



## Who is pulling your chain? – supply chain, that is.....

There are some 7.6 Million registered businesses in Australia. Most are yet to consider the likely impact climate change legislation could have on their business with little attention being paid to international trends.

The Carbon Disclosure Project is the largest institutional investor coalition in the world with over 400 signatory investors and a combined asset base of \$55 Trillion. The following is a quote from their Supply Chain Report 2009 – “Looking at the impacts of carbon and climate change on supply chains, it is difficult to understand why some companies are questioning ‘if’ they should do something. The questions to be asked should instead be ‘what’ and ‘how’. The reason why is simple; carbon and climate change are serious issues, with critical commercial, financial, operational and brand implications. Therefore it is not an option, it is basic business sense.”

So where will SME's feel carbon and climate change supply chain pressure and why? We see two areas – corporate social responsibility at a Government/Corporate company level and Corporate green products.

The European Union experience has been that Governments and the Corporate sector have embraced the ‘corporate and socially responsible’ movement that surrounds the low carbon environment push. If you are an SME and want to do or maintain doing business with Government or the top end of town, environmental credentials are emerging as a must have, because when big business wants to build environmentalism into their brand they will choose to deal with companies who share their values. Pretty obvious you might say but the reality is most SME's are being pushed down this path rather than embracing the changes, voluntarily.

The second area is not as obvious. It arises from a Corporate company going down the path of creating a green product and which involves a life cycle analysis.

Let's assume Company A is a motor vehicle manufacturer in Australia. The company is corporate socially responsible and adopts a green policy internally and along its supply chain. In order to produce and market green (low carbon environment) products, it must conduct a life cycle analysis for each green product it manufactures (in this case, its cars), to determine the total cost of embedded carbon throughout the whole car manufacturing, distribution and disposal process. This ultimately means that Company A will need to know the carbon footprint of every company along its supply chain and roll the sum of all these footprints together with their own, into their products.

This is where things get interesting. One group of suppliers of goods/services to Company A are three transport companies. Transport Company 1 is not aware of or perhaps disregards the whole move towards a low carbon environment and adopts a business as usual approach. Transport Company 2 is aware of the changing dynamics of its corporate partners and has had its own carbon footprint, measured. This company becomes more attractive to Company A because it has commenced greening its operation and by being measured, has data to provide to Company, making this process, simpler.

Transport Company 3 however, understands the advantages and trends towards greening its business (ie positioning a business for success and profitability by making decisions to operate their business in a low carbon environment). This company has not only measured its carbon footprint, it has also purchased enough carbon credits to ‘offset’ all its carbon emissions and actively advertises this fact to all its customers and business stakeholders, without fear of ‘green washing’ allegations nor backlash.

When Company A looks along its supply chain to determine which transport company to allocate most of its work to, Transport Company 3 will be a stand out. By greening their business Transport Company 3 can advise Company A what its carbon emissions levels are, by buying carbon credits to offset its own emissions, means Company A does not need to buy as many carbon credits for its own products given Transport Company 3 has eased this burden and importantly, by selecting a transport company with ‘green credentials’, Company A conforms with its own policy of dealing with green businesses along its supply chain. Businesses looking for an advantage or early mover opportunities need look no further. The opportunities to gain competitive advantages lie in the carbon management space.

Where does one begin you may ask. The starting point is ‘measure’ your business carbon footprint, then ‘manage’ the process which may include purchasing carbon credits and finally, put in motion ‘minimisation’ solutions to save energy and thereby costs.