

From IT to ET – imperative that all political parties commit to invest in sustainability

The following is taken from a speech given by Fiona Wain, Chief Executive Officer of Environment Business Australia at the Gold from Green Industry Forum in Melbourne on 17 October 2001.

The Australian environment industry has the potential to be a \$40 billion per annum industry by the end of the decade. This is one of the fastest growing industries in Australia and internationally. It will provide one of the biggest opportunities for enterprise and technical innovation that the world has ever seen. It will generate profits, trade, employment and technological advances in both rural and urban settings, as well as protect the environment. It is an opportunity that Australia cannot afford to miss.

In order to capitalise on the potential to overcome Australian problems and maximise its export potential, the industry needs timely and meaningful government support in political, financial and international leadership terms. Environment Business Australia calls on all political parties to support the initiatives in the Environment Industry Action Agenda and to allocate timely and meaningful funding to ensure implementation of the recommendations put forward by industry.

Why would government support this industry, when there are so many claims on its resources? Differentiation in favour of sound environmental practice at the production, consumption and disposal stages has already built a \$16.7 billion environment industry sector in Australia. This is direct commercial activity but the broader scope of the industry will help to

- - **make other sectors more efficient and competitive**
- - **reduce the costs burden on the taxpayer of pollution, dryland salinity and other externalities**
- - **protect and enhance eco-system services**

We have heard much about the pros and cons of globalisation recently, but now is the time for globalisation of environmental technology (ET) in order to overcome absolute poverty, to help secure stability and international security, to reduce the drain of ‘externalities’ on national and regional economies, to protect and enhance eco-system services, and to secure market opportunities through the production of ‘green commodities’ to meet the needs of an increasingly demanding global marketplace.

This approach is not based on altruism but on the need for Australia to take a leadership role in developing ‘natural capital’ markets. This country has a dynamic environment industry with solutions to many of the far-reaching environmental problems that face the world and which undermine economies at local, national, regional and global levels.

Access to drinking and irrigation water, sanitation, productive land, sustainable agricultural practices, and renewable energy are all clearly necessary to create global balance and equity. These are straightforward basic necessities of life that Australians and people living in other developed countries take for granted. But on the planetary scale we have mismanaged our resources and generally buggered up much of the eco-system supply chain. Billions of people do not have access to basic life support systems -let alone what we would call quality of life.

Australia is no exception in having mistreated natural resources, dryland salinity is a classic example. Where we are different is that this country, with its diversity of climates and topographies, has presented us with a panoply of environmental challenges - and the solutions to many of these challenges have resulting in science, technologies, goods, services, systems, new infrastructure, operational management and skills. And all are exportable commodities.

The environment industry is an industry like any other, but in one respect only - in wanting to maximise its growth potential. Because of the small size and scope of the Australian domestic market, the industry is becoming increasingly reliant on overseas markets. Our innovation is excellent but we need to become far more aggressive in marketing our goods, services and skills.

The industry has direct commercial activity of \$16.7 billion per annum and industry experts predict that this will exceed \$40 billion by the end of the decade. In addition the industry has a highly significant economic impact with its ability to increase the efficiency and competitiveness of other industry sectors. This is especially important as the global marketplace is becoming more sophisticated and demanding.

Good environmental management can also reduce externalities – the side effects of consumption and production that are ‘outsourced’ onto the environment but unpriced in the marketplace until they come back to bite – dryland salinity, air pollution, global warming are all signs of environmental deterioration with a significant cost attached to them.

The other economic issue to be considered is the protection and enhancement of those eco-system services which have not yet been valued and costed. We have taken clean air and water, waste treatment, pollination, flood control, soil fertility, and wonderful tourist spots for granted, yet a recent paper from the CSIRO points to their being worth far more than the global GDP. These are part of our marketplace and should be treated as such.

Business has long been an advocate of market based responses to environmental issues and the environment industry has grown from such a response. But we must recognise that markets need proper price signals and full information to work effectively, this means that the use of resources needs to be priced to take into account the ‘externalities’. Perhaps the most complicated matter is not the pricing per se but the consequential social, political and economic effects of changes in prices. What was formerly ‘outside’ the system now has to be internalised. There is no land, water or atmosphere into which products can be dumped freely. Certainly, there will

remain transfers, but they will diminish and they will be priced. And with pricing comes innovation – and opportunity.^[1]

Of growing concern is the vulnerability of environmental resources and the role they play in sustaining wealth or miring developing countries in poverty. Stability and security of nations is probably even more intensely linked to environmental integrity than to any other issue - including health, education and governance.

The biggest threat to any developed country is probably not another series of terrorist plane crashes, or even nuclear, biological or chemical warfare. Tragic, shocking and heart-sapping as the recent tragedies in the USA are, there are threats that could prove to be far more demoralising and could reduce wealthy communities to real and lasting poverty in days. The destruction of the basic infrastructures that uphold our way of life – drinking water, sewage treatment, energy supplies, waste collection, food distribution would be catastrophic, bringing any major city to absolute poverty lines.

These are realistic dangers that go unmentioned, eschewed as we imagine more dramatic scenarios such as bio-chemical or nuclear attacks. It is little wonder then that the more insidious havoc that we humans are wreaking on our eco-systems is virtually unthought of by the majority of people. The poisoning, running down and depleting of our environment is certainly changing - gone are the days when rivers would burst into flames, or when thick blanketing smogs would engulf cities. However our lack of sustainable planning means our ecological footprints are growing as we consume more resources, deplete productive soils, and produce more waste and pollution. This reduces our options significantly.

One of the chief causes of instability in many areas of the world will be access to water, and both quality and quantity are important. Many experts have long voiced the opinion that water wars are the next real threat to global stability. If river systems dry up because a neighbouring country upstream has siphoned off every last drop, or if the water quality is so highly polluted with industrial and human effluent that it is unuseable who would not act to reattain their 'natural rights' from the global commons.

This is where international economics and defence planning are failing. No major economy is measuring three of the most important enviro-economic aspects - externalities, the reduction of eco-system services, and the increasing destabilisation of societies and their security because of environmental run-down. In Australia the debate on population growth centres around aging populations and the need for a workforce to keep the economy running. But, we need to balance this with a real understanding of the productivity of our soils and the realisation that if we opt for a considerably larger population, it could be at the price of our agricultural exports.

It is understandable in these days of terror and dire necessity for governments all over the world to behave in a reactionary mode of band aid humanitarian support. But the future needs to be planned and assisted with long term strategies and tactics. Australia can play a key role in securing the future stability of the planet by thinking

^[1] Greg Bourne, Regional President/Director, BP, speaking at the Road to Rio+10 Forum run by the World Business Council for Sustainable Development and the Business Council of Australia

outside the box and by daring to have and to share vision that is both long term and strategic. This will help not only the environment but also help vulnerable countries create and defend basic infrastructure.

Certainly on a planetary level we need to forge the future we want and avoid the many possible futures which we do not want. A sustainable path to a sustainable future is not an option, we should be focusing on it as our sole objective.

Markets also need updating to encompass realities that extend beyond simplistic supply and demand scenarios. With industries and economies around the world in transition, Australia has an opportunity to take the high road and differentiate between what is sustainable and has long-term worth - and the future losers. While there is obviously going to be tremendous opposition from some quarters for a market based on the tenets of sustainability, in the best interests of a national and of a global economy the *perceived costs* of sustainable practices need to be weighed against the cumulative costs of activities that have negative health, safety, environmental and productivity implications.

There will, of course, be sectors that are impacted severely by this kind of change. Some industries will find much of their market disappearing, while others have to spend significant amounts to make their activities more acceptable and efficient. This is natural progression in a healthy economy – change brings about growth in new sectors and losses in others. Computers replaced typewriters, cars and trucks have largely replaced steam trains for travel and transport. It is of course human nature to want a world ‘as usual’ and to try to avoid what we see as penalties or draconian legislation. Many of the industries in transition are understandably fearful of their own demise or of the costs associated with converting to a more sustainable operations. However, companies that want a profitable bottom line will recognise early that environmental management is a central, not a peripheral issue for the competitiveness and growth of their enterprises.^{2[2]}

Huge business opportunities are available from the environment industry’s ability to value-add and this will assist other sectors in their search for the new competitive edge. Eco-efficiency, cleaner production, renewable energy, improved resource use, reducing waste, or the more specific example of providing potable and irrigation water from recycled water, stormwater or desalinated sea water (rather than drawing down rivers) are now realistic ways of increasing production while protecting natural capital.

The international institutions that control the rules of the market game are being increasingly scrutinised and called upon to help set the sustainable development agenda. EBA has long argued for a framework of sustainability within the WTO for example, as we believe that this body could be a dynamic driver for differentiation in favour of environmentally sound production and consumption practices. Many argue that this is not the role of a trade body, but the relevance of global institutions will be judged on how well they adapt to change and how well they help to shape our future. Integration of trade and environment has come to mean different things to different groups; in Australia it tends to be seen as an argument of protectionism from Europe

^{2[2]} GBN Australia, for the Australian Business Foundation, September 1999

or as a way to halt globalisation completely by militant groups. The environment industry sees trade and environment as a way to open the markets of the future.

Australia stands to benefit from the integration of sustainability at these high levels. Internationally we have a clean green image that we should be building on, farmers and food producers would be the first to benefit. The production of 'green commodities' would also help Australia's international competitiveness.

During his address to the National Press Club, on August 1st this year, the Prime Minister referred to one industry sector - the environment industry as providing solutions while others point at the problem. Australia certainly has a vibrant and dynamic environment industry at the leading edge of innovation but to be world leaders we need industry and government to invest in our potential.

The Prime Minister said "Australia's current and future success is the combination of its people's talent and the land's health and capacity to sustain a prosperous population – both must be nurtured...The reality is sustainability is an expression that increasingly denotes the inter-related health and wellbeing of both the environment and the economy."

The Australian Environment Industry Alliance calls on all political parties to support this industry and to commit to providing funding and in kind support to ensure that the recommendations in the Environment Industry Action Agenda are implemented. This is imperative as in many sectors we do not have companies with the size, reach and capital required to make the enormous investments necessary to bring many of the new technologies to market. Nor can the industry alone reallocate perverse subsidies, change government tendering practices to be outcome rather than process focused, or create the incentives necessary for other industry sectors to integrate innovation into their commercial supply chains. We have a critical part of the puzzle but the picture can only be completed in tandem with Government. Our successful future depends on it.

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