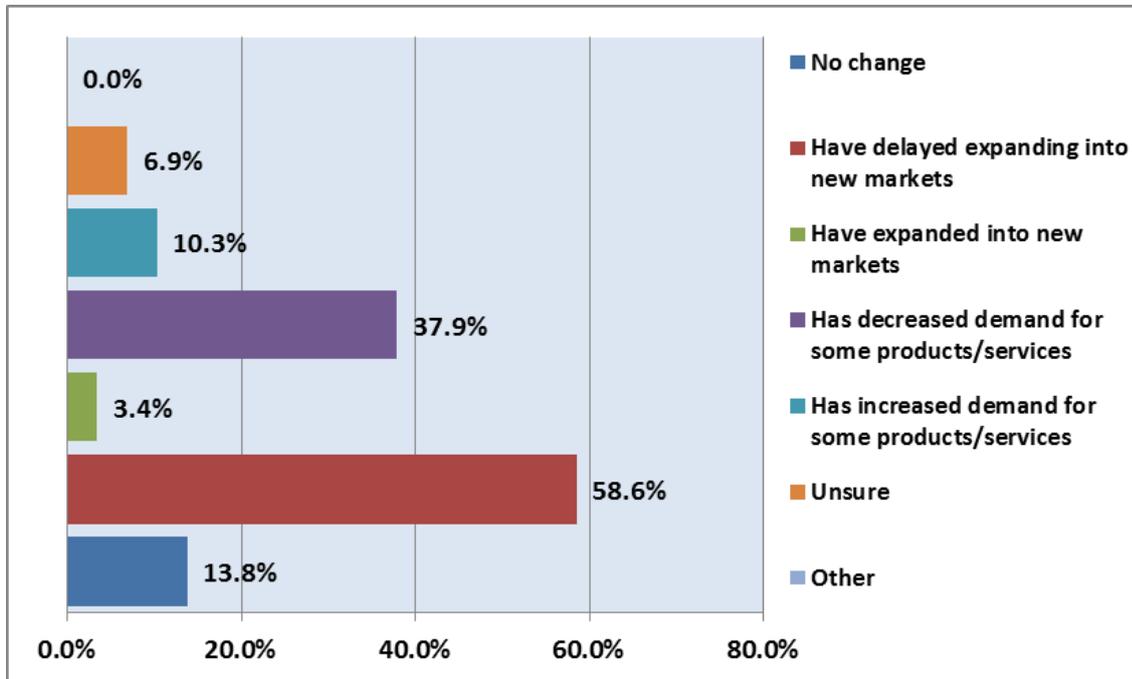
*“At the end of the day we have international projects. If the Australian policy climate becomes less supportive the business will look to invest further afield, but that won’t be good for jobs or the Australian economy”.*

This would have clear implications for Australia meeting its targets under the RET, and the continued development of renewables technology in Australia.

**5.2.1 Impacts on strategy and investment decisions for clean economy businesses**

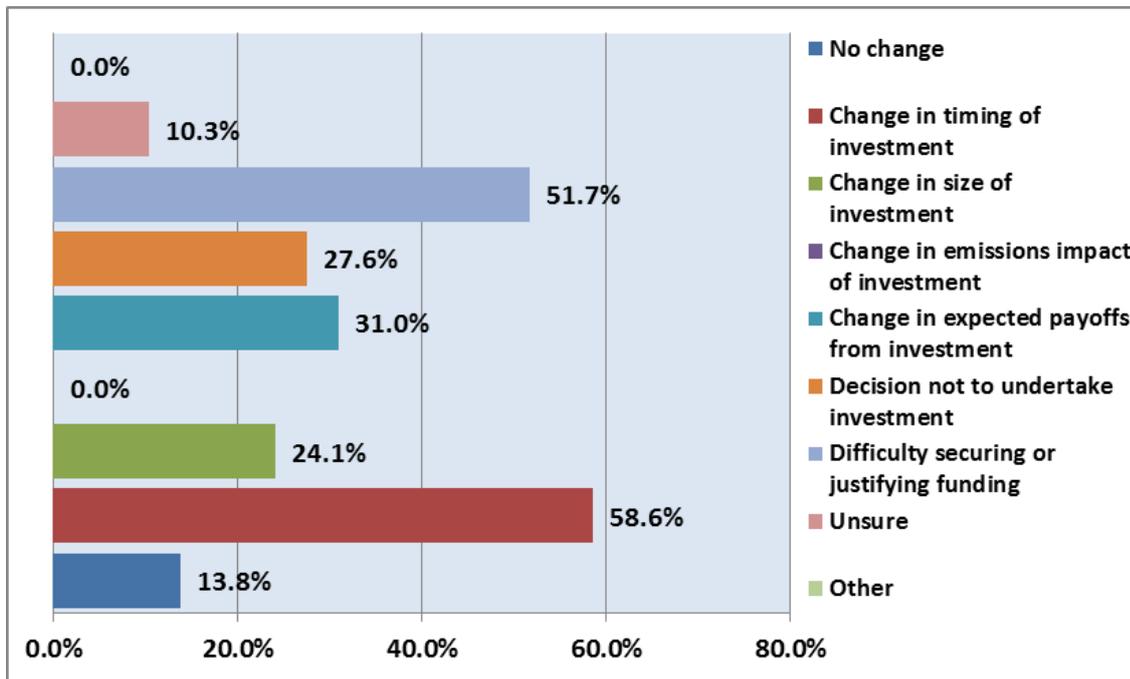
Figure 15 below shows responses from businesses in the clean economy regarding the impact of carbon price uncertainty on their business strategy. This shows that almost 60% of respondents have delayed expanding into new markets, products, services and investments. A further 38% reported a decrease in demand for some products and services. This suggests a significant fall in business opportunities for firms operating in the sector.

**Figure 15 What has been the impact of the carbon price uncertainty on your business strategy? Choose all that apply – Clean economy sector**



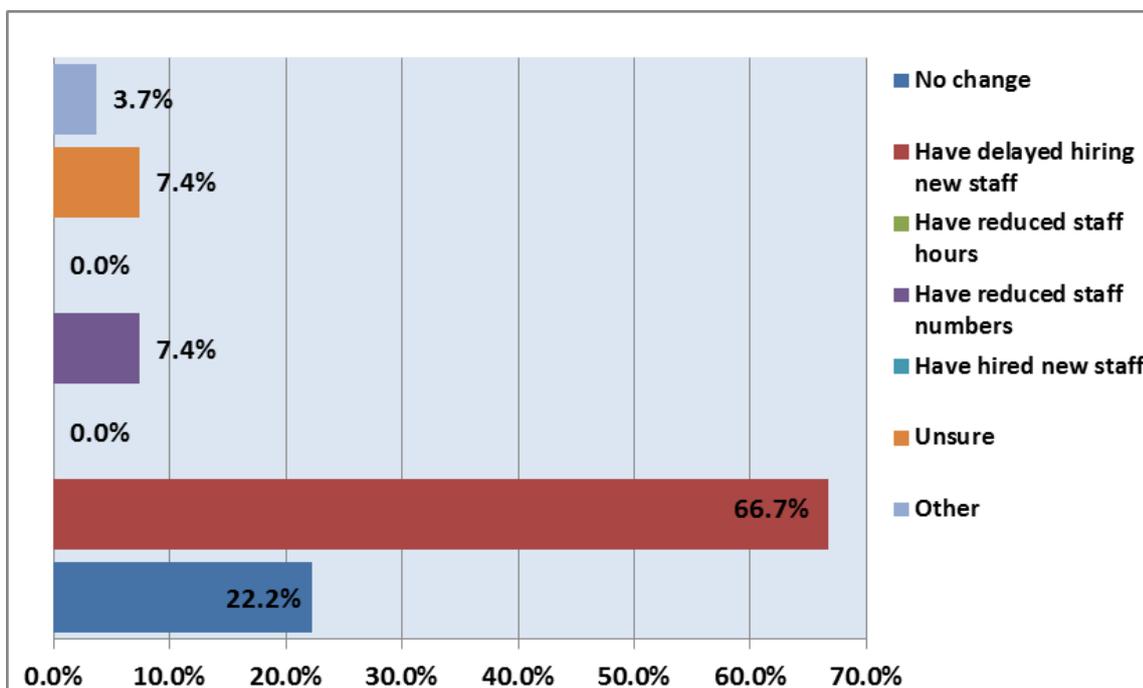
Uncertainty has also impacted investment activity by business in the clean economy (Figure 16). Almost 60% of respondents reported that they had changed the expected timing of investments due to the uncertainty. Most significantly though, almost 52% of surveyed businesses reported that the carbon price uncertainty had resulted in difficulty securing or justifying funding, suggesting some degree of capital flight from the sector. Other significant responses included around 30% of respondents reporting both a change in expected payoff and decisions not to undertake investment as a result of the uncertainty, further highlighting the lack of investment occurring within the sector.

Figure 16 What has been the impact of the carbon price uncertainty on your investment decisions? Choose all that apply – Clean economy sector



These impacts are seen to flow through to employment decisions (Figure 17). Whilst a relatively small proportion of respondents (7.4%) reported reducing staff numbers, over 65% of respondents reported delaying hiring new staff. This shows that employment growth in the sector has been impacted.

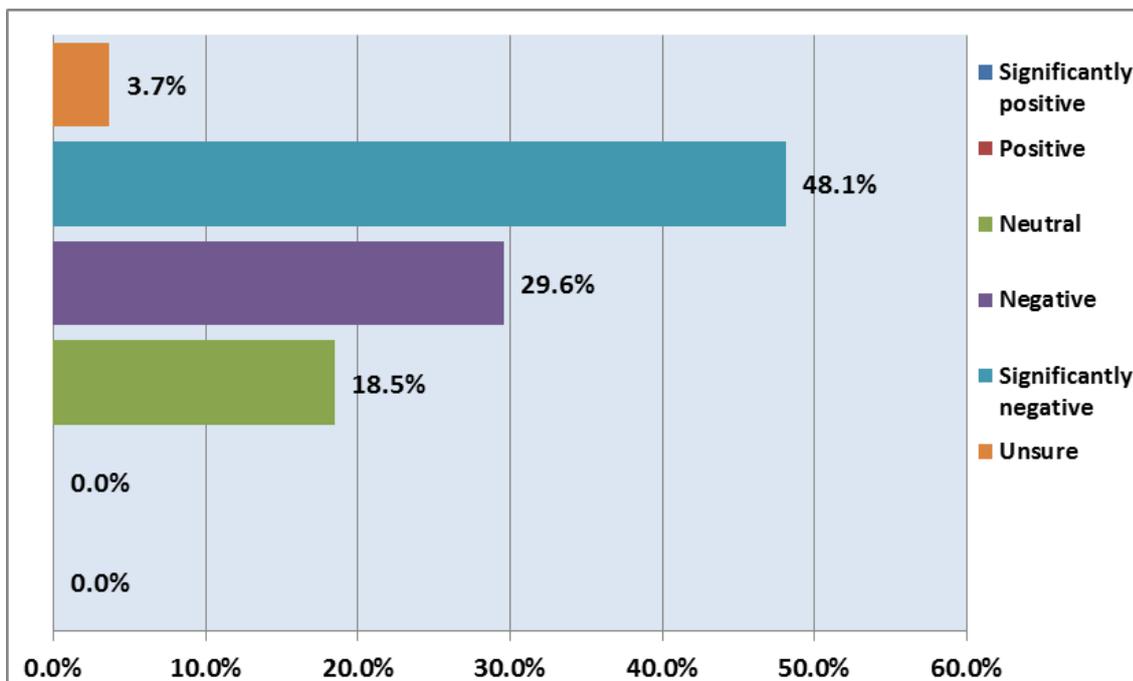
Figure 17 What has been the impact of the carbon price uncertainty on your employment decisions? Choose all that apply – Clean economy sector



**5.2.2 General impact of carbon price uncertainty on clean economy businesses**

The results show that carbon price uncertainty has had significant negative impact on clean economy businesses with 78% stating that the impact has been either 'negative' or 'significantly negative' as shown in Figure 18 below. Whilst not surprising, the scale of this impact suggests that uncertainty is preventing development and growth within these clean economy businesses and also hampering more traditional businesses being able to access lowest cost abatement solutions, such as renewable energy, carbon offsets or other lower carbon technologies, products and services.

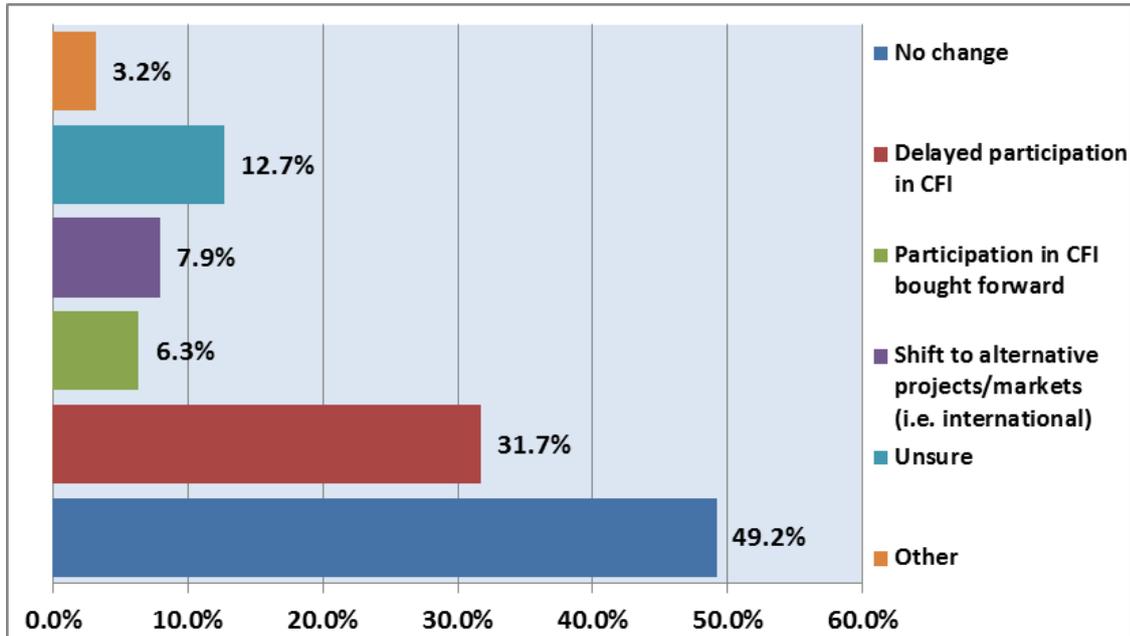
**Figure 18 Where the carbon price uncertainty has resulted in changes to your business please rate the overall impact on your business? – Clean economy sector**



**5.2.3 Impacts on strategy and investment decisions for carbon offset providers**

One business segment of the clean economy sector that has been particularly impacted by the carbon pricing uncertainty has been carbon offset providers. Offset providers that participated in the survey and were interviewed all reported reduced demand for carbon offsets as businesses are not prepared to invest in long term projects to offset their emissions. This finding was supported by the results from the whole sample of businesses which responded to the survey as shown in Figure 18 below. This showed that of the 63 businesses that identified as participating in the Carbon Farming Initiative (CFI), almost 32% had delayed involvement in the scheme compared to only 6.3% who brought forward their involvement. A further 8% of businesses were investigating international offsets.

Figure 19 Impact of the carbon price uncertainty on uptake of Carbon Farming Initiative



The CFI has bipartisan political support. Under the Direct Action Policy the demand for abatement will come primarily from government rather than the private sector. Investment by the private sector in the CFI is therefore currently stagnant.

Some of the varied impacts of uncertainty on carbon offset companies are highlighted in the following case study.

### **Case Study: Uncertainty impacts for CFI Project Developers**

Project developers under the Carbon Farming Initiative need to secure long term buyers for carbon offsets in order to proceed with projects are being significantly impacted by the carbon price uncertainty.

Carbon Abatement Company 'A', a forestry project developer, advised that they generally require liable entities or voluntary buyers to purchase carbon units for a period of 15 years in order to support project development. This company has spent the last 2 - 3 years developing their CFI business strategy and building operational capacity, however they emphasised that growth in the CFI cannot be expected to have a significant impact without policy certainty and a sufficient carbon price to generate demand for offsets produced under the program. They are therefore focusing on other areas of business development until there is policy certainty and an appropriate price signal on carbon to drive offset demand.

Carbon Abatement Company 'B' operates as a non-profit biodiverse carbon offset provider. They have no compliance buyers, instead focussing on the voluntary market and providing premium offsets for projects with environmental co-benefits. The business has grown in terms of its client base over the last 2 – 3 years, but revenue has fallen with the exit of a few government and large business clients from the offsetting market. They adhere to the view that a 15 year investment is required to get compliance projects off the ground, although they have been helped by securing Biodiversity Grant funding. Company 'B' support the view that the carbon price uncertainty is having a negative impact on business. The company recently had an opportunity to re-vegetate a large farming property on the outskirts of Geraldton. The project would have been a \$5 million transaction, but the project is now on-hold due to uncertain carbon market conditions.

Staff numbers at Company 'B' have also fallen, with similar impacts felt along the supply chain, including closure of some nurseries. Significant costs have been incurred by developers to develop CFI methodologies, however opportunities to enter into contracts in the compliance market are on hold waiting on policy developments. Substantial economies of scale in planting projects can be achieved with larger sites but suitable landowners are harder to find due to concerns with long term legal covenants. Purchase of low productivity farmland by will be required moving forward.

The implication for the CFI is significant. Without certainty for the carbon abatement and offset sector there will be potential flow-on impacts such as employment and business viability for offset companies, impacts for forestry companies, nurseries, planters, landcare and maintenance professionals and others in the supply chain including more "traditional" businesses such as legal and accounting services.

## **5.3 Summary of key findings**

The survey results reveal that uncertainty around future directions in climate change policy are generally viewed as negative. Uncertainty is having a modest but material impact on overall business investment. These impacts are particularly acute for businesses in the 'clean economy' sector.

### **Uncertainty impacts for businesses in mainstream industry sectors**

- 18% stated uncertainty had delayed expanding into new markets, products, services or investments. A further 17% reported a decrease in demand for some products or services.
- 19% stated uncertainty had changed decisions around the timing of investment, with 14% stating uncertainty was impacting expected payoffs from investments.
- 14.2% stated uncertainty had resulted in delaying hiring new staff.

### **Uncertainty impacts for businesses in the clean economy sector**

- 78% stated that the impact has been either 'negative' or 'significantly negative'.
- 60% stated uncertainty had delayed expanding into new markets, products, services or investments. A further 38% reported a decrease in demand for some products or services.
- 60% stated uncertainty had changed decisions around the timing of investment, with 52% stating uncertainty had resulted in difficulties securing or justifying funding.

- 67% stated uncertainty had resulted in delaying hiring new staff.

**Support for the carbon offset industry**

- Of 63 businesses that identified as participating in the Carbon Farming Initiative (CFI), almost 32% had delayed involvement in the scheme compared to only 6.3% who brought forward their involvement.
- A further 8% of businesses were investigating alternative markets and projects including international offset activities.