



Construction Contractor Opinion Column

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Topic: Effect of new carbon emissions reporting legislation (NGER Act) on the building and construction industry

The first reporting stage for the new National Greenhouse and Energy Reporting Act 2007 (NGER Act) commenced on July 1, and has a significant impact on businesses operating in the building and construction industry. As a result companies must act now to develop policies and processes to reduce the environmental impact of their business.

While it is difficult to see any immediate benefits from the Act for organisations operating in the construction industry, it will allow companies to better pinpoint the impact of their emission and energy consumption allowing them to use this data to establish ways to further reduce emissions. The introduction of this Act, will also prompt the development of new innovative solutions such as the Green Star Rating classifications for building and design materials as companies strive to meet the challenges of reducing their environmental impact.

The closest analogy to the impact that will be felt in the industry from the introduction of this Act is the recent developments in OH&S and the tightening of policies and processes through legislative direction.

However, the topic of the NGER is a sensitive one for the industry. There is a significant degree of disagreement both within the construction industry and operators in the industry about emissions reporting and the impact of a carbon trading scheme. This has resulted in confusion around the NGER System (NGERS), with many large construction companies formally lodging papers with the government urgently requesting clarification.

The NGER requires companies producing in excess of 25 kilo tonnes per year per fixed site to provide reporting on their emissions. However if these companies employ subcontractors who have open access to the site (unmonitored), this can create significant additional costs to the operators of the site. Leighton's CEO Wal King recently predicted that in the next two years it will cost their business \$6 million per annum just to complete the paperwork and forms required to submit reporting for the NGER, and estimated that overall it will cost \$20-\$30 million a year impost on the company to fully implement reporting measures.

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Unlike the retail consumer motor vehicle market which offers a range of manufacturer options and alternative fuels such as LPG and hybrid, the extent of vehicle selection in the commercial vehicle (most common vehicle type in the construction industry) category is less. Therefore for a company in the construction industry who actively choose to 'green' their fleet, the options are limited. There will be a rise in demand for fuel efficient vehicles across the sector as one of the steps towards becoming more environmentally viable, and as a fleet management company, we have already seen increased interest from the construction industry for assistance in reporting emissions and also in providing advice in vehicle selection and operation.

The Act will hold businesses accountable for their green claims, and will create opportunities for companies to rally to the 'green' cause, allowing them to move forward into new environmentally friendly products and solutions; but will create casualties if companies are slow and resistant to these new changes.

An analysis of our customers in the building and construction segment demonstrates that 50% of customers are aware of the need to view their fleets in an 'environmental' light, however 50% are not actively considering 'green' in their vehicle fleet selection. Even though the industry is polarised on the green issue relative to their fleets, construction companies need to act now to ensure they can hold their environmental ground at the end of this first reporting period. It is vital that companies in the construction industry make emissions reporting a priority and get a head start on implementing appropriate systems for this measurement.

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About Interleasing

Interleasing, the Australian fleet management experts, specialise in the financing and management of fleets of cars and other vehicles for Australian companies. Interleasing manage all aspects of fleet vehicles, from buying or leasing cars and running them effectively.

Interleasing is part of the global Masterlease Group, which has over 40 years experience in the leasing market and operates in Europe, Mexico, and Australia (under the Interleasing name).

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