

Going Green. What?

Everyone wants to go green! Yes, it's ideal and all, but where's the practicality to all this hype? Kelly Neng and Steven Chong battle it out in the clash of tree huggers and the corporate bottom line.

Going green is not a matter of others, but us!

Stand Up Please!

Kelly (KN): Like it or not, we develop and prosper at the cost of deploying the world's natural resources extensively. Noting global warming and increased natural disasters that have been rocking the world recently, it is high time that we stand up and take solid action! Even minor steps to recycle and switch off lights and air-conditioning when not in use goes a long way.

Going green is not a matter of others, but us!

It is great to hear that people around the world are working towards saving our mother earth. The United Nations Climate Change Conference held recently in Copenhagen is an example of such initiative. While observers have commented that the overall result of the conference may not be as favorable as what had been expected initially, the global gathering nevertheless generated a global momentum towards preventing climate change.

My Bottom Lines!

Steven (SC): A while ago, there was this whole talk about Triple Bottom Line. Yet, the reality of commerce is that we are still very much about economic profits. In the spirit that profit is essential if companies are to act as responsible citizens in their communities, every corporate has to weigh their Corporate Social Responsibility (CSR) initiatives so as every cent spent is justifiable with favorable returns!

Of course, the direct approach to managing bottom lines, is self-explanatory: make sure the business makes a profit! Noting that various advanced economies as very much in the doldrums of the Global Financial Crisis (GFC), can the globe afford the billions on CSR? Even if it can, is it practical? Is it justifiable? Remember, an authoritative business leader once said that a corporate that does not make a profit, is actually committing a sin against its shareholders.

As a reader, and most probably a captain of your company or industry, what's your stand?

Malaysian Green Initiative

KN: While governments around the world are taking steps to derive possible solutions in saving our mother earth, the Government of Malaysia has also put in aggressive efforts to create awareness amongst the public, and encourage green technology. To name a few, The Prime Minister, in his 'Budget 2010' speech announced that RM 20 million had been allocated for the National Green Technology Centre to spearhead a green technology development action plan for the purpose of raising green awareness. The government has also recently announced that RM 1.5 billion would be allocated to issue soft loans to companies supplying and utilising green technology. The Energy, Green Technology and Water Minister recently stated that green technology will play a crucial role in the New Economic Model as it will be one of the new growth engines for Malaysia. Malaysia now too has a Green Building Index (GBI) that measures how "green" or sustainable a building is. These initiatives indicate the determination of our Government in advocating the green initiative.

Malaysia Going Green? What's in it for me?

SC: Going green in Malaysia? Hype or permanently here? To be or not to be, that is the question. If we were to scrutinise a little closer the initiatives, can we actually identify the specific actions that could be specifically taken to embark on these encouragements?



" What about the seas The heavens are falling down I can't even breathe What about the bleeding Earth Can't we feel its wounds What about nature's worth It's our planet's womb " (Michael Jackson)

Call me a skeptic in this, but the fact is, wherever and however such initiative is mooted, a cost-benefit analysis is still at the core of realising such proposal. Everyone is talking about reducing the carbon footprint nowadays. But what does it actually and practically mean? Is there an Accounting standard to measure this? To account for this? How do you as a member of Corporate Malaysia present the case to your shareholders, in dollar and cents, justifying the green initiative in a manner that is practical, beneficial to the shareholders, and that the management would approve of?

Do you have the magic answer? Write to us. Prove me wrong.

Implication on Corporations

KN: What are the implications behind these green initiatives to the corporation? Obviously, the government is giving a visible hand by issuing loans to businesses that take the green path in their businesses. Companies could take this opportunity to expand their business via green technology or venture into green businesses.

The Honorary President of the Business Council for Sustainable Development Malaysia commented once that the government is always the largest consumer in a country. The direction of government spending affects the market. Since the government is going green, it is likely that government spending would skew towards this. There are clearly incentives here for businesses that have not decided on a green direction before. The business opportunity is there for companies to work towards this big green piece of cake.

As the government sets its direction on going green, Corporate Malaysia should expect the introduction of regulatory regimes on energy consumption, production and greenhouse gas emissions. We may not be far from the Cap-and-Trade or Emission Trading Scheme (ETS) regimes that other countries have introduced. These regimes work by setting a limit or cap, on the aggregate annual emissions from all the covered types and sources of emissions. Companies are required to pay for each tonne of carbon dioxide equivalent emitted during the compliance period and the gas emission cannot exceed the limit set by the government. Such regimes might affect some industries badly here in Malaysia and therefore, companies should start thinking of alternatives to reduce energy consumption and greenhouse gas emissions.

So, what's next? The day would probably come, as expressed by Leon Gettler, that the 'Chief Carbon Officer' stands to be a key corporate job and the person in that position would work on the green portfolio, handling everything from managing energy consumption, greenhouse gas emissions, hedging growth to ensure that the company can offset increased greenhouse gas emissions, assess the impact of carbon liabilities and credits on balance sheets, checking on legal ramifications of climate change, conducting due diligence on trading partners and suppliers, to handling green related tax and insurance matters.

What? Another Tax?

SC: The concept of tax alone attracts a fair share of arguments for and against. The postponement of Goods and Services Tax (GST) here in Malaysia is a good example. Redistribution of wealth is high on the list for argument in support, yet there are so many tax havens in the world, coupled with some views out there that even questions the morality of taxation, that has revolved around the degree and method of taxation and associated government spending.

Here we are, at another proposed levy on businesses. Surely, someone in the decision making process would remember their Economics lecture on the deadweight loss resulting from taxation? Whether business or economics, the trade is to increase effectiveness and efficiency. Here we are, with another burden, that reduces efficiency, yet, this is supposed to encourage businesses to be more efficient in their use of resource, so that carbon emissions are reduced?

I'm confused. Enlighten me please.

(In the next of this series, we debate on the Green Initiative's Impact on Accountants)

JOIN THE DEBATE!

Have a say in which direction this article should take. To go green, email your thoughts to KN kellyneng@uhy-my.com. To remind everyone to wake up and face corporate reality, email your thoughts to SC stevenchong@uhy-my.com.