WINE INDUSTRY SECTOR AGREEMENT

Climate Change & Greenhouse Emissions Reduction

Government of South Australia

Wine Grape Council SA

SOUTH AUSTRALIAN WINE INDUSTRY ASSOCIATION INCORPORATED

1. INFORMATION SHEET 1 : WHY YOU NEED TO BE INVOLVED

Climate change presents both risks & opportunities for your business.

- ☐ Do you know what they are?
- ☐ Do you know what major retailers in the UK and USA are asking of their suppliers?
- ☐ Do you think your Australian customers care about climate change?
- ☐ Do you know what the upcoming Federal Government regulations and flow on costs will mean for your business?
- ☐ Do you want a better understanding of where your business has a high proportion of greenhouse gas emissions, so that you can make improvements, save money and make a difference to the environment?

The South Australian wine industry is addressing these questions…
Do you want the answers? Then read on….

Climate change poses both risks and opportunities for the wine industry and your business. The risks may be commercial or reputation based, regulatory in nature, or physical. Opportunities can also be presented by participation in the project, through increased understanding of your business, improving efficiency and potential cost savings. There is also an opportunity for the wine industry to promote our efforts, and gain recognition for early action on measuring and reducing greenhouse gas emissions.

Risks to your business from climate change- international and national drivers

The South Australian Wine Industry competes in a global marketplace, with a high percentage of exports to the UK and the USA. Two of the largest retailers in those markets, Tesco (based in the UK) and Wal-Mart (based in the USA), **have initiated carbon footprinting processes**. Tesco are conducting a carbon labelling program, working with the Carbon Trust to measure the life cycle greenhouse emissions from products and labelling that product's individual footprint.[1] Wal-Mart, working with the Carbon Disclosure Project, has asked suppliers to start measuring and reducing their carbon footprint.[2]

They are certainly not the only ones going down this path, with other companies such as the UK's Sainsbury's undertaking a similar scheme as Tesco, and Japan announcing a food and beverage labelling scheme in August 2008.

Basically, "Proper carbon accounting and reporting is becoming the accepted minimum," (Chief Executive of Carbon Disclosure Project, Paul Dickinson said). "This proves the point that what gets measured gets managed." [3]

Closer to home there are also significant drivers for the wine industry to maintain its clean and green image. In a recent survey of Australian consumers for the report *What Assures Consumers in Australia on Climate Change?*, they found that 'nearly two thirds of Australian consumers **say that they would prefer to do business with a company that is working to reduce its impacts on the climate**. Australian companies therefore face strong incentives both at home and abroad to **green their reputations**'.

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[1] http://www.tesco.com/greenerliving/what_we_are_doing/carbon_labelling.page? accessed 1 December 2008.
[2] http://www.washingtonpost.com/wp-dyn/content/article/2007/09/24/AR2007092401435.html accessed 1 December 2008.
[3] http://www.washingtonpost.com/wp-dyn/content/article/2007/09/24/AR2007092401435.html accessed 1 December 2008.

Apart from these commercial and reputation based drivers, **there are also significant regulatory and flow on costs drivers** on the horizon in Australia.[4]

The Australian Government released a White Paper on the proposed Carbon Pollution Reduction Scheme (CPRS) on 15 December 2008. This paper outlines the design of the CPRS and the medium-term, target range for reducing carbon pollution. It follows the earlier release of a Green Paper, in July 2008, which canvassed options on the design of the scheme and has taken into account the outcomes of broad consultation and input from more than one thousand submissions.

The CPRS, which is due to commence in 2010, is a 'cap and trade scheme' where an overall cap on carbon pollution is set through issuing permits and entities have the ability to trade permits, ensuring carbon pollution is reduced at the lowest possible cost. Inevitably, the CPRS will increase energy input costs and will have implications for your business. Economic modelling by Commonwealth Treasury has shown long term growth of the Australian economy should still continue in a 'carbon constrained' future.

Under the CPRS, it is proposed agriculture not be included at the commencement because of the problems associated with measuring agricultural emissions at so many locations across Australia. The Government's current view is the earliest the agricultural sector could be covered is 2015, proposing to make a decision on inclusion of agricultural emissions in 2013. Further information on the CPRS can be found at *http://www.climatechange.gov.au/whitepaper/index.html*.

To prepare for the CPRS the Australian Government previously enacted the *National Greenhouse and Energy Reporting Act 2007* that provided for mandatory reporting of greenhouse gas emissions by corporations that met defined greenhouse gas emission and energy consumption threshholds. The first reporting period under the National Greenhouse and Energy Reporting System (NGERS) commenced on 1 July 2008. At this stage, only very large wine companies are required to report but, both NGERS and the CPRS demonstrate the shift towards mandatory reporting and the expectation that, ulitimately, carbon limitations will impact on smaller businesses even if they are not captured directly under the legislation.

Opportunities presented by participating

By participating in the Wine Industry Sector Agreement and measuring and reporting your greenhouse gas emissions, **you will have a better understanding of where your business has a high proportion of greenhouse gas emissions and will be well on your way to identifying areas for improvement, potentially saving you money through better efficiencies**.

As stated by Foster's Group Limited in their Sustainability Report, 'the first step towards managing our greenhouse gas emissions is to understand where they come from and what we can control or influence'.[5]

These are just some of the reasons that your business needs to participate in the Wine Industry Sector Agreement.

The Wine Industry Sector Agreement is a two year project to inform and to assist the wine industry to respond to issues surrounding climate change, including encouraging and assisting members to measure and report their carbon footprint. More information on the Wine Industry Sector Agreement is provided in Information Sheet 2.

The Wine Industry Sector Agreement focuses on measuring and reporting greenhouse gas emissions from winery or grapegrowing operations, so dealing with the commercial/ reputation and regulatory risks, and opportunities for efficiencies.

[4] Net Balance Foundation and AccountAbility with LRQA (August 2008) *What Assures Consumers in Australia on Climate Change? Switching on Citizen Power, 2008 Update – Australian Survey*, p. 27

[5] Foster's Group Limited Sustainability Report 2008.

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Physical risk, such as adapting viticulture practices to climate change are being addressed through other avenues, usually at a regional level due to the considerable variation in regional characteristics and changes to climate.

The following is from the Greenhouse Gas Protocol, the international standard for nearly all greenhouse gas (GHG) accounting systems, and summarises the business value of undertaking a greenhouse gas inventory.

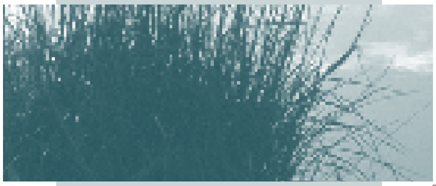
The business value of a GHG inventory

Global warming and climate change have come to the fore as a key sustainable development issue. Many governments are taking steps to reduce GHG emissions through national policies that include the introduction of emissions trading programs, voluntary programs, carbon or energy taxes, and regulations and standards on energy efficiency and emissions. As a result, companies must be able to understand and manage their GHG risks if they are to ensure long-term success in a competitive business environment, and to be prepared for future national or regional climate policies.

A well-designed and maintained corporate GHG inventory can serve several business goals, including:

- Managing GHG risks and identifying reduction opportunities
- Public reporting and participation in voluntary GHG programs
- Participating in mandatory reporting programs
- Participating in GHG markets
- Recognition for early voluntary action[6]

[6] WBCSD & WRI (2004) The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, p.3



Still need convincing why you should participate?
Then call Jodie Pain, Project Manager on **8222 9278**.