

Carbon tax readiness

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Your solution to risk and uncertainty

If you operate, or have a fund investment in, a company with large CO₂ emissions, the introduction of the Carbon Tax next July could materially impact the value of the company.

The "500 biggest polluters" will pay \$23 per tonne CO₂e in F2013; rising by 2.5% per year until an ETS is introduced in F2016 ... maybe!

Looking at the 200 biggest Scope 1 emitters¹ the estimated cost of the carbon tax is over \$8B per year; with a potential impact on market value over \$64B².

And it is not just the very large emitters (top 50) that could be materially impacted... the average market value (negative) impact of the second 50 emitters is estimated to be greater than \$100m each... based simply on costs.

Remember that while Scope 1 costs can be reasonably estimated, the impact on the revenue line is harder to gauge.

What's your situation?

For many the value impact will be immaterial; for some it will be marginal; and for some it will be material.

The initial questions appear straightforward:

- Do you know the likely carbon tax cost to the business (and how reliable is that estimate)?
- How will the value of the company be impacted by the carbon tax?

But those initial questions come with a brace of follow-on questions which are more complex and time-consuming:

- What tolerance do you have for a "do nothing" response?
- What carbon price causes a rethink of this answer?

- What strategic options are available if the expected carbon tax impact is greater than the tolerable level?
- Has the business case been developed for each strategic option?
- How has the possibility that the carbon price is short-lived been addressed?
- Has the company built capability to effectively manage its carbon risk?

This is uncharted territory for most of us... with associated uncertainties and risks. As a business valuation specialist, Value Adviser Associates is able to assess the value impact of the carbon tax on your business.

We also have a range of services to help companies respond strategically – from management education to devising strategic options to value analysis and business casing those options.

Value Adviser Associates has developed a quick and simple diagnostic which provides a preliminary assessment of two key issues:

- What is the impact of the carbon tax on our business value?
- And, how ready are we to strategically respond?

The diagnostic informs management where it needs to focus to manage through the uncertainty and risk.

Contact Michael Churchill or Alan Edwards on 03 9626 4300 to discuss a diagnostic for your business or investment; or to discuss our full Carbon Tax Readiness services suite. ▽▲

¹ NGER 2010

² Not adjusting for Federal Government compensations e.g. emissions intensive/trade exposed