

Paul:

Joining me for some retail therapy today is Nicki Hutley, an economist, a member of the climate council. Nicki is one of the leading voices highlighting the impacts of climate change and a frequent commentator in the media. With climate change, the biggest business disruptor on our doorstep, I'm delighted to have Nicki chatting with us today. Nicki, welcome.

Nicki Hutley:

Thank you, Paul. Great to be with you.

Paul:

Nicki, you've got a really interesting bio, so it'd be really great for our listeners today, just to give us a little bit of background about yourself.

Nicki Hutley:

Sure, thanks. Well, I've got to the point now where I say I've been an Economist for more than three decades and I've just not going to admit to anything more, more than that. Fair enough. But I have been around for a while. I started life actually as an economist in the markets, but actually I started, I had a very brief period as a diplomat in foreign affairs, but decided to head into economics, started out in markets and then ended up for various reasons, three of which are my gorgeous children went into consulting, which is a little bit more flexible than working in financial markets and just almost by chance as part of that consulting work was around the time when I sort of switched over that Ross Ghana's white paper on how we deal with climate change came out and there was a lot of work around that. And so it's been really a passion of mine since then. Really also to just bring together social, environmental side of the equation and not just talk about economics in terms of dollars because yes, we can put a value on things, but we need to bring all sides of it into the equation to make sure people's lives are better.

Paul:

Well, you've always had a balance view and I know you play a regular appearance on The Drum and you're a big advocate for diversity equality and inclusion, and you're doing some really great work, Nicki. So on behalf of us, thank you for that. And I know climate change is your big thing. I want to start there with a question about climate change policy, because it has had a sordid history in this country with changes of government policies announced, then scrapped, it's difficult to get consensus. Why do you think it's been such a divisive topic in Australia where it doesn't appear to be the case in other parts of the world.

Nicki Hutley:

So I think there's a couple of things. I mean, I think obviously there's a time when the scientists weren't necessarily believed, but then even when the scientists were believed you know, it comes back a bit to that Ghana paper when everyone was talking about climate change action as a cost to society. And yes, if we put a carbon price on that does have a cost, but we understand much better now is that if we don't act the costs of not acting are so much higher. So the benefits that you derive from doing something about climate change, and I think that conversation really has changed, but of course, you know, we did bring in a carbon price in Australia and of course that just was so politically divisive. There were a lot of... well, let's just call them lies about what the carbon price was doing. And unfortunately, you know, we, we missed that opportunity and now everyone's almost too scared to go, well is too scared, to go back

down that path, which is economically the most efficient way to deal with this. But it just really, I guess I don't know what it is about the Europeans, but they just seem to embrace this so much better. You can see that there have been interesting conversations elsewhere in the world on this too it's not a fait accompli It's not everywhere, but certainly there's at least 65 schemes operating around the world. And it is bizarre that Australia, which is one of the most vulnerable countries in terms of climate impacts is one of the most reticent to move. But I think we've reached a tipping point. I think people are feeling differently now. Fortunately.

Paul:

Yeah, I can feel that too in every business leader that I speak to and the other odd thing, of course, Nicki, is that we're a land of plenty when it comes to renewable energy. It just not simply does not make sense.

Nicki Hutley:

It's crazy. We have the sunniest, windiest country on the planet. We have all the resources there. You know, really smart scientists plenty of room to put these things. And we do need to be sensitive to the environment when we're putting up wind farms and solar farms, but we've already started on that journey. The states have done an amazing job in progressing that, but we just need to go even faster.

Paul:

Completely agree. Now, report after report highlights the ongoing need for action. The Intergovernmental Panel on Climate Change (IPCC) has warned climate change will cost Australia's economy hundreds of billions of dollars in the coming decades. Now clearly that's big money we're talking about here. So, if that's not a reason to act. I guess what's a direct impact to business if we fail to take the necessary steps to curb emissions?

Nicki Hutley:

Well look, in the past couple of years with the disruption that happens from extreme weather events, you know, the tourism industry got hit for six under the bush fires, you know, versus of course obviously lives are lost, people's health counts, but you know, businesses are completely disrupted. Roads are cut off when there's floods and fire. But not only that everyone tends to think about you know, these really chronic events, but there are also other events that are possibly, you know, creep up more slowly on us. Things like extreme heat days. So Perth has just had the hottest summer on record more days above 35 than we've seen. You know, if you're on a building site, you down tools because you can't work in that heat, it disrupts tourism because it's too hot for people to go outside or you know, to go on holidays, they choose to go to different places. It potentially disrupts all sorts of things that we do it, of course it affects our health, which means, you know, it's going to disrupt productivity in the workplace so we can see it already having impacts on right across the business cycle from reduced demand because people can't get to where they need to be. The goods can't get to where they need to be agricultural production is reduced. Like it's just affecting us in so many different ways and it's here and now.

Paul:

Now we've had a commitment from the government for net zero emissions by 2050 to reduce emissions by 26 to 28% by 2030. Is that enough? And what are going to be the greatest barriers in preventing us from reaching those targets?

Nicki Hutley:

So, no, it's not enough. There are no barriers to us reaching the target. In fact, if we just can carry on as we are, we'll get past that anyway. So this is the government saying, we're just going to sit on our hands and do nothing right now. Pretty well everywhere around the world and we saw this at 26 last November, most other countries are saying, you need to be 50% by 2030. So we need to do a lot, a lot faster. And in fact, the climate council would say that Australia can do even better than that and that we should be aiming for 75%. Because we can do so much particularly with the grid, but also with other things like transport, buildings you know, we can make inroads so we can get there. There aren't barriers other than, you know, governments not following along. And if we look at what state and even local governments are doing, they are right behind this, they are putting investment money out there to help facilitate renewable energy zones, even hydrogen, which is a little bit, you know, less certain where that's going to play a role. But, you know, we are seeing these things. We're seeing incentives look at the ACT, what it's doing around its transport fleet and around getting electrification of cars, getting EVs on the road with solar charges. You know, we just need the federal government to row in the same direction.

Paul:

Because they're almost like looking and feeling like a lagard aren't they, because you've got business leaders stepping up and actually taking the charge. Many of our ARA members actually have committed to 2030 targets that are quite progressive, but equally definitely net zero by 2050. And we've even seen some action from local and state governments as you point out. So it really is a federal government issue. And I guess the message here is not to wait for federal government to catch up. It's really up to us all to take a leadership role in this area and do what we can.

Nicki Hutley:

Yeah, it is. But I think it's also, you know, it's fantastic to see that you know, 20% of businesses have actual plans in place right across the board. We're seeing this with the funds management industry, but we can't expect just some of the company, you know, the corporate worlds to do this. We've got to have the right sticks and carrots in place to make sure everybody's going on the journey and to avoid what we economists would call having free riders along. We need everybody to act together because this is a global problem. It's a problem for all of us and everybody needs to get behind it.

Paul:

You raise a good point. And whilst we're talking about a global level, we had the climate summit in Glasgow last year, and that was, I guess, by many counts, the question is, was that a success or a disappointment? And what's the landscape at the moment in terms of the global response to climate change?

Nicki Hutley:

Well, I'm typically a glass half full sort of girl. So, you know, I think there are lots of things at the summit that we should be pleased about things like coal pledge, methane pledge, deforestation, you know, there are big lines in the sand about what we shouldn't be doing. Unfortunately, Australia is a laggard and Australia is actually seen by many other countries as a pariah on the front. You know, we may have deals with the US on defense, but they are not pleased with us in terms of what we're doing on climate. The UK tried to get that put into our trade deal, but, you know, unfortunately that didn't work out, but we are under pressure from other countries to do an awful lot more and just as they are. And of course

the next summit 27 will be in age Egypt, this November, and all countries have to turn up with more details around where they're going to go and how they're going to get there. So it's not just enough to have targets either. You're going have plans to get there. So there's pressure on the federal government from the corporate world, from consumers, voters, from the global constituency. So, you know, I think things have to move soon.

Paul:

Well, climate change critics would say that, well, China's the world's worst polluter, but they're not making the firm commitments on how they're going to get to net zero. So what's the point? Is that a fair comment do you think, given it's a global issue?

Nicki Hutley:

Look, obviously everybody in the world has to play their part and China clearly because it is now such a dominant economy, needs to play its role. But I think it's not fair to say that they don't have any plans. They do have, it's a 2060, but that reflects the fact that they, you know, it is a developing economy still, they have to a longer way to go to, you know, to change. But they have said no new coal fired power stations within the next couple of years within China, none from this year that they won't invest anywhere else in the world in them, which is great. They've also introduced, they've gone from having a pilot carbon price scheme to having a fully national carbon price this year. So it's not fair to say that China isn't doing anything. And if you look at a per capita basis, they're lower than Australia. And if you look at the last century, cumulative emissions Australia's are actually higher, even with you take into account the last couple of decades of growth.

Paul:

That's scary, isn't it? That's very scary when you think of it that way. I mean, that's really interesting stats.

Nicki Hutley:

I mean, clearly we want everyone to go and it is important that China acts, but it's not fair to just say this is all China's fault and everybody else should sit on their hands because we can't, none of us can afford to free ride. We can't afford to sort of wait for everybody else to act. Those of us that have got the resources to be able to do something, need to go fast and first, and then we help everybody else along the way.

Paul:

The reality is it will fall to business to deliver on the changes that will get us to net zero. What Australian businesses or sectors of the economy are doing well in terms of their attitudes and commitments to climate change? And what sectors do you think are struggling?

Nicki Hutley:

Look. Well, I think we see right across the board, there's commitments from all sorts of companies, but I mean, clearly the energy sector is actually trying very hard to do the right thing. I mean, in terms of transitioning to renewables. Unfortunately, we see some in the sector who are still pursuing new gas or new coal developments. And that is just totally at odds with, you know, what the global agenda is, what the international energy agency would say. I think, you know, it's the same in the finance sector, you know, we're seeing all sorts of investment companies say, you know, from BlackRock in the US to Ethical

Super in Australia, you know, all saying we are not going to back anything that's in fossil fuels and thinking even more diversely than that, things like issues like modern slavery. So we are seeing changes in all sorts of companies, but it's not everyone. And there's still a lot of greenwashing that's going on. You know, the big four banks will tell you they're doing a great job, but if you have a look at what they're actually financing behind the scenes, there's still new finance going into things like fossil fuels rather than renewables. And look, you know, these things have to be balanced. We can't pull the plug on everything overnight. You know, I totally understand

Paul:

What you're saying is that actions speak louder than words, right? So that people have to follow through on their commitments and actually see beyond just making motherhood statements and living, you know, a sustainable life and make sure that they're leading their companies to the right outcomes. But understandingly, it can't happen overnight, but they need a plan.

Nicki Hutley:

Yeah. So Unilever are fantastic example, they you know, are really committed to sustainability. They also obviously have shareholders and they have to be committed. So everything has to tick boxes on both sides. You see companies like AstraZeneca, who's funding, you know, millions and millions of dollars towards doing a project with greening Australia at the moment to plant more trees. You know, there are some fantastic companies out there with visible initiatives to really try and make a difference. So, you know, there's plenty for us to see.

Paul:

Absolutely. And look, Nicki, I guess what's pleasing and something that we would like to tell our listeners, the ARA did launch a sustainability microsite or part of our ARA website where we've developed a roadmap in conjunction with the British Retail Consortium based out of the UK. We have a roadmap that makes it really clear about where you should be in a decade. And on top of that, we're sharing positive stories around members that have done some great work in sustainability. So we really want to be there to help our members. And I guess part of that is actually understanding for some people that may have not, or companies rather, that have not gone on the sustainability journey. What advice would you give to business that might be concerned about the transition to net zero? You know, if it may mean an increased investment job impacts, what message would you be giving, would you like to give them?

Nicki Hutley:

So I think we know from the economy as a whole, that the investment in the green economy is going to actually give us more jobs and growth to use the government's phrase. You know, there are opportunities to expand our businesses, but for any business that are worried, you can't have a business without investment of some sort. And we always invest in things that are going to give us the biggest growth. Consumers are absolutely demanding, greater you know transparency in what the companies that they're dealing with. They want to know how green you are. There are all sorts of companies out there that are starting to use technology that you're giving consumers greater power to know what companies are actually doing, not just what they say they're doing, but how, you know, what green really, really means. So it's in a company's interest from a consumer point of view for the bottom line, it's in their interest because the cost of capital, the cost of your interest rates are likely to go up. We already know from studies in climate vulnerable countries, developing economies, interest rates are

higher where, you know, little action is being taken and, and that vulnerability is seen as being there. So it's, there's a whole range of reasons. And if you add to that, if you've got international markets, we know that the European union last year said, they want to introduce the carbon border adjustment mechanism to say, well, if your economy doesn't have a carbon price or isn't doing, you know, having sufficient policies to do something, we are going slug you with a tariff when you try and export here. Now we don't export a lot to the EU, but if we were to say, include the US or Japan or Canada or China, that's when the numbers start to get big. And there're a lot of sectors that will be hit by that. So no one should think that they can just sit on their hands and that everything will just keep going happily as it is, the world is changing. And you will benefit. You will get more customers, you will retain your staff more because we know millennials really care about this and they want to work for companies, you know, and having lower turnover lowers your cost. There are so many benefits Paul.

Paul:

And we are seeing that as a major trend. Like we know the consumers are now shopping with purpose that they really want to understand the credentials behind brands and that's important. And we know that there's a real cost of not getting involved and many, you know, unfortunately in a lot of businesses, CEOs think like politicians, I think I'm only here for a short period of time. And, you know, I may not be here to see all my good work. I've experienced that myself in previous roles where you're developing something that is going set you up for the next decade. You may not be there for that. So partly it's good business sense, but it's also the right thing to do. So we just have to make sure that you take, it really comes down communication, I guess, where you might have to invest heavily. The return may not come immediately, but the return will be there over time. And there's a greater penalty of not participating and not having a plan. Would you agree?

Nicki Hutley:

There's some really simple things that you can do that do have quite quick paybacks, things like solar.

Paul:

Yes. Very good point.

Nicki Hutley:

And you know, embedded solar. You know improving your lighting. I mean, there's lots of things you can do a lot of the building that actually will save you money so very quickly. So it's not all about how much more it costs. But you know, making sure that your supply change is good. And if ever there were an incentive you know, what we saw with Russia and Ukraine and how oil prices can go up so quickly. You know, renewable that the sun doesn't go on strike fortunately, let's hope it doesn't, but you know, there are things that we can do to protect ourselves against that geopolitical uncertainty.

Paul:

Absolutely. Now that 95% of our membership is small business. And I guess there'd be some small business owners today listening to this conversation. What would you have to say? What about small business concerns about not having the time expertise or resources to take action in this area? What would be your response or tips?

Nicki Hutley:

So, look, there's a lot of amazing advice out there, and I know business owners are trying to do everything for everyone, but if you can go to a single point of, you know, source of truth, or at least a couple of them. I mean in New South Wales, the government and in Victoria, I know that governments have some really good support systems for businesses. The ACT offers grants for businesses to help them become more sustainable to reduce emissions. But if you look at things like some of the Clean Energy Council has just so much information there about how, you know, you can do things to help improve your business. It's about just, you know, getting that one, two people to, you know, sources that can help you, the information is there. And I know, people are time poor, but the information is actually readily available on what you need to do. We're certainly trying at the climate council to get government, state governments, to do more of concession financing for small businesses, as well as homeowners to help them reduce their emissions. And you know, we know the ACT governments just launch your program to do that. So, you know, hopefully we'll see more of that around the trap soon.

Paul:

Very good. And look again, if you are confused about where to start, start with the ARA and we have a microsite that actually gives lots of information and we will point you in the right direction if you want solve a problem, but we really appreciate Nicki for you joining us today. Thank you so much for joining us congratulations on all the work you're doing and leading the charge for action on climate change and better informing the business community and all the best and look forward to catching up again soon.

Nicki Hutley:

Thanks so much, Paul.