PHYS.ORG

Third of firms still have no strategy to address carbon risk

June 29 2012

With only days to go before July 1 when the carbon tax comes into effect, Deakin University researchers have found nearly a third of businesses surveyed still have no coherent strategy to address their company's carbon risk.

The research carried out by the University’s Centre for Sustainable and Responsible Organisations (CSaRO) is part of a larger research project funded by the Australian Research Council which is looking at risk management strategies of carbon intensive firms.

Lead author Professor Nava Subramaniam said researchers contacted 600 companies due to report under the National Greenhouse and Energy and Reporting Act 2007.

Of the 96 companies who responded, 11 per cent have not done a Carbon Pricing Mechanism (CPM) assessment or have only just begun to do so.

“More than one third (35 per cent) have only done a ‘partial assessment’,” she said.

“This was particularly concerning especially when you consider the debate on carbon pricing has existed for a number of years now.”

Professor Subramaniam said 35 per cent of the firms either have no strategy to address carbon related risks, some were only in the development stage.

“Of those who have a strategy, only 17 per cent have a strategy which covers the entire company,” she said.

Professor Subramaniam said some of this hesitation and lack of planning may be due to the uncertainty surrounding the implementation of the carbon tax.

“Political uncertainty, particularly the opposition party’s proposal to repeal carbon pricing legislation, was cited by respondents as one of the reasons for not planning too far into the future,” she said.

Professor Subramaniam said companies predicted cost increases, downsizing or closing of production facilities as a result of carbon pricing.

“A third of the respondents predicted a fall in profits because they would not be able to pass cost increases onto consumers,” she said.

“But on the upside 59 per cent of respondents predicted the development of carbon friendly products and services as a result of the carbon pricing mechanism.”

Professor Subramaniam said it was critical boards of directors and related governing bodies took swift action to understand and integrate carbon risks into their risk management systems as there were a number of significant legal and fiduciary implications.

“Organisations will need to take a more enterprise-wide approach to managing carbon risks and beef up their internal audit systems,” she said.

“In particular, while the major concerns appear to be centred on issues of regulatory compliance and cost increase, firms will need to undertake a more comprehensive review of the implications of both up-side and down-side risks in terms of the impact on costs, pricing and margins.”

Provided by Deakin University