

The Cost Of Climate Change

The effects of climate change pose serious social, economic and environmental threats to the world today. Over the next 50 years an estimated 200 million people will be displaced due to the rising sea level. 15-40% of the Earth's species face extinction, and the malaria death toll will be greatly increased due to the expansion of the tropics.

“Extreme weather events are becoming increasingly frequent, wreaking havoc and destruction, costing companies and countries billions of dollars”, says Kevin James, CEO of Global Carbon Exchange, a South African/Australasian-based carbon and energy reduction consultancy. A study conducted by a Deutsche Bank economist states that “forest decline could be costing about 7% of global GDP”. This translates to staggering global losses of between \$2 and \$5 trillion per year, losses we can ill afford in the current economic market.

For businesses, addressing climate change is becoming increasingly important and the risks of inaction could have far reaching and dire effects on traditional business models. The introduction of carbon tax based on a company's CO2 emissions could “soon” be implemented according to Environmental Affairs and Tourism Minister, Martinus Van Schalkwyk, when addressing cabinet in late July. “This would immediately create a liability on a company's balance sheet that just wasn't there before. Forward thinking companies have identified this as a risk to their future commercial sustainability and are taking action to at least know where they stand”, added James.

In addition, the cost of energy on individuals and corporations is also a growing financial burden. One of Eskom's proposed policies is to penalize consumers across the board should they not reach sector-specific energy reduction targets. The reductions necessary would be 5% for agriculture, 10% for commercial and household consumption, 15% for the industrial sector and 20% for hotels and shopping malls. So, as stated in The Stern Review, it is clear that “The earlier action is taken, the less costly it will be”.

A growing number of South African companies are taking action and enjoying savings by utilizing the services of climate change and carbon reduction consultancies. There are four steps companies should take to reduce their impact on climate change and maximize their energy efficiency, advises James. The first step is determining a carbon footprint, which quantifies the amount of carbon dioxide and other greenhouse gases a company emits per annum or per product. This is followed by an investment detailed financial energy audit, which pinpoints exactly where and how much energy is being used in the company's operations. This information is then used to implement reductions which maximise energy efficiency and lead to massive cost and emissions savings. Comprehensive staff-education and awareness programmes often lead to the greatest energy reductions in this step. Companies should ensure that the vendor they select offers this crucial service. Finally, should any emissions remain, there are a number of community-driven carbon reduction and offset projects available in which to invest, which also enhance a company's social investment and reputation.

“Taking action on climate change has a strong moral appeal to consumers and this translates into extremely valuable marketing and branding opportunities for companies”, says James, who has been educating management of various businesses on these opportunities in South Africa over the last 12 months.