

The Australian Wine Industry response to environmental challenges and the market and legislative changes it has fostered.

Evan Hiscock

“Industry response”

I have been asked to talk about the ***Industry Response*** . The marketing equivalent would be talking about Wine Australia rather than any one brand.

Whole-of-industry responses to environmental challenges must be inclusive and nationally consistent. We are trying to address the interests of an industry which on the one hand is diverse in size and region and on the other strives to find a common purpose while competing vigorously in the market place, both nationally and internationally.

Industry policies are meant to provide a position from which to bargain with regulators and suppliers and perhaps set a benchmark for industry best practice.

This sounds like a recipe for conformity and conservatism but whilst they should be pursued with energy and with good resources they leave plenty of room for individual producers to exceed and innovate.

I also believe that whilst there must be, and is, room for individual brands to make their own statement in organics, sustainability and so on, as far as ***responsible environmental stewardship*** is concerned, as far as having ***environmental awareness*** and an ***effective EMS*** there is no longer an option to ***lead*** only to ***lag***.

- we must all follow the Reduce, Reuse & Recycle mantra and have mechanisms for dealing with environmental incidents.

Unfortunately, no one has so far found a better way for control or verification than a bureaucratic systems-approach which is a challenge to present in an attractive way. Nevertheless, existing in the background, an EMS gives some rigour to any sexy claims its user might make.

This morning’s short Environmental journey will follow this path ...

Recent history
WINEC and its work
Industry responses
Conclusions

Recent history

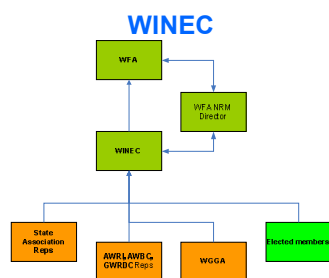
Most of you would be aware of these initiatives ...

An early outcome was ...

WINEC

Was created in April 2002 to develop and propose national Policies and strategies to the WFA Board and to keep abreast of environmental developments.

The committee is partly representative and partly skills-based. It includes representatives from all of the State Associations, Wine Grape Growers Australia, the AWRI, WGGGA, AWBC, and GWRDC.



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It tries to ensure full consultation with all sectors of the industry and is largely run on consensus.

(If you are interested in serving on the committee let us know.)

Formal National Industry Policy and strategy on Environmental matters are therefore largely a matter for WINEC to develop, advised and catalysed by the WFA Environmental Director.

All WINEC recommendations are considered and must be ratified by the WFA Board.

Further Progress

In May 2007, 'Directions to 2025' gave us a number of environmental strategies highlighted under Direction 9 :-

- A. Identify opportunities - determine activities that are a major contributor to the wine sector's environmental footprint

- B. Environmental performance – develop and implement systems based approaches to minimise environmental footprint identified by life cycle analysis (i) AWIS (ii) NPC (iii) other initiatives
- C. Performance measures
- D. Feedback
- E. Key policy initiatives (i) water (ii) biodiversity (iii) climate change
- F. Demonstrate credentials

Directions to 2025 also begins to talk increasingly about **sustainable environmental practices** and **sustainability** generally.

WFA and WINEC took these points as a set of commandments and began to address them.

The first responses were to prepare policies/position statements - these are necessarily broad and need reconsideration now as the playing field changes.

I feel Sir Humphrey Appleby looking on approvingly but remember that these statements are meant to be used for negotiation and in some cases to set benchmarks.

a) Water

Water has been a more State based issue to date and SAWIA, for example, has recently put a lot of effort into a SA Water Policy (still in its draft form).

With the management of the Murray-Darling basin to go to the Commonwealth in 2014, WINEC intends to overhaul this Policy. For example it makes no mention of encouraging reuse of winery waste water – which is already happening in some regions and wineries.

At our next meeting we will be hearing from Prof Mike Young and from Claus Schonfeldt regarding various aspects and approaches to the water dilemma. We will also take note of the Water Footprinting approach jointly championed by the WWF and SAB Miller. In a world short of acronyms they make up the WFN, the Water Footprint Network.

Water is also an economic sustainability matter - an individual business financial matter.

b) Biodiversity

This is a more recent policy and gives due recognition to a fundamental concept. The work of Gioia Small and Fosters in this area has shown how you can actually engage with such an abstract concept at an operational level. More detail may be added under this policy to help practitioners.

c) Climate Change

I believe that this policy, although quite young, has been overtaken by events and, although many of the points are still relevant, it will need revision as soon as CPRS becomes clearer.

d) GMO's

There is also a Policy on **GMO's**, prepared early on, which adopts the prudence principle of 'no GMO's while we await developments'. This both protects our markets, which don't want GMO involvement, and gives time for assessment and safeguards to develop. However we do keep a watching brief on this subject as, in the future, there may be some very beneficial developments.

(ii) Wine Industry Environmental Trust Mark

AWIS

As a direct response to these environmental challenges (B, C and F) **AWIS** was set up in 2004. This was an attempt to get growers and viticulturists to embrace an EMS. In 2008 this was renamed ***Aust Wine Environmental Stewardship (AWES)*** as we began to think about expanding it to cover wineries.

Entwine –Australia .. son of AWIS

Industry has been well aware of the vacuum in Australia for a National Environment Assurance scheme to stand on the podium with the other similar international marks – Sustainable Winegrowing NZ and Integrated Production of Wine in South Africa, for example .

For 2 years the WFA, through WINEC, has worked to evolve an Australian Wine Industry Environment Assurance Scheme.



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To be known as '**Entwine Australia**' with a clever logo which ties in 'wine' and 'vine' and using the colours and font style of Wine Australia, Entwine both encourages newcomers, (wineries and/or vineyards, large, medium or small) to formalise or develop their Environmental Management and gives recognition to those with existing systems (such as ISO 14001).

It has been trialled in a number of contexts, large and small, and is being formally announced and released at this Conference.

The scheme has to have international (and national) credibility so there is some auditing and reporting involved but we have tried hard to reduce the bureaucracy to concentrate on the result - an improvement in the durability of the industry through a positive environmental image and sustainable practices and a better understanding, through the submitted statistics, of our actual performance. (These statistics are a small requirement of accreditation and they are to be kept anonymously for use in preparing regional benchmarks).

Later at this conference full details of the aspirations and requirements of Entwine Australia will be given by Russell Johnstone.

I commend it to all producers.

(iii) Standardised Wine Industry Carbon Footprinting

In consideration of **Directions** A and B, in 2007 the WFA collaborated with the Wine Industries of California, NZ and South Africa and the tender winner, Provisor, to prepare the first version of the International Wine Carbon Calculator and its accompanying Protocol.

It made sense to combine and so gain some **international credibility** in what was clearly going to be a confused area of accounting. Once we had all understood the key concepts of '**life cycle**', '**emission scopes**' and '**short term Carbon cycle**' the calculator has proved a useful introductory tool.

Certainly by standardising the wine life cycle it allows us to make valid comparisons and even its early results showed that **scope 3** and **electricity use (scope 2)** are the **majority emissions**, in most cases, in our industry. It also showed that, under the current rulings, we cannot claim to be a carbon positive industry either.

The first version, released early in 2008, was not without its bugs and two newer versions have subsequently been prepared. Using the international calculator, an Australian Wine CC was developed using emission factors from the Australian Government's National Greenhouse Accounts. We should be careful that this split does not widen and lead to a breakdown of the four-Country coalition on this topic.

The result of early Carbon footprint calculations and the looming CPRS has meant that we are starting to look at **Emission Reductions**

Many of the medium to large companies, having calculated their Carbon footprints, have begun to look for areas and methods to reduce them. Some things, such as energy-use efficiencies are individual, but others, such as the lightweighting of glass, probably need a whole-of-industry approach. Over the years marketing and package designers had made a nexus between 'quality' and 'size of punt or mass of the bottle' – 'heavy bottle' means 'high quality wine'.

Just as the Clare Valley Winemakers, rather courageously, broke the connection between low cost and screw cap to the whole of Industry's advantage in 2000, so now we need to rebadge the lightweight bottles – I know the bottle producers would welcome this (in fact are actively pushing it), and, provided they pass on some of their cost reductions, it is a win all around – both in costs of production and in carbon emissions.

Packaging also shows up as a major emission. I think it is fair to say that because we are on the cusp of climate change we have customers and consumers who may be more receptive to some accompanying radical changes in wine packaging – it is an opportunity for industry to rethink its approach and materials. At the moment PET bottles, simpler cartons and reborn soft packs are all getting consideration – I don't think I have seen the next big (or small) thing yet but it is good to see the activity and the debate. Individually we should take advantage of being on 'the edge of the map'.

I know that other alcohol beverage producers see the Wine Industry as soft on product stewardship (I just know) and we have been very lucky to have been historically overlooked in South Australia's Container Deposit Legislation. (Although it is true that wine volumes are lower) However, apart from membership of the NPC, whenever we exceed thresholds, it is true that we have less involvement with the fate of our products, post consumer. If we had to consider this aspect more (which may come with national CDL) we might well be putting more effort into alternative packaging.

As far as emission reduction is concerned, Energy efficiency targets and renewable Energy targets are active responses that our industry has been and

should be involved with. The SA Sector agreement is a case in point and Entwine Australia will add to awareness of these issues. Beyond awareness how far you go with it is an individual matter.

Sadly the definition of the Short Term Carbon Cycle robs us of any Carbon credits from our viticultural activities other than, in some methodologies, to cancel out with our fermentation emissions.

CPRS

I think I am going to disappoint some of you here - I don't have any answers here – partly because there is still so much uncertainty around the topic.

According to a KPMG presentation the story is :-

“The science informs the global policy makers who decide to ..

.. use a market based mechanism that ..

.. creates a “price” for emissions of carbon dioxide and this ..

.. creates impacts right throughout the supply chain.”

Therefore even if you don't tip the threshold and aren't in the scheme you will still be impacted by it through the supply chain. This is an economic effect and is really independent of whether you are a sceptic or not.

For those in the scheme the whole complexity of the Carbon credit auction process and of the need to keep suppliers honest – passing on the savings as well as the costs is something for the CFOs and GMs rather than environmentalists. It is also suggested that as a result of changes wrought by CPRS, consumer behaviour will change and continuing emitters will be faced with reputation issues.

The other major issue with CPRS, for our industry, is whether Agriculture is 'in' or 'out'. At present the Australian Government is determined to include agriculture in some measure in the scheme in 2015. With an estimated 16% of our Australian emissions from that sector the Government can hardly ignore it. The problem is with measurement and technical emission factors and therefore with accurate reporting. As an Industry we will need to be a part of the consultation phase to 2013.

Once again, whether in or out, CPRS will lead to supply chain effects that you cannot insulate from. Furthermore wineries may be required to report on behalf of growers so incurring additional costs.

(iv) Planning for Change (the variability of longer term climate)

Adaptation to Climate Change is generally also an individual business strategy or economic decision. Where Industry bodies can help here is by directing R&D (funded by our levies) to investigate specific mitigation or adaptation strategies - such things as alternative varieties, alternative water regimes, alternative trellising arrangements or footprint of packaging alternatives.... The GWRDC triages Industry R&D and WINEC adds environmental requests to the list.

(v) International Presence

The upcoming Copenhagen conference is an opportunity for redefinition of Carbon and GHG matters and targets but it will take place at a very high International Government level. The opportunity for Australia let alone our Industry to have guaranteed influence is not great but through our ties with international wine producer bodies (OIV etc) we may have a greater presence. Through inclusion in National alliances such as with the NFF we have asked our government to propose some changes. One such change is to do with Carbon sequestration. At present sequestration forests must be purpose-planted and cannot be cropped. We feel that this is nonsensical and prevents the development of permaculture type crops such as walnuts or olives providing a double outcome. The limiting definition may also have encouraged the locking up of prime land in single-purpose sequestration forests.

Interestingly Koffe Annan and Bob Geldof have both put their names to a website called Tck, Tck, Tck asking for lobbying for what they are calling 'Climate Justice' to be a prime consideration at Copenhagen.

WFA, through its contacts with government and OIV and FIVS, gives us a chance to keep contact with and maybe influence international protocol and conventions. FIVS for example is currently working on the Global Wine Sector Environmental Sustainability Principles and already has the IWCC on its website.

It is important that we keep in contact with the international industry at this level, to maintain a presence and to represent our interests.

Conclusion

The last Wine Industry Environmental Conference, held in 2007, was broadly concerned with: -

Biodiversity
Carbon accounting and trading
Effect of climate change on grapegrowing

Reuse of winery wastewater
Water from the Murray-Darling system
What are our competitors doing?

Now, two years later, each of these topics is still current, hopefully with more clarity around them and certainly with more urgency attached to some.

In my view the Industry headliners now (in order of urgency) are:

- (i) the emergence of the CPRS as a means of trying to turn the battleship and the effect it will have on the whole supply chain and consumer behaviour
- (ii) water supply
- (iii) increasingly strident demands from some customers (and consumers) for evidence of environmental sustainability.
- (iv) the variability of longer term climate
- (v) biodiversity
- (vi) because it is a competitive world – What are our competitors doing?

- all are exacerbated by Climate Change.

Some of these are entirely the business of individual companies and some are best addressed by whole-of-industry (and some by a combination).

Industry, through WINEC and other State and Regional watchdogs must continue to keep its eye on the environmental ball and be aware of new issues and approaches as they emerge – credible sustainability, GMO's, organic certifications, water footprinting and carbon trading details.

We must be on the lookout for the covert confusion of trade advantage masquerading in environmental clothing.

'Sustainability' is overtaking 'environment' as the keyword of the time. True sustainability encompasses social and economic issues as well as the environment.

I believe it is good foundation concept, although in great danger of over-deployment, and brings into alignment preservation of the environment and business practice.

Industry policies and strategy set the best practice benchmarks which we should all try to meet.

Some detail can, quite rightly, be left to State and Region, but it is important that we have Policy unity at the National level. Entwine Australia, I believe, gives a strong lead in this and its detail gives practical assistance down to Regional level.

There have been earlier attempts to report on the State of the wine industry environment. Unfortunately the response level was low and so the conclusions could not be considered truly representative. Entwine-Australia accreditation requires returns on a number of stats (all to be treated confidentially) which may indeed give us a much better indication of the State of our Environment (and split into regions as well).

I also think it is important to keep the marketers in control, to vet their environmental claims, for accuracy, before they go out, notwithstanding the ACCC regulations regarding carbon claims and green marketing.

The take home message

Industry response have been

- (i) policies
- (ii) entwine-australia
- (iii) standardised carbon calculator
 - preparation for CPRS
 - emission reduction
- (iv) international presences and negotiation FIVS, OIV...
- (v) Planning for change – directed R&D
- (vi) Watching briefs on GMO's, Organics, CPRS and agriculture

The Australian Wine Industry needs to be known as authentic in its stewardship of the environment and its drive towards **environmental sustainability**.

At the Mexico Olympics in 1968, Dick Fosbery represented the US in the High Jump. He is a man from whom we can learn much regarding compliance and performance.

He revolutionized the high jump using a technique some called the Fosbery Flop, now used by most serious jumpers. By running up in an arc and by turning his back to the bar then arching his body as he jumped he was able to clear 2.24m and win gold.



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In fact I don't think his centre of gravity actually goes *over* the bar – it was a brilliant piece of Physics. It has been pointed out that the technique relies on the soft landing bags of modern athletics - using the sawdust pits of yesteryear he would have broken his back.

We need to clear the bar and I don't think there are going to be soft landings.