

Introduction by General Peter Cosgrove

The Australian Rainforest Foundation is an environmental not-for-profit organisation based in the World Heritage Listed tropical rainforests of north Queensland. This global treasure is one of the most mega diverse rainforests in the world, it is home to a host of rare, threatened and endangered plants and animals and is possibly the repository for future life saving medicines.

With the highest level of support from the Australian Government, the Foundation has developed a new framework of partnerships between government, business and the global community and is continually finding new ways to encourage all Australians to invest in the environment.

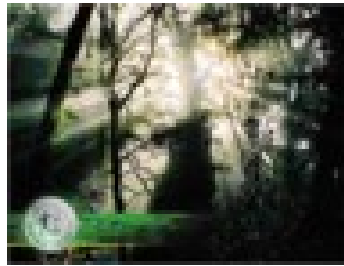
Today's speaker is the Foundation's Chief Executive Officer, Roger Phillips.

Roger has been CEO since 2002 and comes from a background in senior management in the private and public sectors, including Manager of Community Relations with the Wet Tropics Management Authority and CEO of the South Australian Tourism Commission. He has a strong marketing background, attending Columbia University's International Marketing Management program and winning the Pacific Asia Travel Association's Gold award for marketing.

Today Roger will discuss selling green products and working with NGOs



Climate Change Summit, Sydney 25 July 2007



Today I would like to talk about how business and indeed all Australians can view climate change and environmental responsibility as a business investment as well as an investment in our planet and our children's future.

Clearly, we are all concerned with climate change.



We may believe that the oceans will rise, fertile land turn to dust and our cities will be destroyed by rising sea levels and the bush destroyed by drought, floods and fires.

Or we may simply not **know** if the predictions of global warming will result in little more than another hot summer.

And of course, in the time-honoured fashion, even the scientists are at odds on cause and effect.

What **has** made the climate change debate get under all our skins is the fact that here and now we **are** faced with unusual climatic circumstances.

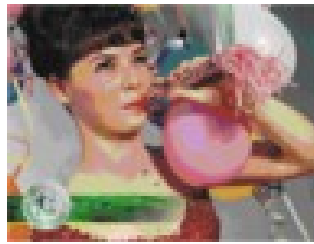
We feel that **something** is up!

Unusual at least in the small time frame of a human life of say 85 years.

Perhaps not so unusual in the terms of a thousand years of forest growth, glacier movements or sunspot cycles.

But nonetheless we do see longer droughts alternating with huge floods; we have extensive water restrictions on the east coast; and for us north Queenslanders it **feels** like stronger and more frequent cyclones.

I would hazard a guess that most of us in the room really don't know one way or the other, but **need** to respond to our customers, shareholders, our staff and indeed our children on the issue of climate change.



Some say if you can remember the sixties then you weren't really there.

Well I don't know about that, but I can remember the **seventies** and the debate on the oil crisis.

Dire predictions from the scientific community that we would run out of oil, focused media and business attention on the environment and led to a whole generation taking the environment and pollution more seriously.

However, in the past 35 years, despite the developed countries attempts at controlling pollution and energy consumption – good or poorly as that attempt might have been – the surge in third world energy consumption and resultant pollution; and the increase in world population has brought our total planetary carbon footprint to crisis level.

We seem to have come full circle.

Today it's not the oil crisis we face but the carbon crisis.

What I would like to address are some of the responses of business and individuals to the carbon crisis.

Perhaps we should seek to put some things into perspective first.

Climate change is a global issue and it can only realistically be tackled by all the nations of the world acting together.

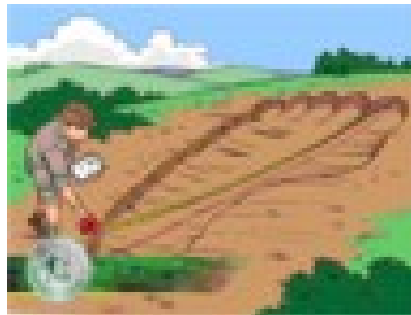
But does anyone here think this is ever a possibility?

However, there is little doubt that right now businesses and individuals are being bombarded with green products, many mere 'balms to the itch' of our carbon usage and, feeling guilty or not, we **are** under pressure from our customers, staff and shareholders, along with our spouses, children and the media – to DO something.

But what?



Right now the popular approach to going green, or to use the latest catchphrase, going carbon neutral involves three steps.



Firstly, an audit of one's carbon footprint.

This measurement is of course fairly broad and you should not expect that in most cases it does more than **estimate** the annual tonnes equivalent of greenhouse gas that we produce from using electricity and gas, driving a car, and producing waste.

Throw in going on holidays and travelling by air and we can get a reasonable snapshot of our carbon footprint.

But the principle of measuring our footprint is a good thing. In some cases it can be frightening to see the huge toll on the Earth's resources that our enterprise causes.

The second phase is to lower this footprint by reducing waste and energy consumption. Of course, this is more than changing the light globes, taking a four minute shower, turning off the computers or driving a hybrid car.

But hey, we are all seriously talking about these things now – 35 years on from the seventies oil crisis – and that's definitely a good thing.

And thirdly, we seek to do something environmentally responsible, often off-site from the business or the home, to balance our remaining carbon footprint.

You will notice here that I did not mention the word "offset".

Clearly there are schemes being promoted that will sell you carbon credits to offset your remaining carbon footprint. Many of these involve selling carbon stored in forest plantings, or credits from a carbon emitting business – but one which is not polluting as much as some arbitrary level set by government - and therefore able to sell their carbon differential.

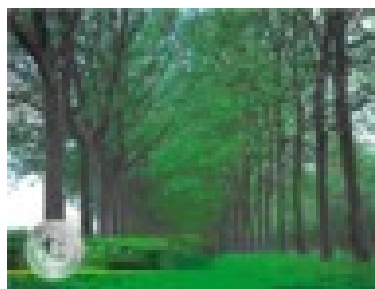


Science and the media have been critical of a range of responses to climate change and as usual, have lined up on both sides of the debate, creating confusion for business and individuals alike.

An article in New Scientist this year quotes offsets expert Mark Trexler from the US environment group, Clean Air -Cool Planet as saying **“Almost anyone can offer to sell you almost anything and claim that this purchase will make you carbon neutral”**.

And that about sums it up.

Much has been written on the value of planting trees to offset carbon.



“Sequestering’ has now entered our vocabulary.

However according to a variety of carbon calculators I checked out on the web, it takes about four native trees that have to grow and survive anywhere between 40 and 70 years to sequester or process a single tonne of CO₂.



For me to take out of the atmosphere, the CO₂ my car emits, I would need to plant 17 native trees – each and every year I drive the car - and all these trees need to live for 70 years until they offset my annual emissions of greenhouse gas.

There is complexity to the tree-planting debate that is often lost in the media.

The type, number and location of trees is very important – we must plant the right trees in the right place, to ensure their best chances of long-term survival.

We must also be sensitive to the local economy - planting Eucalypts in Thailand or Polonia trees in China could have a devastating effect on indigenous farming.

As an example of a bad tree planting idea, the conversion of peat bogs – massive carbon sinks - into oil palm plantations has made Indonesia a large producer of greenhouse gases.

A study published in December 2005 by the Carnegie Institute though, found that tropical forestation has a large net cooling effect, because of increased cloudiness and because of high tropical growth and sequestration rates.

However, this same study found little net global cooling from tree planting in temperate climates, where warming due to sunlight absorption by trees counteracts the global cooling effect of carbon sequestration.

To quote the Carnegie Institute “To plant forests outside of the tropics to mitigate climate change is a waste of time. To prevent climate change we need to transform our energy system... and **preserve** natural habitat such as forests.

To prevent climate change we must focus on **effective** strategies and not just **feel good** strategies.”



I would maintain that for most of us, the problem with offsetting and carbon credit schemes is that at best they are based on a broad estimate of our carbon footprint and at worst we simply don't know if the proposed offsetting is a con or not.

Again quoting New Scientist from March this year,

“What does seem fair criticism is that efforts to portray offsets as simple, quick fixes pose serious questions of both commercial and ecological legitimacy.

Offset sceptics argue that there is no substitute to cutting emissions.

For many the concept of “dump, burn and offset” is the worst possible outcome.”



Some have also compared carbon offsetting with the practice of purchasing indulgences in the Middle Ages whereby people believed they could purchase forgiveness for their sins - instead of repenting and not sinning any more.

You have got to admire those old priests for their business acumen, though.

Some environmentalists says that carbon offsets are an excuse for “business as usual” with regards to pollution.

Given the obvious commercial interests in the carbon crisis, the issue for Australian business and of course individual staff, shareholders and customers, is “how do I think globally and act locally?”

What **can I** do?

In a recent discussion with a major Australian coal mining company, the issue of carbon neutrality was raised. The company had done an audit of its carbon footprint and despite a staggering 350,000 tonnes equivalent of CO₂ per year, was looking at offsetting this through plantation forestry and other and waste / energy reduction.

Just so you get the picture, if we filled the MCG up with carbon dioxide from the pitch to the rafters, it would take 3,366 tonnes. So this particular mine filled up 100 MCG’s each year.

Let me share with you my “back of the envelope” calculation of the cost of offsetting through tree planting alone.

Four trees at maturity for 1 tonne equivalent, that's 1.4 million trees – (say 40 to 70 years)

\$5.6 million to plant, occupying 2,240 hectares costing anywhere from \$1 million to \$12 million in land acquisition costs.

We are already up to anywhere between \$6 and \$18 million.

If they **could find** the **right** trees and the **land** and then add in the management costs.

Then do it all over again every year that they want to offset their annual carbon footprint.

I raise this example to illustrate the many problems inherent in a simplistic approach to carbon offsetting – let's just plant a tree.

We simply do not have enough trees or land.

What's the answer?

Whatever it is, it is not going to be an instant solution.



Alternative, renewable energy? A big yes.

Clean coal technology? Yes, according to the World Bank Australia is one of the wealthiest nations on the planet, so let's invest in this type of technology. Australia should be the leader in alternative, cost effective energy research.

Seriously look for a variety of on site energy and waste reduction and off site environmental investments? Yes again.

Closing down the coal mines? Not likely is it?

And what about carbon trading?

Only when a national scheme based on robust science is introduced and this should be a priority for whoever is in power.

The argument goes that if we put a price on carbon the impact on a business's or indeed a nation's bottom line will force emitters to reduce the global carbon output.

Hard to argue with the economic analysis of a cap and trade carbon market but where to set the bar? What's a reasonable pollution quotient to accept?

Well, you can bet that what's reasonable for Japan say, will certainly not be seen as reasonable by China or Australia, or a host of other nations.

The Prime Minister said last week that an emissions trading scheme is only part of a comprehensive long term policy framework. **There is no magic bullet for addressing climate change , he said.**

So which green product to choose? What's dodgy, what's OK? Is it all about planting trees?

Given that the Australian Rainforest Foundation firmly believe global change starts with local action, the test of which product to buy, which action or actions we should take must be rooted in the values our business.

Furthermore, as business managers we should look for products that

- give added value,
- have a positive direct impact on the Australian landscape,
- are measurable and dynamic, that is they improve with age and
- they must leave a positive legacy for the next generation.

And yes, it is **definitely** more than just planting trees, measuring carbon tonnes or buying popular carbon offsets without investigating their credentials.

What it **is** about, is making a positive contribution to the environment to somehow counter the negative impact we make simply by living, working and engaging in commercial enterprise.

Not surprisingly, the Australian Rainforest Foundation has a rainforest product. So let me take you for a walk through the rainforest for a moment.



Scientists agree that our rainforests are remarkable places and in the context of the carbon crisis they are huge carbon stores, tying up more than 2.5 times the carbon of many plantation forests¹.

They are mega diverse, complex ecosystems and they are under threat throughout the world, including here in Australia, where 25% of our rainforests are in non protected tenure.²

Scientists argue – don't they just? – about the value of our rainforests; but the arguments are about **whether** they are the ultimate resource for our survival or the **greatest** resource mankind has.

In other words, there is no argument that these primeval refugia, these mega diverse repositories of life forms are a cornerstone in the climate change actions. Their protection and extension is critical to mankind's survival.

Protecting our existing rainforests is a sustainable investment in the environment. It also prevents the release of millions of tonnes of carbon dioxide.

Extending our rainforests by revegetation of adjoining cleared forest will create a secure home for rare threatened and endangered wildlife and according to the Australian Greenhouse Office, they will sequester almost a thousand tonnes of carbon dioxide as the trees and vines grow rapidly to canopy closure and maturity, over 40 years.

And undertaking **recovery** programs for endangered rainforest fauna will assist in maintaining the biodiversity of this global treasure by ensuring we maintain these dispersers of forest seeds.

The Australian Rainforest Foundation's response to the current carbon crisis is to work with industry and individuals on a sustainable environmental investment that not only counters our carbon excess but seeks to be: -

- in business terms - a leveraged investment,
- or for the marketers – an added value product
- and for the scientists, a net positive environmental impact.

¹ Gordon, V. in referring to comments from Professor Ernst-Detlef Schultz
Managing Director Biogeochemical Processes, Max-Planck Institute for Biogeochemistry
Jena, Germany.

² Australian Government Department of Agriculture Fisheries and Forestry – National Forest Inventory (2003)



Let me give you an example. Tropical North Queensland's tourism sector – one of the biggest in this country, is acutely aware of the need to protect the two world heritage listed icons that form the basis of their industry.

I am talking about the Great Barrier Reef and the Tropical Rainforests.

Climate change poses a significant threat to these icons and therefore the industry's profits.

For many years the tourism operators and industry associations have been investing in best practice conservation and supporting environmental research.

But this is not enough. The guilt trip associated with long haul travel's carbon output is very real in the UK and parts of Europe.

These are markets that are key sources of inbound tourists to TNQ.

Now the marketers in the room will sniff out a unique selling proposition or marketing edge here.

And we did too.



Planet Safe Partnerships is a tourism industry initiative that says take that long haul holiday and while you revive your spirit, revive the Earth at the same time.

Balance your share of the carbon footprint of the flight through the Australian Rainforest Foundation's programs, then buy your holiday content from your UK travel agent and Australian operators who have all also

- audited their carbon footprint and
- taken direct action to counter the "bad" carbon with a "good", sustainable investment in the environment.

I admit that this may initially sound like 'green washing' to some, but the commitment to the underlying values of these accredited eco operators; the investment in rainforest

protection, rainforest extension and threatened species recovery, is more than a marketing brand.

It is a deep felt commitment to an environmental product that is directly aimed at two world heritage global treasures.

Is it a case of business driving conservation or conservation driving business?

I think it is the latter, but clearly conservation needs to understand what drives business.



In a more recent Sydney case, ABC Tissue Products, an Australian owned tissue manufacturer established in Australia in 1985, with manufacturing sites located in NSW, QLD and New Zealand, has a commitment to the continued introduction of manufacturing procedures and policies designed to assist in the future protection of our environment. As part of corporate strategy ABC is a signatory to the National Packaging Covenant. ABC stands for Australia Better Choice.

ABC looked at the value of their environmental brand, Naturale. A toilet tissue manufactured from recycled white office paper.

The ARF has this week lent its own endorsement to the company's decision to protect rainforest by purchasing freehold Daintree rainforest for conservation, extend parts of the mega diverse global treasure through a 4,500 rainforest tree revegetation project and contribute to the operating costs of a cassowary hospital, through a royalty deal between the Foundation and ABC Tissues on product sales.

ABC took up this branding partnership exercise with ARF because they see it is their responsibility to drive the recycled tissue segment to reduce land fill.

Is this protecting and enhancing their brand? Is it leveraging their message in the light of the current climate change debate?

Yes of course.

Is it a valuable contribution to sustainable environmental outcomes? You bet it is.

It is also the start of thinking globally and acting locally and it is a welcome engagement by business with the conservation sector.

These are not the only businesses that are looking beyond a simple "tonne for tonne offset of carbon."

Ergon Energy in Queensland is looking 30 years into the future to plan their power pole needs through the recreation of rainforests and sustainable harvesting.

They are looking at a staff and corporate investment in countering their carbon usage through the ARF's three pronged Hero2 program and they are considering off-site revegetation of rainforest to go beyond the impacts of power line clearing.

Our planet needs Heros to fight climate change. The Foundation has Hero2.



What is Hero2?

Hero2 is an opportunity for all of us to tackle climate change, essentially through a pay roll giving program.

In essence Hero2 says we need to do three things to directly invest in the environment to fight climate change and to positively counter our impact on our environment. And the first shot in the climate change battle is protecting our rainforests.

With Hero2 we **protect** our existing rainforests through land acquisition of freehold forest for conservation in rainforest areas.

We **extend** the rainforest through mixed rainforest species revegetation on degraded land.

And we help **recover** endangered seed dispersers that keep the rainforest living. Birds like cassowary and parrots, along with various bats and possums. In developing our response to climate change, we have deliberately steered clear of the unresolved areas of carbon calculation and offsetting for the reasons I have mentioned today.

We recognised the enormous benefit rainforests provide to us; not just as mega diverse living laboratories, that may soon provide the cure to Alzheimer's, cancer and AIDS, but

as huge carbon stores in need of protection. Our rainforests hold more than twice carbon in their biomass than plantation forests.

We also know that not just in Asia and South America, but here in Australia, our rainforests have been felled for dubious agricultural returns; and we need to rebuild our forests in secure conservation tenure. R

Replanting our rainforests creates rapidly growing biodiverse forests sequestering hundreds of tonnes of CO2 per hectare, in relatively short periods of time.

Importantly, a rejuvenating rainforest does not alter water tables, adversely affect soil fertility or displace indigenous populations.

The investment in **rain**-forest trees is unlikely to catch fire and burn to the ground or require extensive irrigation. After all we do get 3 meters of rain a year!

And thirdly, we need to feel shame, that in a civilised country with a good natural science base, we have seed dispersers of our rainforest that are rare, threatened, or endangered. And we need to do something now to recover these species.

Finally, I would like to suggest a basis on which business and individuals can effectively leverage their involvement in the carbon crisis.

The first question we should ask ourselves is



“Do I **really** believe that I have a **responsibility** to make a positive impact on the environment as a result of my commercial activities?”

We need to accept that an investment in the environment is nowadays a cost of business, because our staff, shareholders and our customers believe that we do have this responsibility.

Business needs to passionately believe that genuine environmental investment is a worthy **value** - as well as a marketing edge.

So, we can do it in a smart, leveraged, added value manner, or we can buy tokenism. Either way we will soon be found out.

Secondly, we should consider thinking globally and acting locally. We are in deep environmental trouble in this country of ours.

So programs in Africa or Asia, while commendable, do not necessarily have a direct link with our future customers, shareholders or importantly our children. Let's get it right here first.

Again quoting our Prime Minister, "We can be an energy superpower in a carbon constrained future, but only with the right policy settings and only if we draw on all our national capabilities and resource advantages."

And finally, we should source our environmental product or affiliation from a credible agency.

Is the group selling a 'green' product simply for profit or are they an established conservation body with verifiable credentials?

At the end of the day, a commitment to protecting the environment will enhance our company's reputation, will satisfy staff and shareholder expectations and will reinforce our company's values – but only if the chosen option is executed with the best intentions of the planet's health as the **primary** motivator.

Yes, we can embrace conservation as a marketing edge, or unique selling proposition – but only if it stacks up.



As Boris Yeltisn once said,

"You can only get away with it twice!"

Well maybe it got lost in the translation, but you get the picture.

Thank you!