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U.S. Firms Gearing Up to Tackle Environmental Challenges

"Going Green" makes good business sense, experts say

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Washington – Major U.S. corporations are moving aggressively to address climate change and other environmental concerns through entrepreneurial, technology-driven solutions, experts say.

"Almost every day we have major businesses making statements about voluntary commitments to reduce greenhouse gas [GHG] emissions," Andrew Shapiro, the founder and head of Green Order, said in an October 13 interview. "U.S. companies have seen value and are investing in [better] energy and environmental performance."

Green Order is a consulting firm that helps companies run their operations in an environmentally friendly manner.

Corporations act to reduce their energy use, harmful emissions and waste because they expect savings from increased energy and operational efficiencies. Companies also believe that their environmental initiatives will enhance their reputation with investors, customers, regulators and communities concerned about GHG emissions, according to an October 2006 report by the Pew Center on Global Climate Change.

GHG emissions, primarily of carbon dioxide and methane, contribute to global warming. Some scientists believe that the warming could get worse, making the climate less human friendly, if emissions are not stabilized.

Experts agree that improving energy efficiency can have the most direct impact on a company's profitability and on its "environmental footprint." For

example, since 1990 chemical conglomerate DuPont has saved \$3 billion and cut GHG emissions by more than 70 percent. Advanced companies such as DuPont and American Electric Power can leverage their environmental experience into process improvements to increase productivity and reduce emissions without impeding their growth plans.

A good environmental reputation also has proved to create tangible benefits for companies. For example, aluminum-maker Alcoa was invited by Iceland's government to locate its plant in that country based on company's environmentally friendly image. At Whirlpool such an image gives a competitive edge to company's energy efficient home appliances.

In addition, companies with sound environmental strategies and practices are likely or highly likely to see improved financial performance, according to 2003/2004 studies, one by researchers from Sydney University and the University of Iowa, and another by the United Kingdom Environment Agency.

RIPPLE EFFECT

Some multinational companies based in the United States, such as Alcoa, DuPont and floor-maker Interface Flooring Systems, recognized the value of more environmentally sustainable strategies in the early 1990s. These firms are now regarded widely as the most environmentally responsible corporations in the world.

Other U.S. companies started recognizing energy-related and other environmental issues as relevant to their operations only recently as a result of dramatic shifts in the marketplace and in the international and national political arenas – rising energy prices, growing concern about global climate change and pressure from governments, investors, consumers, environmental groups and the media.

Shapiro said there has been a “sea-change” in the past two years in how U. S. companies think about the environment.

In 2003, major U.S. corporations largely were ignoring these issues, according to a report by Ceres, a nongovernmental organization working to address environmental challenges. Since then, however, major corporations

in many key industries have begun implementing environmentally friendly initiatives, Ceres said in a March 2006 report.

The watershed year was 2005 when Wal-Mart embraced energy efficiency and environmental stewardship and announced ambitious environmental goals, says Peter Clarke, a senior associate at First Environmental, an environmental management consulting firm.

Wal-Mart, the world's largest retailer, vowed to buy 100 percent of its electricity from renewable resources, produce no waste, double the fuel efficiency of its trucks and reduce GHG emissions by 20 percent. It also said it expected its 60,000 suppliers worldwide to follow its lead if they wanted to continue doing business with Wal-Mart.

Because of the retailer's global reach, "this will have a ripple effect across the planet," Clarke said in an October 20 interview. "Never before there's been a company with this much clout that has gone to its suppliers and demanded that they improve their environmental performance."

FUNDAMENTAL SHIFT

The prospects for broader implementation by U.S. businesses of environmentally friendly strategies will reflect, in part, the pace of regulatory reforms and trends in energy costs.

According to the Pew Center's report, some U.S. corporations are reluctant to pursue more ambitious carbon-reducing initiatives because of continued uncertainty about the impact of global warming and related regulatory policies.

The United States currently relies on voluntary reductions in GHG emissions in the private sector. Several state governments, however, have moved to place mandatory caps on these emissions, and nearly all of the 31 major corporations surveyed by the Pew Center view some kind of federal GHG standards as inevitable.

Many want to prepare for those standards to be in the best position to manage a related carbon-pricing scheme. But others prefer to wait with

major environmental investment for clear regulatory and market signal.

“The only thing that business likes even less than regulation is uncertainty,” Shapiro said.

A ranking of the world’s top 100 most sustainable corporations done by *Corporate Knights*, a Canadian environmental magazine, and Innovest Strategic Value Advisors Inc., a British research company, includes 17 U.S. corporations, as opposed to nearly 70 European companies on the list.

The ranking defines as “sustainable” those companies that “have displayed a better ability than most of their industry peers to identify and effectively manage material environmental, social and governance factors.”

However, U.S. companies are catching up with leading European rivals thanks to a more entrepreneurial, market-driven and technology-focused approach, Shapiro said.

Alcoa developed lighter, longer-lasting commercial truck wheels, betting on automakers’ intent to build lighter, fuel-efficient vehicles. And United Technologies Corporation came out with a unique technology designed to reduce significantly emissions from coal-fired power plants, hoping to capture a large portion of the market for clean electricity.

According to experts, United Technologies’ chief operating officer, George David, expressed beliefs of many U.S. executives when he said that the “best sustainability efforts, like everything else in human endeavor, are those coming from marketplace not mandates.”

The [Pew Center’s report](#) on climate change related corporate strategies can be viewed on the center’s Web site and [Ceres’ report](#) on climate change related corporate governance can be viewed on the Ceres’ Web site.

The U.S. government supports corporate environmental efforts through voluntary programs that include:

- [Building Technologies Program](#), which works with the building industry and manufacturers to promote energy efficiency;

- [Climate Leaders](#), designed to develop long-term comprehensive climate change strategies;
- [Energy Star](#), which offers technical assistance on proven energy efficiency strategies;
- [Green Suppliers Network](#), which aims to leverage purchasing power of large manufacturers to lessen environmental impacts of their suppliers;
- [Industrial Technologies Program](#), which promotes technologies intended to help industries improve their energy efficiency and environmental performance;
- [Save Energy Now](#), which helps industrial plants identify ways to reduce energy use in key industrial process systems;
- [SmartWay Transport Partnership](#), which offers technical assistance on fuel-saving strategies; and
- [Waste Wise](#), which promotes waste prevention, recycling and buying/manufacturing products with recycled content.

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