

# Climate Change in WA: Are Small Businesses Ready?

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# Overview



Business and Climate Change

The Unique Role of SMEs

Understanding The WA Context

Practical Steps For Action

# Industry is already a major contributor to global warming ...

*Global emissions (gigatonnes of CO<sub>2</sub> equivalent) by major general sectors*

<b>Energy systems</b>	<b>20 GtCO<sub>2</sub>eq</b>	<b>34%</b>
<b>Industry</b>	14 GtCO <sub>2</sub> eq	24%
<b>Agriculture, forestry &amp; other landuses</b>	12 GtCO <sub>2</sub> eq	21%
<b>Transport</b>	8.3 GtCO <sub>2</sub> eq	14%
<b>Buildings</b>	3.3 GtCO <sub>2</sub> eq	6%
<b>Total</b>	57.6 GtCO <sub>2</sub> eq	99%

# But What About SMEs?

Biggest single group of businesses in WA and Australia

Biggest employer of people

Not a “shrunk down” large corporation – run very differently

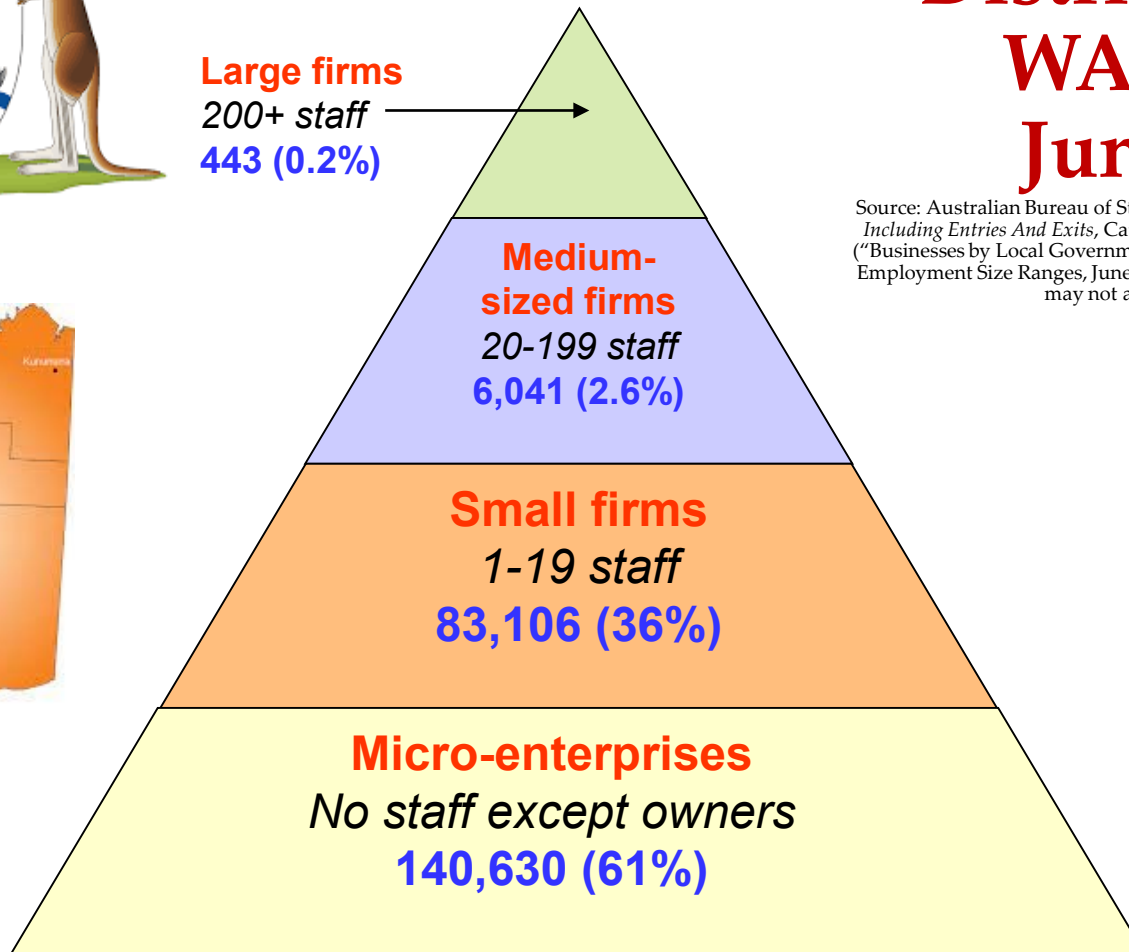
Micro, small and medium – not all the same

Present in all industry sectors



# Distribution of WA Firms, June 2021

Source: Australian Bureau of Statistics (2022), *Counts of Australian Businesses, Including Entries And Exits*, Cat.no.8165.0, Canberra, Data Cube 10, Table 1 ("Businesses by Local Government Area by Industry Division by Annualised Employment Size Ranges, June 2021 (a) (b)", row 10,554). Note some figures may not add up due to rounding.



Total number of actively trading businesses: **230,220**

# Climate Impact of SMEs

UN has now begun to recognise that:

“... private sector action, including that by SMEs, will be critical in addressing climate change” (*UNFCCC/UNESCAP 2021, p. 1*)

...but overall researchers find:

“specific efforts to support SMEs are relatively rare in the region ... there is substantial room for progress” (*OECD/ERIA 2018, p. 72*).

...and we know very little:

“The existing literature and knowledge ... is a relatively undeveloped field, empirical evidence for it being sparse ... surprisingly little is known about these issues in practice” (*Schaer and Kuruppu 2018, pp. 7, 9*)



## Southeast Asia's small businesses emit more carbon than a small country: study

The latest calculation, said to be a highly conservative estimate, shows that these small and medium-sized businesses minimally emit about 29.7 million tonnes of carbon dioxide annually.

By Ng Wai Mun

Jan. 12, 2022



A new study has found that small and medium-sized enterprises (SMEs) in Southeast Asia have a combined carbon footprint that exceeds the total annual national emissions of Brunei or Cambodia.

SMEs in Southeast Asia are estimated to produce 29.7 million tonnes of greenhouse gas emissions annually, according to a new estimate by Singapore's ISEAS-Yusof Ishak Institute. The calculation, published in a [research paper](#) in the latest issue of the ISEAS Perspective, has never been done before for SMEs in the region.

# Differences Between SMEs and Large Firms Dealing With Climate Change

	<b>SMEs</b>	<b>Large Firms</b>
<b>Number of business establishments</b>	Single	Multiple
<b>Exposure to different geographic regions</b>	Low	High
<b>Level of emissions</b>	Low	High
<b>Ability to measure GHGs</b>	Low	High
<b>Compliance cost burden</b>	Proportionately high	Proportionately low
<b>Knowledge of, and to access to, relevant information</b>	Limited; ad hoc	Sophisticated; extensive
<b>Access to technical experts and training capabilities</b>	Limited	High
<b>Financial capacity to fund climate initiatives</b>	Typically small and limited	Substantial
<b>Use of external carbon advisers</b>	Limited; ad hoc	Systematic; structured



# SMEs and Climate Change

Climate and environment issues relatively new area of research – some broad trends evident, but much more needs to be learnt

Five major issues:

- Level of personal concern about climate change
- Reducing current level of emissions produced by SMEs
- Responding to future climate-related changes (such as extreme weather events)
- Identifying barriers to emissions improvement
- Accessing advice and information to make the transition



# So, What Can SMEs Actually Do?

Simple, easy, low  
cost

Installing low-energy lighting  
Reducing air conditioning usage  
Turn off electrical devices when not in use  
Sourcing low-emission products/services (raw materials) for own use  
Recycling/reusing business waste  
Staff training  
Using/purchasing hybrid/electric vehicles  
Measuring energy usage (via smart meters or similar)  
Purchasing from, or installing inhouse, renewable energy sources  
Participate in green certification programs, EMS systems (such as ISO 14000)  
Reducing work-related travel  
Working from home instead of an office  
Purchase GHG offsets  
Reconfiguring transport to reduce carbon miles  
Green financing tools  
Reconfiguring packaging to reduce volume, carbon miles  
Building retrofits/renovation

Complex, resource  
(time/\$/effort)  
intensive

Product redesign  
Product lifecycle assessment  
Measurement and audit of Scope 1, 2 and 3 emissions  
Scenario forecasting

# Major Findings

- SME owners are concerned about climate change
- National and cultural differences matter!
- Switching off, reducing, recycling are most commonly done activities
- Most intend to prepare for EWEs by reviewing insurance policies, disaster preparation plans
- Finance, knowledge and skills are major obstacles to doing better
- Govt is often seen as most preferred source of information – followed by business associations, friends/family, other business people
- Social media, YouTube seen as preferred delivery channels for information

# Next Steps



## **Focus on the easy pickings:**

- Low hanging fruit is best
- Simple, cheap, straightforward actionable items

## **Financial support is crucial:**

- Currently a self-identified major barrier to better performance

## **Educate to empower firms:**

- Knowledge and practical information is needed
- Use trusted sources (govt, industry bodies, personal networks)

## **Localise:**

- Different regions have different needs & preferences

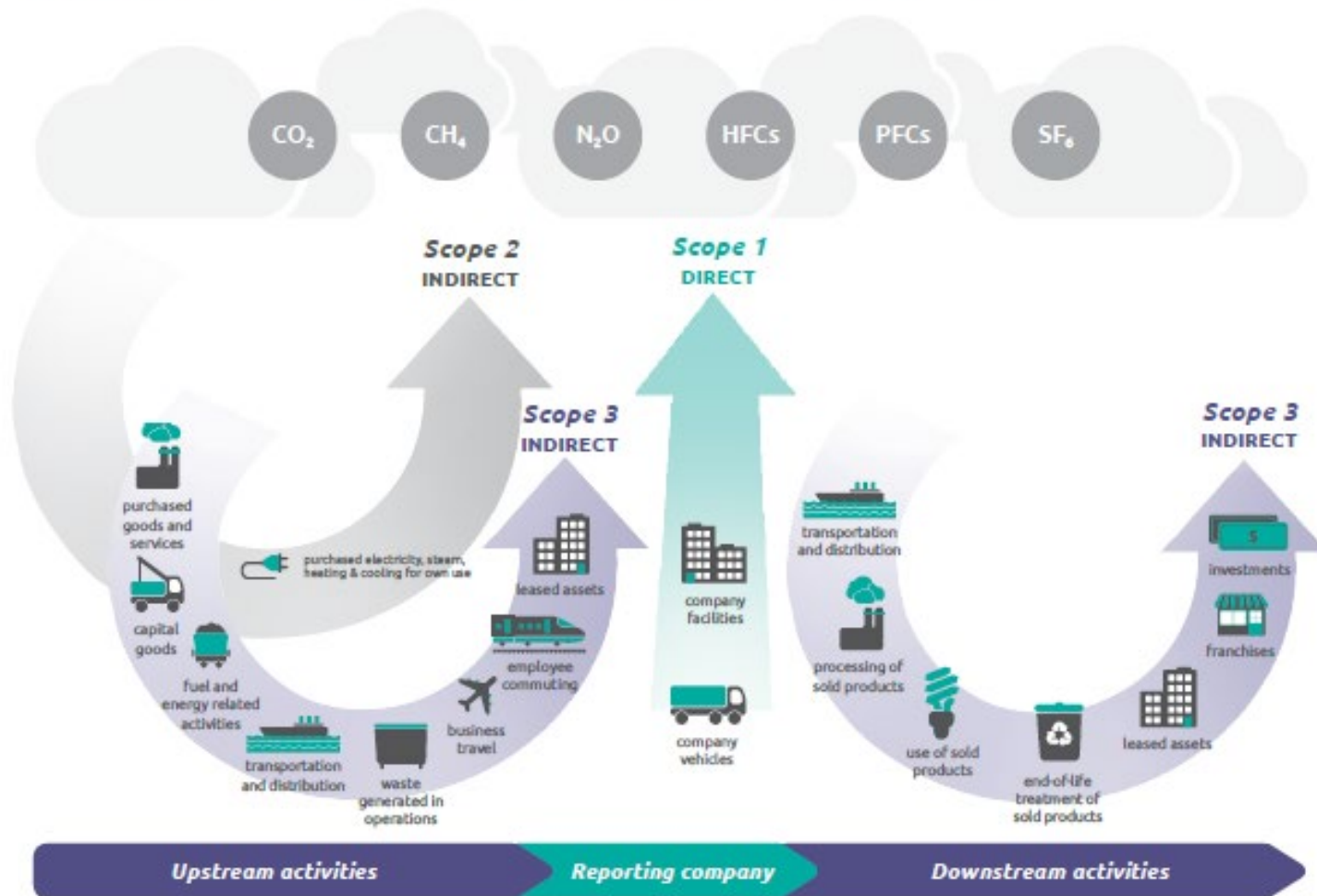
## **Go online with advice and assistance:**

- Strong preference by most for online information
- Still a need for traditional, face-to-face services



# Addressing Climate Change

Figure [1.1] Overview of GHG Protocol scopes and emissions across the value chain



# Risks to SMEs for not addressing greenhouse gas emissions

## *Type of risk*

**Regulatory**

**Supply chain costs and reliability**

**Product and technology**

**Litigation**

**Reputation**

## *Examples*

GHG emissions-reduction laws or regulations introduced or pending in regions where the company, its suppliers, or its customers operate

Suppliers passing higher energy- or emissions-related costs to customers; supply chain business interruption risk

Decreased demand for products with relatively high GHG emissions; increased demand for competitors' products with lower emissions

GHG-related lawsuits directed at the company or an entity in the value chain

Consumer backlash, stakeholder backlash, or negative media coverage about a company, its activities, or entities in the value chain based on GHG management practices, emissions in the value chain, etc.

# Opportunities for SMEs

## *Type of opportunity*

**Efficiency and cost savings**

**Drive innovation**

**Increase sales and customer loyalty**

**Improve stakeholder relations**

**Company differentiation**

## *Examples*

A reduction in GHG emissions often corresponds to decreased costs and an increase in companies' operational efficiency.

A comprehensive approach to GHG management provides new incentives for innovation in supply chain management and product design.

Low-emissions goods and services are increasingly more valuable to consumers, and demand will continue to grow for new products that demonstrably reduce emissions throughout the value chain.

Improve stakeholder relationships through proactive disclosure and demonstration of environmental stewardship. Examples include demonstrating fiduciary responsibility to shareholders, informing regulators, building trust in the community, improving relationships with customers and suppliers, and increasing employee morale.

External parties (e.g. customers, investors, regulators, shareholders, and others) are increasingly interested in documented emissions reductions. A scope 3 inventory is a best practice that can differentiate companies in an increasingly environmentally-conscious marketplace.



# SMEs on the journey



# SMEs on the journey



# Start planning now!

- For owners of SMEs, net zero greenhouse gas emissions has to be included in your forward planning
- What are the impacts of climate change on your business? Extreme weather events (cyclones), increased temperatures, bushfires, rising sea levels have impacts on your customers, suppliers and your employees.
- What is your risk mitigation strategy? How will you continue to operate your business in a 1.5°C to 2.0°C temperature increased world?

# Start doing now!

- Does your industry have a climate change certificate or environmental accreditation program you can join?
- Do you or your staff need to undertake any climate change training?
- Have you reviewed your insurance policies to ensure they cover extreme weather events?
- Does your board have any directors with climate change expertise?
- Put solar panels on the roof of your business, or have the conversation with your landlord.
- Measure your Scope 1, 2 and 3 GHG emissions

# Questions and discussion