

New South Wales: Sustainability State?

Introduction

Environmental sustainability or ecologically sustainable development are often mentioned in government strategies and business policies. But to date they have operated at the margins of the economy – and with burgeoning problems such as global warming, waste, traffic congestion, river degradation, water supply and peak power demands – the need to mainstream sustainability has never been greater.

Arguably environmental policy and economic settings for sustainability in New South Wales (NSW) should help business fulfil the goal of corporate social responsibility (CSR) and reduce their environmental footprint. Of course federal laws, policies and financial instruments have a big role to play. However, the current blend of voluntary, mandatory and regulatory measures implemented by the NSW Government, run the risk of becoming ineffective because of their lack of business specificity and potential contradictions with other policy objectives; such as minimising regulation and advancing economic growth without due regard to the resilience of natural capital and environmental services.

This briefing note presents an overview of the NSW Government's current policies that are related to sustainability outcomes and examines their relevance to business. Suggested changes at a policy and regulatory level are made in response to identified current shortcomings.

Current NSW Policies Related to Sustainability

The NSW Government released its vision for the future under 'The State Plan, A New Direction for NSW' in November 2006. The State Plan had five key areas of activity including: Rights, Respect and Responsibility; Delivering Better Services; Fairness and Opportunity; Growing Prosperity Across NSW; and Environment for Living.¹ Under the title 'Environment for Living', the Government outlines 3 key goals:

- A secure supply of water and energy – including water recycling and renewable energy
- Practical environmental solutions – cleaner air, progress on greenhouse emissions reductions and better outcomes for native vegetation, biodiversity, land, rivers, coastal waterways
- Improved urban environment.

A secure and sustainable water supply for all users is also articulated as one of the 'New Priorities' for Government Action. Furthermore, the State Plan indicates the establishment of a NSW Renewable Energy Target of 10 per cent by 2010 and 15 per cent by 2020, with an enforceable penalty for non-compliance when electricity retailers fail to meet their targets. And a greenhouse gas reduction target of returning to year 2000 emissions by 2025 and achieving a 60 per cent reduction by 2050.

In addition to statements on future government direction, there are also a suite of policies that aim to influence sustainability outcomes through a blend of voluntary, mandatory and regulatory measures.

Voluntary:

- GreenPower – renewable energy
- Energy Savings Fund – funding for projects that save energy and reduce peak energy demand
- Australian Building Greenhouse Rating – best practice for commercial buildings
- National Packaging Covenant – individual action plans can target reduced use of packaging and virgin materials (if compliance arrangements are adequate)
- Sustainability Compacts – voluntary agreements between the NSW Department of Environment and Conservation (DEC) and the CEO of a corporation

¹ See <http://www.nsw.gov.au/stateplan> for more information.

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- Cleaner Production – self help tool to minimise waste and pollution
- Industry Partnership Program – helps improve bottom line with matched funding
- Every Drop Counts Business Program – reducing water use and consumption
- Biobanking scheme – Threatened Species Conservation Amendment (Biodiversity Banking) Act 2006 – trial for next 2 years, may become mandatory in certain situations
- Water and energy saving plans – required for high consumers, but implementation is discretionary

Mandatory:

- BASIX (water efficiency and greenhouse cuts for new residences) – for property developers
- Greenhouse Gas Reduction Scheme – mandatory for electricity retailers and large users of energy (voluntary for other participants)
- Waste levy on landfill – discourages commercial and industrial waste disposal, to encourage recycling

Regulatory:

- Environmental Protection Licences – for certain types of activities undertaken by business are issued by Environmental Protection Agency (EPA)
- Polluter pays and the offences listed in Protection of the Environment Operations Act 1997.
- Extended producer responsibility, if required under the WARR Act
- Urban planning strategies

Impact of Sustainability Policies on Business

A combination of the State Plan, other policies, financial incentives and guidelines could aim to create a positive framework for a sustainable economy. However, do they encourage companies to adopt sustainable principles and create a level playing field with a minimum standard? Are there programs to address the problem of 'short-termism' that is the dominant company and market culture that leads to unsustainability?

Whilst it is clear the Government does have sustainability on the (public sector) policy agenda, it is not clear what role business will take as there is a lack of policy directed at improving the overall sustainability performance of business. For example, there is no suggestion that mainstream businesses will be required to individually source renewable energy, reduce greenhouse gas emissions, recycle water and waste, implement Corporate Social Responsibility programmes or report on sustainability and triple bottom line issues.

Not only is there a lack of policy that directly targets mainstream business, it would also appear that the Government is unwilling to consider any regulatory type enforcement on business regarding sustainability. For example, the Government asked the Independent Pricing and Regulatory Tribunal (IPART) to identify areas where regulation imposed an unnecessary burden on business in the *Burden of Regulation and Improving Regulatory Efficiency Report*. The NSW State Plan highlights the Government's opinion that less regulation and red tape is more attractive for business, and lists the 'cutting of red tape' as priority #3 for growing prosperity in NSW, citing that some regulation unnecessarily burdens and impedes competition, productivity, investment and innovation. This view suggests that legislation is only extra paper work; creating higher administration costs and is a burden that negatively impacts on business and the productivity of the market. This disregards any financial gains of a reduced footprint due to increased resource efficiency.

The additional tests for new regulation that are being established, could downgrade broad environmental and sustainability benefits, in preference to individual business economic benefits. The result of this would entrench unsustainable economic outcomes.

One of the main difficulties with this approach to regulation is that the productivity of the market is predicated on externalised environmental and social costs. Global warming is clear evidence of the unsustainability of the current market place, labelled by former World Bank Chief Economist Sir Nicholas Stern as 'the greatest market failure ever'. In the current marketplace those companies that seek to internalise environmental and social costs are often placed at a competitive disadvantage against those companies that take no action on improving their sustainability.

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Macro-economic reform is needed to improve the operation of the marketplace so that clear price signals are established for the range of environmental externalities. This is the prerequisite for a 'market based green revolution':

- Obtaining the correct price for natural resources and ecological services and thus a disincentive to damage them
- Developing the requisite databases to set prices correctly and allow auditing
- Reducing risk to the environment (the precautionary principle)
- Embracing cost-benefit analysis, with the proviso that some things in nature are irreplaceable, making them literally priceless.²

Establishing a price on carbon is the first step on the green market macro-economic reform agenda. The initiative taken by Australian States in discussing a National Emission Trading Scheme (NETS), and for NSW in particular in implementing the NSW Greenhouse Gas Abatement Scheme, is to be applauded. Such schemes direct funds from those who pollute to abatement activities so that the economy's carbon footprint can be reduced. However, NGAS and the proposed NETS will not introduce a price on carbon that covers all aspects of business interactions; nor would they be sufficient to achieve sustainability and the types of changes needed to embed corporate social responsibility.

There is a vacuum in policy direction for business to improve sustainability at an organisational level. While there is a concern about the impact of regulation on small business, it does not excuse government inaction. Indeed, other legislation such as the Anti-Discrimination Act avoids unjust pressure on small businesses by the 'small business exception' (which excludes companies with less than 5 employees). Similarly, the Commonwealth Corporations Act delineates between company sizes regarding the application of particular provisions of the Act to avoid undue pressures.

It is further arguable that whilst undue pressure on small business is a legitimate concern, in this particular instance it is in fact easier for small business to implement such measures. Unlike large corporations, they do not have the added hindrance of changing and challenging a corporate culture that is embedded over a large operation, nor the same complexity and difficulty regarding implementation and regulation of any measures introduced. Many easy initiatives could be undertaken by small business that would greatly contribute to the sustainability vision. Additionally they often reap the benefits of reduce costs through improved efficiency in resource use.

Environmental issues cannot be addressed merely by instigating soft and voluntary programs that inevitably lead to slow and patchy implementation. Such initiatives are often regarded as tokenistic and can be viewed as an attempt to diminish community concern, without the prospect of real change. If the Government were truly concerned about addressing environmental issues it would implement much broader ranging mechanisms. Considering the ecological footprint that business leaves, it seems surprising that they do not feature more prominently within the government and sustainability policy debate. The urgency of several environmental problems also demands comprehensive action.

What is required is direction that should lead business to reduce energy and water inputs; decarbonise; and implement systemic corporate social responsibility through sustainability planning, training and reporting.

Suggested Policies and Regulations Specific to Improving Business Sustainability

A range of new policies and regulations for sustainability in the business sector would create certainty for business operations as well as investment, and create new jobs. The 'wait and see' attitude from business needs to be short-circuited. Clear business policies would divert investment (both external and from inside the business) from environmentally degrading activities to environmental repair and improved efficiency. This would reduce the environmental footprint of the market, effectively promoting greater resilience in resource provision and access.

- In the first instance the government should further address its operations, including its corporations. Credible public sustainability reports; reduced energy and water consumption as a result of efficiency measures directed at operations and offices; a green chain of supply; and investment of funds in socially responsible and green activities – should make government the leader. Some agencies such as Landcom and WSN Environmental Solutions are already travelling along this path but the effort needs to be extended through direction from the Premier and overseen by a special unit in the Premier's Department.
- The problem of externalities should be progressively resolved where the government sells resources (or access to resources) such as water, minerals and electricity. Clause 14A (2) (g) of the IPART Act directing attention to

² The Economist, April 21st 2005, 'Rescuing Environmentalism', accessed at http://www.economist.com/opinion/displayStory.cfm?story_id=3888006.

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ecologically sustainable development, should be bolstered so that prices properly reflect scarcity, environmental, social and total life-cycle costs.

- Where there is a three-year payback on water and energy savings measures business should be mandated to implement them in a timely manner with stepped targets. Currently, businesses consuming above a certain threshold must complete water and energy savings plans but are not required to implement them. Government funding could be offered for longer payback opportunities.
- TEC has previously welcomed the commitment by NSW and the other states to implement NETS by 2010, if the Commonwealth does not act. NSW should lead a debate about upgrading the greenhouse gas reduction target otherwise NETS will move too slowly to help abate global warming and ill-prepare Australia for effective low emission action by the decade after 2020 when key decisions will need to be made about the future of coal fired power stations. (Environment groups have suggested a 30% cut on 1990 levels by 2020).
- A special program to help SMEs embrace sustainable practices, with a specific sector-by-sector approach, should be funded. The current ad hoc, incremental approach should be disbanded. For example, sustainability issues should become an integral part of small business training that is offered by TAFE NSW.
- Government and industry associations should develop joint purchasing plans that favour products with less environmental impact (eg recycled paper, GreenPower, solar hot water) utilising combined purchasing power to expand the market for these products.
- Regulations to require extended producer responsibility for priority products such as e-waste and tyres will reduce the landfill load and recover resources. Contrary to the recent Productivity Commission (2006) report on waste, such measures are not a burden on business but an opportunity for more employment and reduced reliance on virgin materials. Importantly they decrease the environmental footprint of consumer goods.
- Control of “freeriders” in the emerging green market. Businesses are starting to see commercial benefit in tapping into the ‘greenmarket’. The government should ensure that environmental claims are validated so that only those companies that genuinely reduce environmental impact are rewarded.
- Greater accountability and overlap between the environment, planning and resources management portfolios when developing and implementing policy, such as for ‘sustainable cities’. A greener city with clean air, good public transport and energy efficient buildings can attract business investment.

Useful References

1. NSW Government, 2006, ‘A New Direction for NSW State Plan’, NSW Government, Sydney, accessed at <http://www.nsw.gov.au/stateplan/index.aspx>.
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4. Productivity Commission, 2006, ‘Waste Management’, Melbourne, accessed at <http://www.pc.gov.au/inquiry/waste/finalreport/waste.pdf>.

Contact Green Capital

Green Capital is Australia’s leading corporate sustainability program. We provide a forum for dialogue between corporate, government & community sectors to engage on corporate social responsibility (CSR) issues through events, workshops and campaigns.

Level 4, 78 Liverpool Street
Sydney, NSW, 2000

T: +61 2 9261 3566

F: +61 2 9261 3990

E: green.capital@tec.org.au

W: www.tec.org.au/dev/greencapital/index.php



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For example: Green Capital, 2007, ‘New South Wales: Sustainability State’, Sydney, accessed at www.tec.org.au/dev/greencapital/index.php.