

## → EXECUTIVE SUMMARY

### → PURPOSE OF THIS REPORT

In developing the Carbon Down program, VECCI and Sustainability Victoria aimed to provide support to and work with Victorian business to reduce carbon emissions and prepare for the new 'low carbon economy' of the future. There was a strong business case for doing so: SMEs are critical to Victoria. There are 514,000 SMEs in Victoria representing more than 95% of all Victorian businesses<sup>1</sup>. They are the most significant employer providing 47%<sup>2</sup> or 1.2 million of Victoria's private sector jobs and in 2010, SMEs contributed approximately 30% of the state's GSP, a total of \$90.4 billion<sup>3</sup>. They are vital to the growth of Victoria's economy and as a sector contribute 30% to the state's total greenhouse gas emissions<sup>4</sup>.

This report has been designed to demonstrate the impact the Carbon Down project had on its target audience, how well it performed against its objectives and targets, and the lessons learnt from delivering the program.

### → OBJECTIVES AND RESULTS

The goals and milestones as outlined in the 2008-10 business plan were:

1. To establish a range of world leading business-to-business (B2B) knowledge sharing platforms.
2. To become a trusted source of advice in relation to B2B programs and methodologies.
3. To partner with a range of organisations delivering carbon reduction programs, products and other solutions.
4. To increase measurable knowledge, attitude and positive behaviour change among SMEs in relation to carbon management.
5. To achieve measurable reductions in the carbon emissions produced by Victoria's SMEs.

During the three years it operated, Carbon Down actively reviewed and improved strategies and methodologies as knowledge developed. The unremitting changes in the business world also meant the program had to adapt. The result is an impressive network of engaged and active SMEs and a solid knowledge base of how to inform and facilitate voluntary carbon reduction amongst Victorian businesses. The program has resulted in a profound understanding of what SMEs want. It has identified the products, services, tools and messages that will encourage SMEs to take action to reduce carbon emissions, save money on energy resources and prepare for the new 'low carbon economy', while improving their business competitiveness at the same time.

<sup>1</sup> ABS, 8165.0 - Counts of Australian Businesses, including Entries and Exits, June 2007 - June 2009.

<sup>2</sup> Government of Victoria, Business Victoria, [http://www.business.vic.gov.au/BUSVIC/STANDARD/PC\\_50004.html](http://www.business.vic.gov.au/BUSVIC/STANDARD/PC_50004.html)

<sup>3</sup> Government of Victoria, Business Victoria, [http://www.business.vic.gov.au/BUSVIC/STANDARD/PC\\_50004.html](http://www.business.vic.gov.au/BUSVIC/STANDARD/PC_50004.html) and ABS, 5220.0 Australian National Accounts: State Accounts.

<sup>4</sup> Carbon Footprint of Victoria's Small and Medium Enterprises - A Carbon Down research report.

Throughout the three year program, Carbon Down met 100% of its targets. These results are listed in Table 1 below.

**Table 1:** Performance against targets

PROGRAM OBJECTIVES		TARGET 09-10	RESULT 09-10	TARGET 10-11	RESULT 10-11
Raise awareness amongst Victorian SMEs of the need to reduce carbon dioxide emissions for environmental and economic benefit.	No. SMEs reached	76,000	258,516	250,000	405,011
	No. SMEs directly engaged	n/a	n/a	20,000	20,340
Reduce barriers and increase motivation among SMEs to take up carbon management and reduction activities.	No. carbon management activities adopted	20,000	20,033	12,000	23,518
Demonstrate measurable carbon reduction by SMEs through a mass-reach program.	Tonnes of CO <sub>2</sub> - e saved	20,000	28,083.2 (verified) 1,774 tonnes (unverified)	40,000	42,614 (verified) 3,758.8 (unverified)

**Please note:** The first year of Carbon Down focused on program development which enabled results in years two and three.

In addition to educating and influencing SMEs to take action, Carbon Down achieved a total carbon reduction of 71,691 tCO<sub>2</sub>-e. The return on investment (ROI) in 2009-10 was \$127.20 per tCO<sub>2</sub>-e, reducing to \$70.05 per tCO<sub>2</sub>-e in 2010-11 and if continued in 2011-12 was projected to be \$44.10 per tCO<sub>2</sub>-e.

### → SCOPE AND METHODS USED

To assess Carbon Down's performance, an evaluation framework was created that included five key evaluation questions outlined below.

1. What impact did Carbon Down have?
2. To what extent was Carbon Down an effective driver of change?
3. To what extent did participating SMEs value the Carbon Down initiatives?
4. What program knowledge was gained about how to reach and engage SMEs?
5. Was Carbon Down a value for money project?

These questions guided the collection of data and information and shaped the design of the research used to measure the performance of the Carbon Down program. In order to record and analyse the carbon emissions reduction results, robust processes for measurement were also developed.

The research methods drew upon information from a number of sources including internal document reviews, quantitative and qualitative research including interviews with SMEs, key partners, stakeholders and current and former staff who had been responsible for implementing Carbon Down initiatives.

## → MAJOR FINDINGS

### SMES ARE UNDER FINANCIAL PRESSURE

Quantitative research conducted in mid-2011 among 1,000 Victorian SMEs show that businesses are feeling cost pressures more than ever<sup>5</sup>:

- Financial survival is the main concern of SMEs (44%), followed by staffing (31%) and revenue (29%)
- The majority of SMEs (60%) are in agreement that the global financial crisis is still affecting their business
- More than two thirds (69%) of SMEs believe the carbon tax will impact their business financially
- The indirect costs created for SMEs by the Federal Government's carbon tax, coupled with rising electricity and waste disposal is likely to put increased financial pressure on SMEs. Therefore, it is important for SMEs to identify new ways of delivering their products and services more efficiently to help minimise the impact on their bottom lines. Supporting Victorian SMEs in a carbon taxed economy will be vital to keeping the state's business sector competitive.

### BUSINESS RELEVANT COMMUNICATION IS ESSENTIAL

Through our experience we know that SMEs want:

- Commercial value
- Simplicity
- Advisors they can trust.

Most SMEs are motivated to take action when sustainability and real commercial value are linked. Research showed 50% of businesses mentioned profitability as the primary reason for making sustainable changes<sup>5</sup>. In delivering Carbon Down, many opportunities to help Victorian SMEs not only reduce their environmental impact, but make substantial savings to their bottom line were discovered. However, research also showed a significant 73% of businesses admitted they do not know how to make further sustainability improvements<sup>5</sup>, indicating a need for further information, support and guidance in ways that can be easily understood and used.

'Trust' and 'credibility' of sustainability and business advisors is also very important for SMEs. When ranking who they would trust the most for sustainability information, SMEs trust those in positions of authority and experts such as industry associations, government and scientists.

<sup>5</sup> Victorian Businesses Climate Change Knowledge, Attitudes and Behaviours - A Carbon Down research report. October 2011.

## → KEY RECOMMENDATIONS FOR SME PROGRAMS

In delivering Carbon Down, the following are key recommendations that should be considered in designing a program for SMEs that targets voluntary carbon reduction and resource efficiency:

- Appeal to the financial interests of SMEs: Include a strong focus on marketing opportunities and financial gain as motivators for participation
- Keep it simple, practical and action focused: SMEs are time and resource poor so communication must be effective to reach and engage them
- Segment the SME market: Identify the strategies and approaches to reach the targeted sectors effectively, and segment them according to their diverse issues and needs
- Reduce financial barriers: Include rebates, discounts or incentives to help reduce the upfront costs for SMEs
- Use personal and direct program delivery methods: Despite the increased resourcing demand from intensive methods, the necessary SME engagement and activity will be more effective with this depth of contact
- Build trust from SMEs and awareness of who to ask for information: Government and business working together for the benefit of SMEs is a compelling message that creates trust and more effective program delivery
- Ensure there are early wins for SME action: Where possible, provide (and help install) free resource efficient products on-site to the SME owner as this will ensure at least these smaller changes are achieved
- Engage supply chains and stakeholders to reach SMEs: Engage strategic partners to influence the SME, with large companies in the SMEs' supply chain
- Utilise the power of consumer demand for 'green products': Sustainability programs able to demonstrate to SMEs the case for consumer interest in, and demand for sustainable products will have greater success.