

VECCI's business sustainability products and services for small businesses

Compass

Carbon Compass, an exciting initiative from Carbon Down, is a web based community of businesses and organisations sharing their sustainability and carbon reducing knowledge, experience and practical solutions.

Visit www.carboncompass.com.au or call 03 8662 5490 to register your business.

Grow Me The Money

A 12-step program, Grow Me The Money will take your business through strategies to reduce your carbon footprint, save money and report credibly on your savings to customers, staff and the community. Grow Me The Money participants save on average \$7019, across all three utilities, and deliver over 60 tonnes of carbon abatement (from a sample of 288 business participants).

Join Grow Me The Money today at www.growmethemoney.com.au or by calling 03 8662 5333. Prices start from \$99 and are tax deductible.

Sustainability Consulting

Experienced VECCI Sustainability Consultants can show you how to achieve great outcomes for your business, your community and the environment, with expertise in:

- Sustainability strategy and policy development
- Environmental opportunity assessment
- Action planning and implementation
- Carbon footprint assessment.

VECCI consultants come to you, saving valuable time, and their assistance is tailored to your unique circumstances. Visit www.vecci.org.au/sustainability or call 03 8662 5480. Discounts apply for VECCI members.

Sustainability Training

Want to know more and learn from other businesses? In a new era of 'green choices', VECCI's dedicated training and briefings can help your business reduce its environmental footprint, save money, and give you a competitive advantage. Delivered throughout Victoria, prices start from just \$49.50.

The following programs are currently available:

Carbon Management 101: cutting through the carbon jargon. Who should attend? All small business representatives interested in climate change, carbon management practices as well as identifying opportunities for making environmental and financial savings.

Sustainability in Action workshop: hands on sustainability practices for SMEs. Who should attend? Small business representatives interested in tools and techniques that assist to track their resource use and realise financial savings.

Creative Thinking and Sustainability workshop: Your sustainable edge in changing times. This half-day workshop is packed with practical tips and hands on examples demonstrating the four cornerstones of creative thinking and uniting these with opportunities for sustainable business practice. Who should attend? All business representatives interested in smarter decision-making and sustainable business practices.

Green Office Briefing: simple steps to green your office. This two hour briefing is for SME's and larger businesses who wish to educate their staff regarding electricity consumption, paper use, waste disposal and purchasing practices in the office. This interactive briefing empowers staff to take immediate action in implementing green office practices.

To book, visit www.vecci.org.au/training or call VECCI on 03 8662 5333.

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www.vecci.org.au/sustainability

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VICTORIAN EMPLOYERS' CHAMBER OF COMMERCE AND INDUSTRY

IR ADVICE

TRAINING

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TOOLS & TEMPLATES

ADVOCACY & REPRESENTATION



small business and climate change what affects you and what you can do



Manufacturing businesses

Drivers of change in small to medium manufacturing businesses

- Changes in the energy market are putting pressure on energy prices, and will also increase the costs of inputs that are energy-intensive to produce
- Even if your business is not a large energy user, you may be subject to increases in prices of inputs from sectors more heavily affected by rising energy prices
- Overseas markets with more advanced climate change policies will have an increased demand for low-emissions and energy efficient products including manufactured goods.

What you can do in your small business

- Review your exposure to increased prices and adjustment costs, and that of your competitors
- Reduce your exposure to rising energy prices by improving the energy, materials and resource efficiency to reduce costs
- Strengthening the position of your business by making it as efficient as possible, working with your business clients and seeking out new business and product diversification opportunities
- Assess the 'life cycle' impact of the product(s) you manufacture or provide inputs to as part of a supply chain
- Provide information to your customers and business to business clients on your environment and sustainability credentials.

Fact sheets in this series

General climate change information:

- Drivers of change affecting small business
- Weathering climate change impacts
- Changing climates for large and small consumer markets.

Sector-specific climate change information:

- Accommodation
- Business and professional services
- Cafés and restaurants
- **Manufacturing**
- Retail and wholesale trade
- Tourism
- Transport.



A changing business environment

Small to medium enterprise (SME) manufacturing businesses will be impacted by rising energy prices from changes to the energy market, climate change policy responses and changing consumer preferences, including those of down-stream business-to-business customers. The physical effects of climate change will also have some flow-on effects, particularly in water pricing and access.

SMEs in the manufacturing sector produce a range of products, including:

- Foods and beverages
- Transport equipment
- Textiles, clothing and footwear
- Chemicals, metals, plastics and rubber
- Machinery and equipment
- Wood, paper and printing
- Furniture.

Many of these goods are used as inputs into other manufacturing industries and other sectors. These links mean that impacts in one industry can have consequences for businesses operating in a related industry or sector.

Adjusting to climate change policies and rising energy prices

Energy price increases

Regardless of the emissions trading delay, ongoing changes to the energy market will increase energy prices and present challenges and opportunities to SME manufacturing businesses.

All manufacturing businesses will be impacted by increases in energy prices and increases in the price of products that are energy-intensive to produce. In particular, these products include fuels, metal products (aluminium, iron, steel, non-ferrous metals), paper products, cement and basic chemicals.

If you are a SME manufacturer that relies on these products as inputs into your manufacturing process then you will likely face increases in your costs and more pressure to absorb costs to remain competitive with lower cost suppliers.

Product standards

Energy efficiency standards will affect SME manufacturers by influencing costs of production and the demand for energy related goods and services.

The Government's Minimum Energy Performance Standards set out minimum energy efficiency standards

for a range of appliances including refrigerators and freezers, electric water heaters, electric motors, and air-conditioners.

Combined with higher prices for energy, changes to the Minimum Energy Performance Standards are likely to influence some consumers' purchasing decisions. Impacts may include:

- Increased demand for more energy efficient appliances
- Increased competition in the industry as more products and providers enter the market.

Certain appliances are also required to carry approved Energy Rating or Water Efficiency Labelling and Standards (WELS) labels.¹ The labelling programs will be streamlined to provide national consistency, increase the stringency of standards and include gas products.

Overseas opportunities

Progress in implementing climate change policies, particularly emissions trading policies, in Australia and overseas has been slow.

However, there are a range of climate change policies in place. The European Union has had an emissions trading scheme since 2005, New Zealand's emissions trading scheme applies to the energy, industrial and fuel sectors from 1 July 2010, and the United States, Japan and Canada are likely to follow suit with schemes of their own.

Many nations have domestic energy efficiency standards that must be met by manufactured goods. These developments reflect a change in consumer and government preferences for sustainable goods and services.

As well as reducing costs, strategies to improve the energy and resource efficiency of your business, or reduce your emissions profile, could also be an effective way to make your products more attractive in overseas markets where energy efficiency and sustainability credentials are highly valued by consumers and large enterprise purchasers.

What you can do in your small business

No regrets to improve energy efficiency

In all cases, we recommend identifying and implementing 'no regrets' actions. No regrets actions are those that will benefit you regardless of the impact of climate change policies. For example,

improving the energy, materials or resource efficiency of your business is likely to provide long-term gains from reduced costs.

Actions that can be taken to respond to the new business environment and reduce costs include:

- **Instituting sustainable design and product development.** This will vary depending on the nature of the product but may include using recycled, biodegradable or less packaging, or where appropriate using inputs with a lower environmental impact, such as sustainably harvested timber rather than aluminium
- **Investing in efficiency and new technologies.** Some efficiencies may be delivered by efficient production layout and practices, using more efficient lighting and air conditioning, variable speed drives, improving insulation or shifting to lower emissions fuels. Larger scale responses could include process re-engineering involving the adoption of energy efficient manufacturing tools.

Seek out opportunities in new and expanding sectors

New energy efficient and low-emissions technologies, processes and products will increasingly be required by consumers, large enterprises and the commercial sector.

Australia's renewable energy target is expected to generate about \$4 billion of new investment and an extra 7,000 giga-watt hours (GWh) of renewable energy just in Victoria over the next ten years, mostly in wind power.²

In addition to large-scale renewable energy generation, there are also incentives for households and businesses to invest in small-scale generation technologies like roof-top solar, small wind turbines, solar hot water heaters and heat pump water heating systems.

Parts and products required by emerging industries, such as hybrid vehicles and renewable energy generation, are likely to be closely linked to the requirements of other sectors of the economy.

These changes present opportunities for manufacturers to gain from the growth of these industries, as component producers, product developers and manufacturers or in highly technical equipment servicing.

Changing consumer preferences

Customers are increasingly aware of, and interested in, the environmental impact of their purchases. To inform their decisions, customers are demanding information on how the products they consume affect the environment.

Concern about vehicle emissions and fuel prices will influence a growing consumer trend to smaller, lighter and more fuel efficient (or hybrid) vehicles. These changes will drive efficiencies and innovation in the way vehicles are designed, manufactured and serviced. This will have flow on consequences for

your business if you work in the transport equipment manufacturing industry.

Increasingly, consumers and retailers are demanding products and packaging that is recyclable or re-usable. In particular, this could have an impact on your business if you manufacture non-durable goods, such as food and beverages.

Life-cycle analysis and sustainability – where to start

Providing information to your customers and business-to-business clients on your contribution to the sustainability and 'life cycle' impact of product(s) you manufacture or supply inputs for will help meet customer demands for more information.

What to consider in your life-cycle assessment?

- The source products and their production and supply to your premises
- The manufacturing processes and any impacts on the environment (waste)
- The growing or transportation of the good (for example agricultural based food products)
- Packaging materials and processes used in distribution and sales
- Final disposal and recycle-ability of waste material from your product.

To affect a change, consider if you could change the source or type of inputs, packaging materials, or institute more sustainable practices to reduce the environmental impact and increase demand for your product in green consumer markets.

Adapting to climate change – identifying risks to your small business

The breadth and diversity of the manufacturing sector means that SME manufacturers could be affected by the physical impacts of climate change in a range of ways.

Increased temperatures and reduced rainfall will impact on the price and availability of inputs from the agriculture and forestry sectors. This will affect manufacturers of products that use food, grain, wood, pulp or paper. For example:

- Food and beverage product manufacturers may have to adjust product offerings as some fruits and vegetables become less available or cropping productivity (yields) moves to other regions.
- Clothing and textiles manufacturers may find that some organic materials become less available and/or more expensive to purchase or produce.
- Manufacturers of machinery and equipment that is used in the natural environment, such as agricultural and domestic gardening equipment, may find either that demand for their product falls or changes in response to changing climate conditions and consumer demands.

¹ See www.energyrating.gov.au for energy rating labelling information and www.waterrating.gov.au for water efficiency labelling information

² Victorian Government (2010), *Jobs for the Future Economy – Victoria's Action Plan for Green Jobs*, p.20