



## Green Matters – UK Overview

### ***“There is still time to avoid the worst impacts of climate change, if we take strong action now” Stern Review, October 2006***

This was the conclusion of a review commissioned by the UK Government, which responded by issuing the world's first Climate Change Bill setting out a vision for a low-carbon economy and, critically, proposing a national carbon reduction target of 60% reduction by 2050 and 26% by 2020. The UK Government also played a key role in securing agreement among European Union Heads of Government in 2007 to a binding target of 20% of the EU's energy (electricity, heat and transport) to come from renewable sources by 2020. This is an ambitious target, given that in 2005 only 2% of the UK's energy came from renewable sources, and on the basis of current policies this figure is expected to rise to only 5% by 2020.

The UK Government is not alone in driving change - 'Green' issues are uniting Government, businesses, charities, individuals and religious leaders, albeit with differences of opinion on the solutions. Large, high-profile businesses without a policy and budget to tackle their carbon footprint are fast becoming an exception. For 71% of businesses, climate change is a top 10 priority: 40% agree that reducing carbon footprint is an important aspect of their brand, and 75% believe that there's a lot more than can be done to reduce carbon emissions. Examples of organisations taking action on climate change include:

*Marks & Spencer (M&S):* in early 2007 one of Britain's leading retailers launched a GBP 200m, 5 year plan to make the company carbon neutral – the estimated impact being the equivalent of taking 100,000 cars off British roads each year. M&S is committed to using sustainable raw materials and organic products, and in an unprecedented move for the UK, from 1 May 2008 M&S levies a 5 pence charge for each plastic bag used by customers.

*Cadbury Schweppes:* in July 2007 this global food and beverage manufacturer announced a target of cutting carbon emissions by 50% by 2020 across its global operations.

*Kingfisher:* The owner of B&Q, Europe's largest DIY-chain, has ambitious targets for zero waste at stores and works with the World Wildlife Fund on timber sourcing issues.

*Infrastructure companies:* global infrastructure companies such as Laing O'Rourke, Lend Lease and Arup are all publicly committed to investing in and using sustainable materials and processes, and to understanding, measuring and reducing carbon emissions. The UK Government has called for all new homes to be 'zero carbon' by 2016 and will be closely monitoring progress on the world's first carbon neutral city, Arup designed Dongtan in China.

*KPMG:* their UK practice has saved over GBP250k annually since issuing branded sports-capped water bottles to employees (in place of plastic cups) and switching to renewable energy for all of their UK offices. Research shows



that employees increasingly value employers who take green issues seriously, and KPMG's Bag for Life scheme is estimated to save 5m litres of oil every year in plastic bag production.

*Tesco:* Amongst other initiatives Tesco, Britain's largest retailer, is aiming to have reduced the weight of a quarter of all its wine bottles by 2010, saving 72,000 tonnes of glass. It has been estimated that if Australia's top selling shiraz cabernet was transported to the UK in bulk containers and poured into lightweight bottles here the industry could cut the amount of glass used by 670 tonnes; and make possible carbon savings of 690 tonnes.

*The National Trust:* This high profile UK charity invited its 4,800 staff and 49,000 volunteers to stay at home on 29 February to improve their household carbon footprint. Fiona Reynolds, director of the National Trust, challenged other employers to take up the idea of a "Green Leap Day".

*Church of England:* has committed itself to reducing carbon emissions by 60% by 2050 through its 'Shrinking the Footprint' initiative. More recently it urged British residents to cut down on carbon, rather than chocolate, for Lent in 2008. For example, participants are encouraged to begin the "carbon fast" by removing one light bulb from a prominent place in the home and live without it for 40 days, as a visual reminder of the need to cut energy.

## Why does 'Green' matter to Australians doing business in the UK?

The high degree of awareness and concern on environmental matters within the UK poses both a challenge and an opportunity to exporters. Firstly, it is reasonable to expect any organisation that stakes its brand and reputation on being "carbon conscious" to seek evidence that its suppliers and partners are also mindful of their impact on the environment. Therefore Australians doing business in the UK should research the policies of potential customers and partners and, if relevant, be prepared to demonstrate their own commitment to those policies.

An additional challenge, and one which has the potential to impact on Australia more than its trading competitors, is that British businesses and consumers are seeking to reduce their use of certain categories of imported goods. The rationale is that the transport of goods, whether by land, air or sea, gives rise to carbon emissions. Indeed, 'food miles' is now one of four indicators that the UK Government uses to report the environmental impact of food transport. And although recent worldwide focus has been on aviation, a recent article in the UK's Guardian newspaper indicates that according to a leaked UN study, the volume of carbon emissions from shipping was found to be almost three times higher than traditionally thought, making it's total contribution almost twice as high as that from aviation - so the 'food miles' issue will remain high on political, corporate and consumer agendas.

Despite the above, there exists considerable uncertainty about the concept. For example the UK Government acknowledges that "transportation is just one element in the production chain... food miles are an incomplete way of judging whether the food we eat is sustainable". A 2007 study by Britain's Cranfield University showed that as roses imported from the Netherlands had to be grown in heated greenhouses, their carbon footprint was six times higher than those imported from more-distant Kenya. This is not an isolated finding.

There is also ambiguity at the individual level. A Marks & Spencer survey reveals that although 76% of UK consumers are positively inclined towards "green shopping", of this group only 11% define themselves as "crusaders" with the remainder split between those who want green shopping to be easy and those who don't see how they can make a difference.



The uncertainty means that whilst it makes sound commercial sense for Australian businesses exporting to the UK to consider whether they can change supply-chain logistics to reduce emissions, there are alternative ways to demonstrate 'Green credentials' – for example by investing in sustainable production techniques and environmentally sound operational policies. And given the low-level of self-described consumer crusaders, it should be possible to target sectors in which the environment is not a significant factor in commercial decision-making.

The ambiguity and scientific debates around causes of climate change are likely to intensify, meaning that Australians doing business overseas also have an opportunity to contribute to the global debate by working with Government representatives and industry bodies to demonstrate their Green credentials and strengthen their ability to compete internationally.

## 'Green' is part of a broader corporate trend

Many high-profile UK businesses are now investing in ambitious corporate social responsibility (CSR) plans. Being 'Green' is therefore typically just one component of a broader strategy that is aimed at social responsibility, sustainability and being seen to "do good". In 2006 the UK Government introduced legislation requiring public companies to report on environmental and social matters, and top British and International companies now compete in the annual "Business in the Community Corporate Responsibility Index" a leading CSR benchmark. An Economist Intelligence Unit (EIU) survey of over 1,000 global executives showed that close to 60% of companies attach 'High' or 'Very High' priority to CSR (up from 35% three years ago), a figure that is expected to reach nearly 70% by 2010.

In another example of the linkages between carbon emissions and broader ethical issues, the Soil Association (UK's largest organic food association) recently shied away from a proposal to withhold its approval from air-freighted organic food, instead announcing that in future such produce would have to meet its own 'Ethical Trade' standards or the Fairtrade Foundation's standards.

Clearly there are a range of ethical issues currently affecting the way Government, businesses and individuals make decisions, with global environmental and social factors high (if not on top) of the list. Again, the challenge and opportunity for Australian companies is to focus not just on Green issues but on broader domestic and international social issues such as employee well-being, philanthropy, and poverty-alleviation in indigenous communities (of which there is a relatively high degree of awareness in the UK).

## Opportunities for Australian companies

Clearly, Australian companies increase their prospects of success in the UK by investing in, and promoting, their own Green/ CSR policies. But equally importantly, the high profile of environmental issues provides significant new opportunities to win significant business in the UK. Recent Australian success stories include:

*Coolnrg*: A 'social purpose, for-profit' company that was established in March 2007 to reduce household CO2. After just 10 months they brokered a deal in the UK to distribute 4.5m energy saving light bulbs in partnership with the Sun (Britain's highest selling newspaper) and Southern Electric (major utility company). This represents a successful attempt to access individuals who want to reduce their household emissions as well as companies that want to be associated with a high-profile campaign to help Britain meet its CO2 targets.



*Global Corporate Challenge (GCC):* GCC offer a corporate health initiative with a difference - it's a team-based programme with an interactive website that simulates an 'around the world walk'. GCC has been highly successful in improving the health and well-being of office workers in the UK and are forecasting 70,000 participants from in 50 countries for 2008. By enrolling their employees in GCC, companies are able to contribute towards employee 'well-being' (independent medical study demonstrates weight-loss and reduction in risk of contracting heart disease). Moreover, if more walking results in lower use of private cars, this potentially contributes to a fall in carbon emissions.

*Oceanlinx:* Rough seas, big tides and the experience of installing complex oil machinery offshore near Aberdeen, make the British Isles a potential leader in sea power generation. In September 2007 the UK Government granted planning permission for Wave Hub, an A\$60m project that will provide a sea-floor "socket" allowing wave-power generators to get their electricity back to shore. One of the four commercial partners selected to participate in the scheme is Oceanlinx, an Australian company with an innovative system for converting wave energy into electricity.

*Envirosax®:* Queensland company, Envirosax®, has been a front-runner in the push to eliminate disposable plastic bags from consumers' buying habits. The philosophy of Envirosax® is to help create a better future for the planet by spreading the environmental message through colour and script using the Envirosax® eco-friendly bag as the vehicle. Both ranges of Envirosax polyester and hemp bags are designed in Australia and made in China, under fair wage and fair labour conditions. Envirosax believes in environmental sustainability and donates a percentage of all web sales to the Australian Marine Conservation Society, a national, non-profit charity dedicated to protecting our ocean wildlife. Since their successful entry into the untapped UK market in 2007, Envirosax is stocked across gift, fashion & lifestyle retailers in the UK, and plans to adopt a similar charity in this country.

## What next?

This paper is intended to provide a brief overview of the challenges and opportunities posed by 'Green' policies and trends in the UK. We hope that it will stimulate further debate amongst the Australian exporter community and we will be issuing further 'green' updates on specific topics in the coming weeks and months. We value your contribution to the debate, and your feedback on our briefings. Please do not hesitate to contact Kylie Hargreaves or Amit Aggarwal in the Austrade London office via [firstname.lastname@austrade.gov.au](mailto:firstname.lastname@austrade.gov.au).