

The Introduction of Australia's Emissions Trading Scheme

**Level of understanding amongst
CEOs/senior executives**

Australian Institute of Management (Vic/Tas)

1st July 2008

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Executive Summary

The Australian Emissions Trading Scheme (ETS) is an initiative of the Federal Government to adjust for the challenges of global climate change.

The impact of its introduction will be felt across all business and industry sectors. The Australian Institute of Management VT surveyed over 250 CEOs, senior managers and business owners (small to large organisations across various industry/employment sectors) to determine the level of knowledge of the ETS in the broad management field.

Eight per cent of all respondents indicated they had no knowledge of the Emissions Trading Scheme and 80% stated they had only some or little knowledge of the ETS. There was a slight increase in the level of understanding amongst larger organisations. However, a similar percentage of larger organisations (200+ employees) had little or no knowledge as those coming from organisations employing less than 10 people.

Of those who were aware of the ETS, 94% had heard of the ETS via news reports and mass media sources (TV, print and radio). Over a quarter had heard of the ETS via their industry association.

Nearly two thirds of respondents felt the introduction of the ETS is justified; which is reflective of general social pressures and the need for individuals and organisations to become more environmentally accountable.

However, whilst the ETS had general support for its introduction and the majority of respondents had at least heard of it, only a third knew that the scheme comes into effect in 2010. The majority (44%) of respondents, indicated they did not know in what year it would be implemented.

Over 50% of respondents believed the scheme would impact on their organisation's operations, with the biggest impact being on increasing costs and increasing the level of government reporting and compliance.

When asked about their organisation's own current greenhouse gas emissions and / or energy consumption only 24% of respondents indicated they had a good level of understanding, with the majority of people surveyed being unaware of their organisation's current energy consumption levels.

Not Started Planning

Three quarters of respondents had not started planning for the ETS, with the majority of them not knowing when they would commence with the planning stage.

Overall, respondents from Government and manufacturing sectors had the greatest level of understanding and knowledge about the ETS.

The results of the survey have highlighted that whilst the majority of people have at least heard of the ETS and believe it is justified and recognise it will have some impact on their organisation's operations, there is a low level of knowledge as to what the scheme actually entails. This is reflective of the high number of organisations and businesses that have not yet begun planning for the scheme's introduction. Similarly, a high number of respondents had little understanding of their organisation's current energy consumption, nor did they understand how the scheme, to its full extent would impact on their organisation's operations.

Background

The Australian Emissions Trading Scheme (ETS) is an initiative of the Federal Government and is being implemented in response to the challenge of climate change. The ETS is set to come into effect in 2010, with the detailed design of the scheme to be finalised by the beginning of 2009 following the Government's release of the proposed ETS design framework in July 2008.

Emissions trading is a market based scheme that allows parties to buy and sell permits for emissions or credits for reductions in emissions of certain pollutants. Essentially, organisations that reduce their emissions below the threshold collect credits they can then sell to those organisations that use a higher than legislated level of carbon emissions; hence creating a free market trading environment.

The impact of the ETS will be felt across all Australian organisations. The introduction of carbon pricing will increase the cost of electricity, transport and fuel. Given its impact on the operation of business and the pending announcement by the Federal Government, the Australian Institute of Management VT sought to understand the level of ETS knowledge of CEOs, business owners and senior management and how they felt it would impact on their organisations.

Methodology

Given the impact the ETS will have on the business sector, and to gauge the knowledge and level of understanding amongst the management sector, a questionnaire comprising 9 key questions was sent via email to a selection of CEOs/business owners and senior management across all industry/employment sectors. The questionnaire focused on the respondent's level of understanding as to what the ETS involved, whether they had an understanding as to their organisation's current energy use and what actions had been taken by them to plan for the ETS's pending introduction.

The survey was sent to all contacts on the Australian Institute of Management VT database who were classified as Senior Manager, CEO or Business Owner.

An initial email was sent on 1 June 2008, inviting people to provide their feedback on the proposed scheme.

A follow up email was sent on 10 June 2008.

In total, 288 senior managers, CEOs and business owners' responses have been used in comparing and analysing the results of the survey. Only those respondents who indicated this was their level of employment were included in the final analysis.

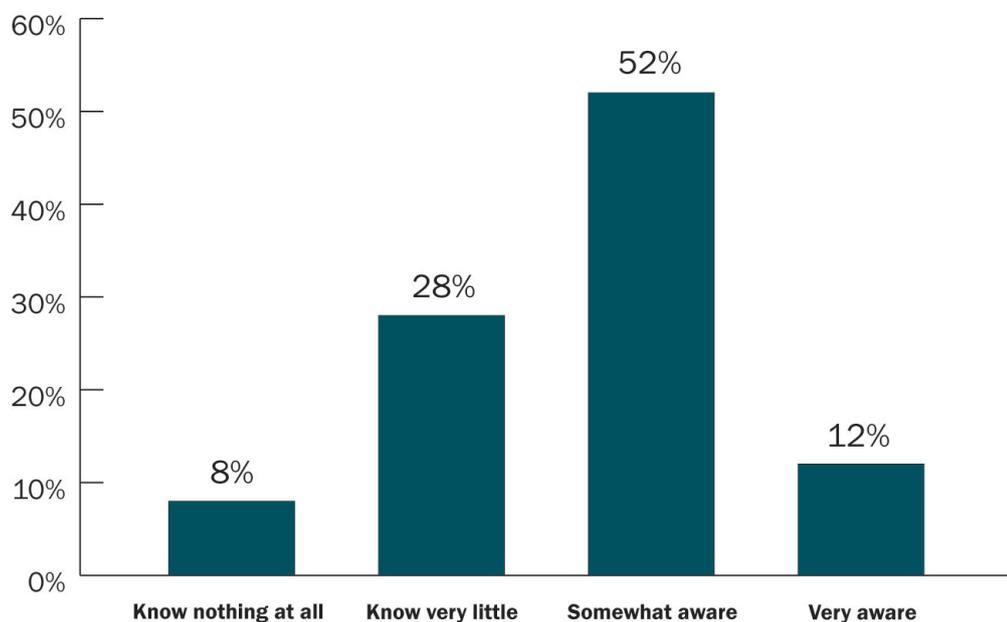
The results have been analysed based on the total number of respondents who had at least some knowledge of the Emissions Trading Scheme. Respondents who answered "know nothing" to Q1 have been excluded from the remainder of analysis so as not to distort the results.

Survey Results

As a signatory to the Kyoto Protocol, Australia has agreed to reduce its Greenhouse Gas Emissions. The central policy to achieve these targets will be the Australian Emissions Trading Scheme (AETS). The Australian Emissions Trading Scheme will require businesses to reduce their greenhouse gas emissions (such as carbon dioxide) significantly over time. This will likely involve the capping of emissions and the trading of emission permits by businesses. Although the Australian Emission Trading Scheme is expected to be targeted initially at major polluters, its impact will flow through to small and medium sized companies.

Question 1: How aware are you of the Australian Emissions Trading Scheme?

Figure 1: Awareness of Emissions Trading Scheme



Eight per cent of respondents indicated they had no knowledge of the Emissions Trading Scheme, with 80% only having little or some knowledge of the scheme.

This suggests whilst there may be a general awareness of the ETS and respondents may have heard of it, the level of understanding and how it will impact on their organisation's operations is significantly low.

There is a slight increase in the level of understanding amongst larger organisations. However, a similar percentage of larger organisations (200+ employees) had little or no knowledge as those coming from organisations employing less than 10 people.

Table 1: Awareness of the Emissions Trading Scheme by Organisation Size

Organisation Size				
	1 to 10 emp	11 to 50 emp	51 to 200 emp	200+ emp
Know nothing at all	12.5%	2.6%	8.3%	11.8%
Know very little	25%	30.7%	28.1%	26.5%
Somewhat Aware	55%	56.4%	49%	44.1%
Very Aware	7.5%	10.3%	14.6%	17.6%

By position, those in Senior Management had a better understanding of the scheme than CEOs and/ or Business Owners.

Sixteen per cent of senior managers were very aware of the scheme compared to 6% of CEOs and 12% of business owners.

Those working in the Government/Not for Profit and Manufacturing sectors had the greatest level of awareness over other industries. Nearly a quarter (23%) of Government employees were very aware, with 25% of manufacturing respondents also having a high level of understanding.

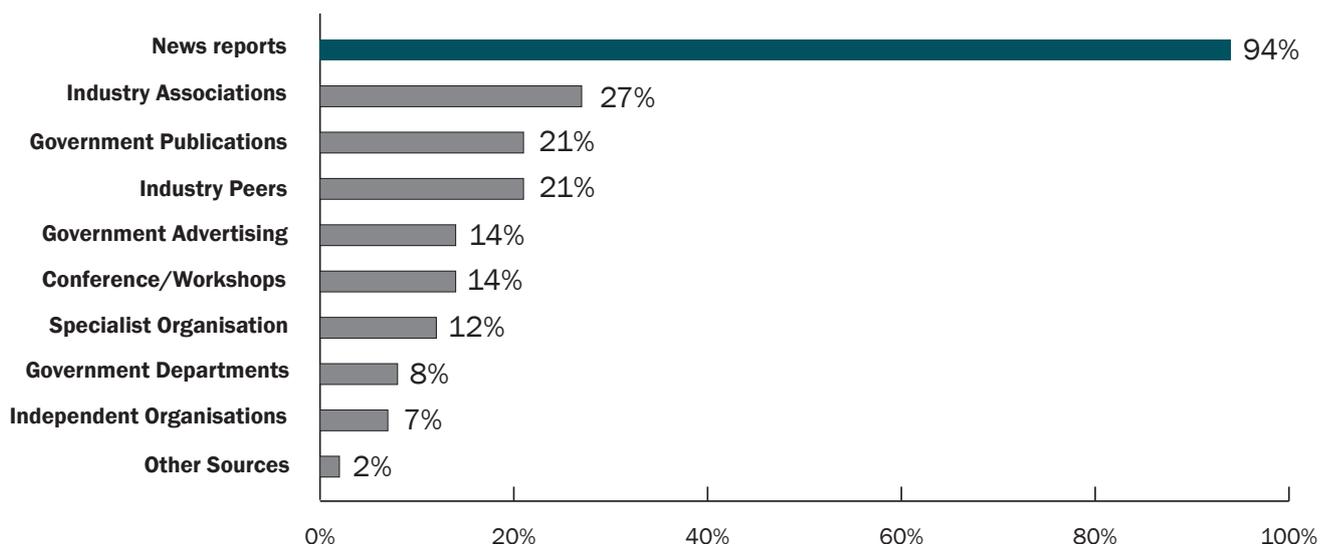
Those working in Banking/Finance and Property/Construction had the least level of awareness. Twenty five per cent of banking respondents and 33% of property respondents said they knew nothing at all about the ETS.

It would be expected that those working in Government and Manufacturing would have the greatest awareness, given the ETS will have greatest impact on businesses using high levels of energy consumption. However, it is interesting that respondents in the Property/Construction industry had little understanding, given its impact on this sector is already significant.

**Question 2: If yes, where have you heard about the Emissions Trading Scheme?
Please select all that apply.**

When asked as to which source they received their information regarding the ETS, the overwhelming majority of respondents indicated they obtained their knowledge from news reports (TV, print and radio), followed by information provided to them by Industry Associations.

Figure 2: Source of Information on Emissions Trading Scheme



The size of an organisation had some impact as to where respondents had obtained their information. Larger organisations had a slight preference for Industry Associations, while respondents from small organisations (less than 10 employees) received the majority of their knowledge from mass media sources.

Source of information remains consistent across field of employment and position held.

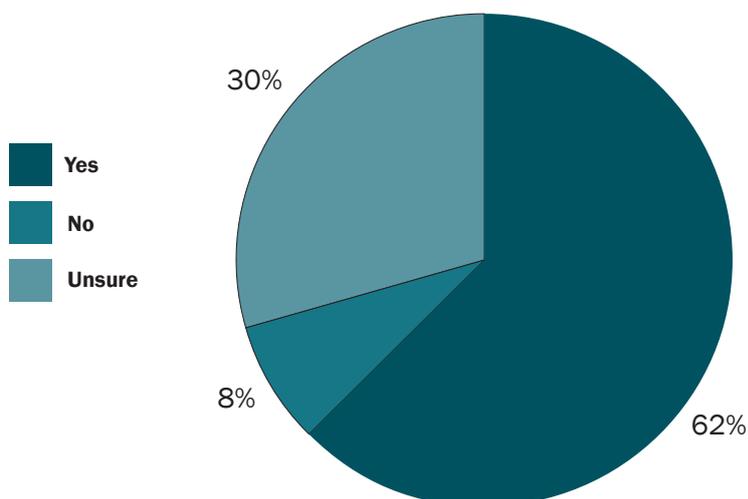
Table 2: Source of Information on ETS by Organisational Size

	1 to 10 emp	11 to 50 emp	51 to 200 emp	200+ emp
News reports	97%	86%	97%	94%
Industry Associations	14%	26%	36%	33%
Conference / Workshop	5%	8%	24%	17%
Govt. Publications	20%	16%	26%	23%
Govt. Advertising	20%	13%	11%	13%
Industry Peers	14%	18%	24%	30%
Government Depts	3%	20%	15%	10%
Specialist Organisation	8%	10%	16%	13%
Independent Organisation	8%	10%	30%	6%

Question 3: Do you think the introduction of the ETS is justified?

The majority of respondents felt that the introduction of the scheme was justified. Given that most respondents had limited awareness of what the scheme actually involves, the positive response to this question would be based on the overall social objective to become more environmentally aware.

Figure 3: Is the Emissions Trading Scheme justified?



Respondents with large organisations are slightly more supportive of the scheme than those working with less than 50 employees. Smaller organisations are just as well informed as larger organisations, so this result would not be based on having a lesser understanding. The key factor is the expected costs in compliance, with larger organisations being able to absorb the costs more effectively than smaller businesses.

Table 3: Justification of the ETS by Organisation Size

Organisation Size				
	1 to 10 emp	11 to 50 emp	51 to 200 emp	200+ emp
yes	54.3%	65.7%	63.6%	60.0%
no	11.4%	13.2%	2.3%	6.7%
unsure	34.3%	21.1%	34.1%	33.3%

Those holding positions as business owners were significantly more opposed to the ETS than senior managers and CEOs. Business owners may view the introduction of the ETS as having an immediate and direct impact on a business owner's bottom line. Whereas, CEOs/senior executives of an organisation may see the ETS as just another process in doing business, with no direct impact on their personal financial positions.

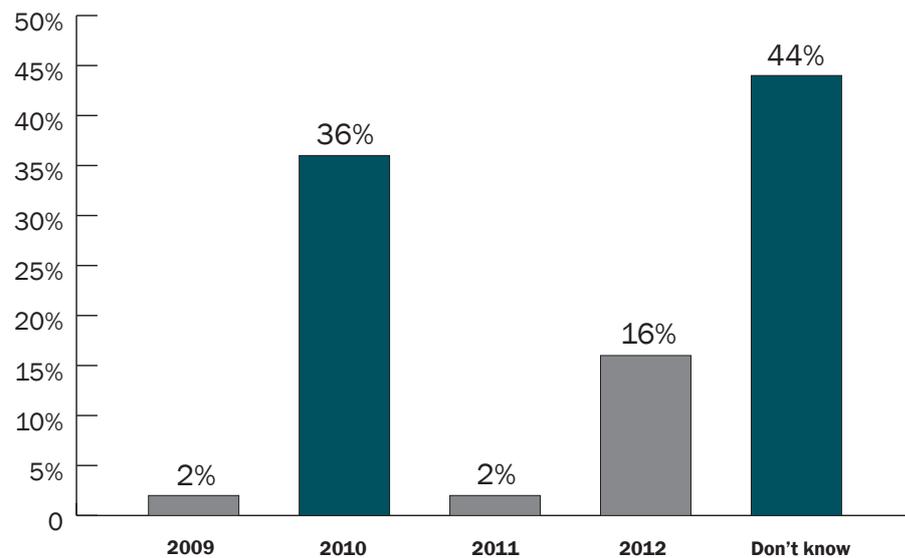
Table 4: Justification of the ETS by Position Held

	Senior Mang	CEO	Business Owner
yes	62.3%	69.7%	50.0%
no	3.7%	7.0%	16.7%
unsure	34.0%	23.3%	33.3%

Question 4: In what year does the Government's ETS become effective?

Only a third of respondents were aware that the scheme comes into effect in 2010. The majority of respondents indicating they "don't know". Despite the fact the ETS has achieved some break through in awareness via mass media the level of understanding and awareness, as indicated in Q1 and response to this question, remains low.

Figure 4: In what year does the ETS become effective?



By organisational size, larger organisations had less knowledge about the implementation date than smaller organisations. In terms of positions held, CEOs were most informed as to when the scheme becomes effective.

Table 5: Year of implementation by Organisation size

	Organisation Size			
	1 to 10 emp	11 to 50 emp	51 to 200 emp	200+ emp
2010	34.3%	44.7%	33%	30%
Don't know	42.9%	44.7%	40.9%	53.3%
Other	22.8%	10.6%	26.1%	16.7%

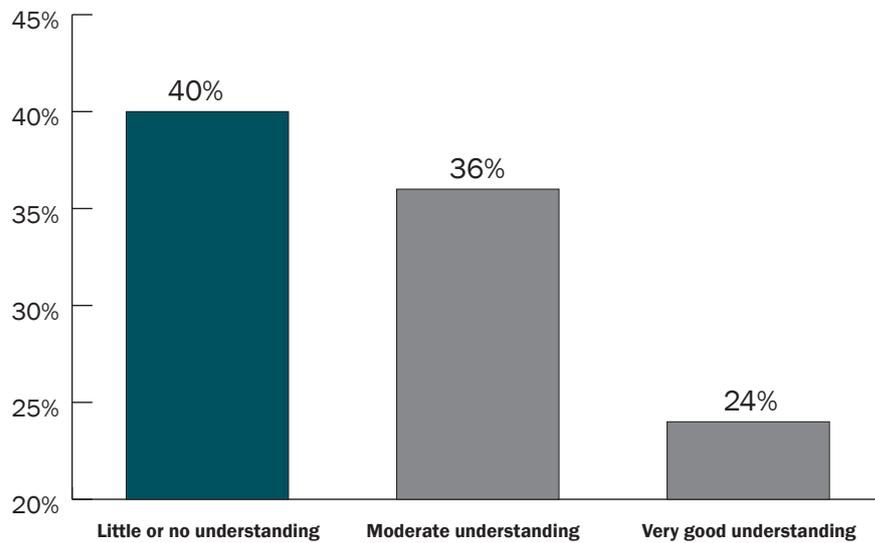
Table 6: Year of implementation by Position Held

	Senior Mang	CEO	Business Owner
2010	28.3%	46.5%	36.1%
Don't know	52.8%	30.2%	47.2%
Other	18.9%	23.3%	16.7%

Question 5: What is your understanding of the extent of your organisation’s current greenhouse gas emissions, energy consumption and/or energy production?

The majority of respondents had little or no understanding as to their organisation’s current energy consumption.

Figure 5: Current understanding of organisation’s gas emission and energy consumption



The level of understanding was greatest amongst smaller organisations, which is consistent with business owners and CEOs of smaller organisations being more involved in day to day operational activities than senior position holders with larger organisations; this may be an area that does not form part of their responsibilities.

Table 7: Current understanding by Organisation size

Organisation Size				
	1 to 10 emp	11 to 50 emp	51 to 200 emp	200+ emp
Very good / good understanding	31.4%	21.1%	20.4%	20%
Moderate understanding	48.6%	36.8%	28.4%	30%
Little / no understanding	20%	42.1%	51.2%	50%

Table 8: Current understanding by Position Held

	Senior Mang	CEO	Business Owner
Very good / good understanding	15.1%	32.6%	25%
Moderate understanding	39.6%	25.6%	44.4%
Little / no understanding	45.3%	41.8%	30.6%

Question 6: Do you think the introduction of the ETS will have an impact on your business?

Over 50% believed the ETS would impact on their organisation. Those organisations most conscious it would effect their operations were organisations employing between 11 to 200 employees.

Respondents with small organisations least felt it would impact their organisation with only a third saying it would impact on operations. This response is interesting given that smaller organisation respondents also felt the introduction of the scheme was least justified. So, whilst they are least supportive, they also don't think it will have as much impact on their organisation. The majority of respondents with small organisations (less than 10 employees) which responded were in consulting (29%) and professional services (34%).

In essence, respondents considered that the scheme was justified and felt that it would impact on their operations. However, this estimation is based on having little knowledge of the scheme and is probably linked to their knowledge of past Government legislative changes and the need to adjust operations accordingly.

Figure 6: Will the ETS have an impact on business?

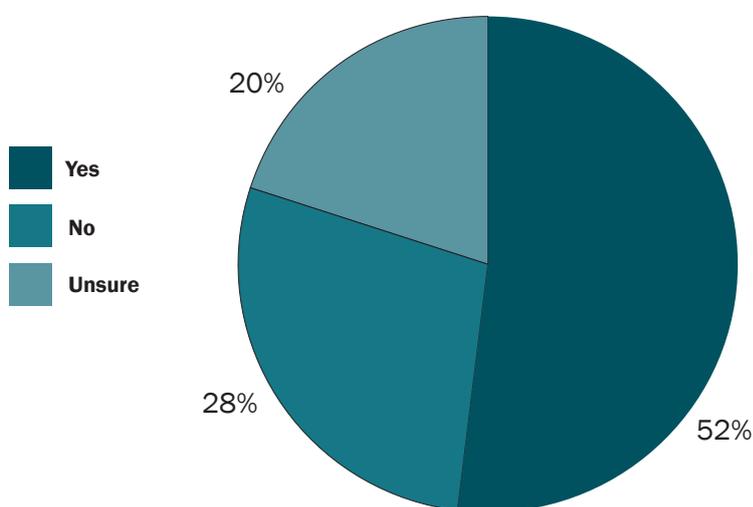


Table 8: Impact of the ETS by Organisation Size

	Organisation Size			
	1 to 10 emp	11 to 50 emp	51 to 200 emp	200+ emp
Yes	34.3%	60.5%	62.5%	43.3%
No	51.4%	18.4%	18.2%	26.7%
Unsure	14.3%	21.1%	19.3%	30%

**Question 7: If yes, in what way do you think the ETS will impact on your organisation?
Select all that apply.**

Respondents who felt the ETS would effect their organisation’s operations indicated it would increase costs, increase internal workload and increase the level of Government reporting.

By looking at the results by organisational size, respondents with medium sized organisations felt it would have greatest impact in increasing workload and Government reporting requirements. The rate of response was least amongst those from small organisations; this is consistent with response to Question 6 with small organisations feeling it would have least impact on their business.

Figure 7: Ways in which ETS will impact business operations

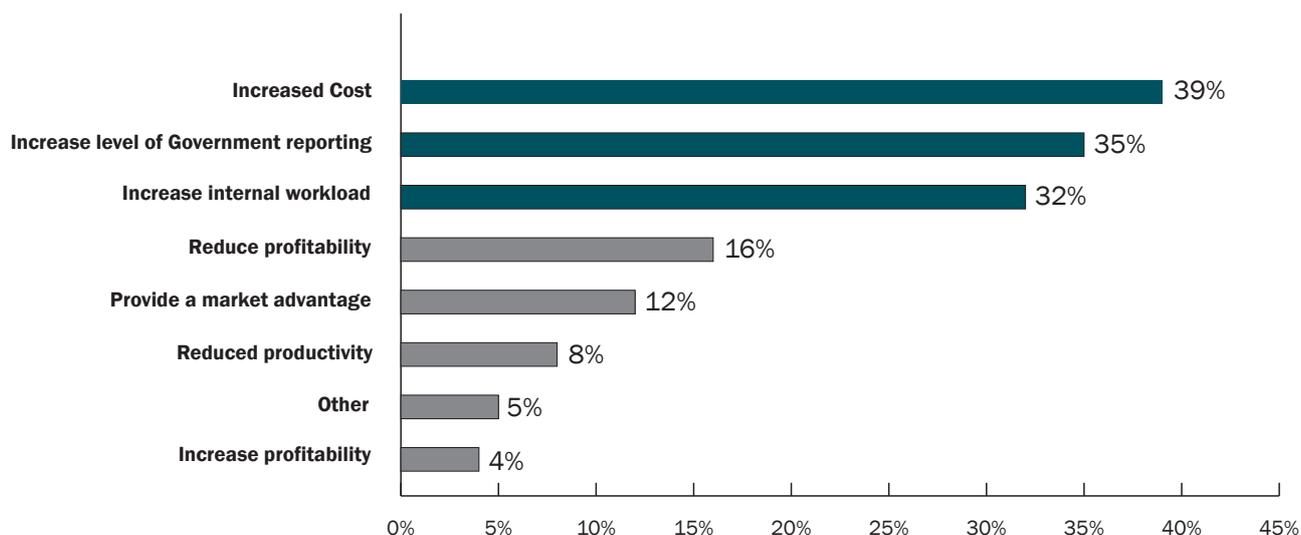


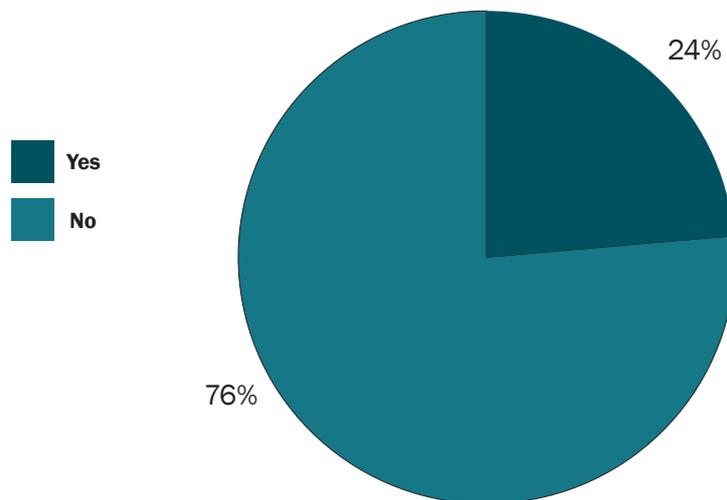
Table 9: Ways in which ETS will impact business by organisation size

	1 to 10 emp	11 to 50 emp	51 to 200 emp	200+ emp
Increased costs	20%	42%	53%	37%
Reduced productivity	6%	8%	10%	10%
Increase internal workload	11%	37%	41%	40%
Reduce profitability	8%	21%	20%	7%
Increase profitability	3%	8%	3%	0%
Increase level of government reporting	14%	45%	44%	30%
Provide a market advantage	11%	16%	8%	17%

Question 8: Has your organisation already started planning for the requirements of the ETS?

Less than one quarter of respondents had started planning for the ETS introduction. This is reflective of the limited knowledge of the scheme amongst respondents.

Figure 8: Percentage of companies that have started planning



As would be anticipated, larger organisations had made greater strides in beginning to plan for the ETS scheme. This is consistent with a higher number of large organisations having a better level of understanding and hence being in a position to begin the planning stages. As consistent with other results of the survey, manufacturing (44%) and Government (44%) have the highest percentage of organisations that have started to plan for the ETS.

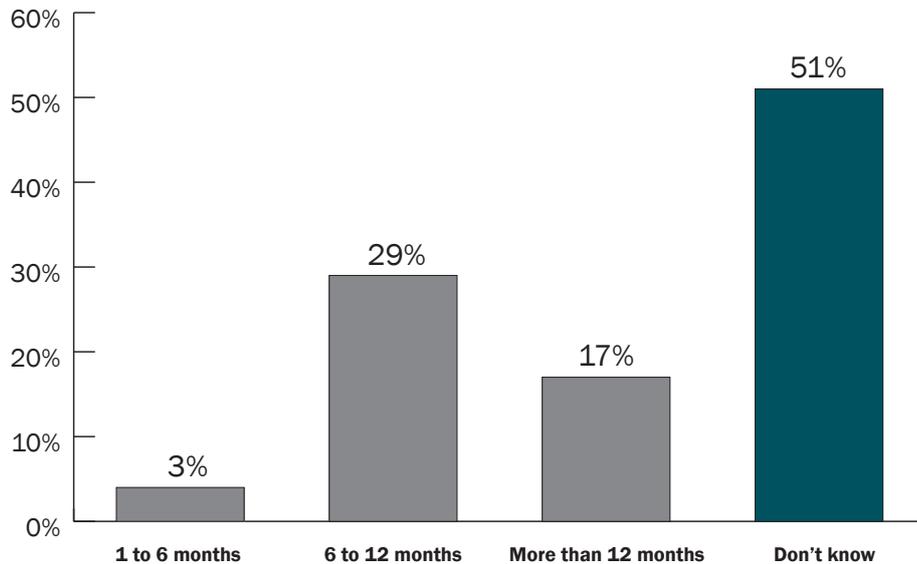
Table 10: Whether have commenced planning by Organisation Size

Organisation Size				
	1 to 10 emp	11 to 50 emp	51 to 200 emp	200+ emp
Yes	8.6%	18.4%	31.8%	46.7%
No	91.4%	81.6%	68.2%	53.3%

Question 9: If no, when will you commence planning for the ETS?

Of those organisations that had not started planning, the majority responded they did not know when they would commence.

Figure 9: When organisations intend on planning for the ETS



By organisational size of those organisations which hadn't commenced planning, larger organisations were no more advanced than smaller organisations. This lack of timing around planning is reflective of the general low level of knowledge and understanding as to how the scheme actually works and how it will impact on their organisation.

Table 11: When organisations intend planning for ETS by Organisation size

Organisation Size				
	1 to 10 emp	11 to 50 emp	51 to 200 emp	200+ emp
1 to 12 months	30.2%	32.2%	35%	31.3%
More than 12 months	12.7%	19.4%	20%	12.5%
Don't know	57.1%	48.4%	45%	56.2%

Respondent Profile

Detailed below is a breakdown of the respondents who answered the survey questionnaire.

Size of Organisation

1 to 10 emp	27%
11 to 50 emp	29%
51 to 200 emp	33%
200+ emp	11%

Age

29 - 35	5%
36 - 45	19%
46 - 55	44%
56 - 65	23%
65+	9%

Position in company

Senior Manager	40%
Chief Executive Officer	33%
Business Owner	27%

Level of Education

less than Yr 12	2%
Year 12	2%
Certificate Level	2%
Diploma level	16%
Undergraduate degree	21%
Post graduate degree	52%
PhD	5%

Gender

Male	84%
Female	14%
No answer	2%

Field of Employment

Professional Services	17%
Govt / Not for profit	12%
Manufacturing	12%
Consulting	9%
Health	8%
Education	7%
IT / Comms	5%
Banking / Finance	4%
Retail	3%
Property / Construction	2%
Unknown	1%
Other	20%

Survey Questions

1. How aware are you of the Australian Emissions Trading Scheme?

Very Aware	
Somewhat aware	
Know very little	
Know nothing at all	

2. Where have you heard about the Australian Emissions Trading Scheme? Please select all that apply.

News reports (TV, Print, Radio)	
Industry Associations	
Conference, workshops	
Government Publications	
Government Advertising	
Peers in my industry	
Government Departments	
Specialist Organisations	
Independent Agencies	
Other	

3. Do you think the introduction of the Australian Emissions Trading Scheme is justified?

Yes	
No	
Unsure	

4. In what year does the Government's Emissions Trading Scheme become effective?

2009	
2010	
2011	
2012	
Don't know	

5. What is your understanding of the extent of your organisation's current greenhouse gas emissions, energy consumption and / or energy production?

Very good understanding	
Good understanding	
Moderate understanding	
Little understanding	
No understanding	

6. Do you think the introduction of the Australian Emissions Trading Scheme will have an impact on your organisation?

Yes	
No	
Unsure	

7. If yes, in what way do you think the Australian Emissions Trading Scheme will impact on your organisation? Select all that apply.

Increased Costs	
Reduce productivity	
Increase internal workload to comply	
Reduce profitability	
Increase profitability	
Increase level of government reporting	
Provide a market advantage	
Other	

Survey Questions continued

8. Has your organisation already started planning for the requirements of the Australian Emissions Trading Scheme?

Yes	
No	

9. When will you commence planning for the Australian Emissions Trading Scheme?

Next 1 to 3 months	
Next 3 to 6 months	
Next 6 to 12 months	
More than 12 months	
Don't know	

10. Please indicate the size of your organisation

1 - 10 employees	
11 - 50 employees	
51 to 200 employees	
200+ employees	

11. Please select the description that best outlines your position in your organisation.

Senior Manager	
CEO	
Business Owner	

12. Please indicate your gender

Male	
Female	

13. Please indicate your field of employment

Professional Services	
Education	
Government / Not For Profit	
Health	
IT / Comms	
Banking / Finance	
Consulting	
Manufacturing	
Property / Construction	
Retail	
Other	

14. Please indicate your age bracket

21 - 28	
29 - 35	
36 - 45	
46 - 55	
56 - 65	
< 65	

15. Please indicate your highest level of education

Less than Year 12	
Completed Year 12	
Certificate Level	
Diploma Level	
Undergraduate Degree	
Post Graduate Qualification	
PhD	