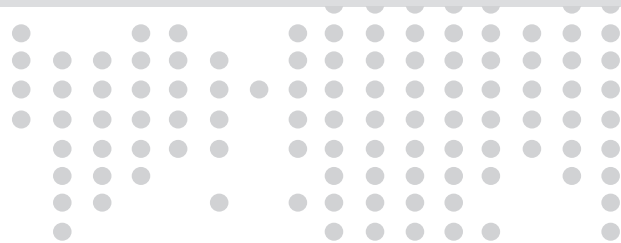




Where Buildings Connect With Business



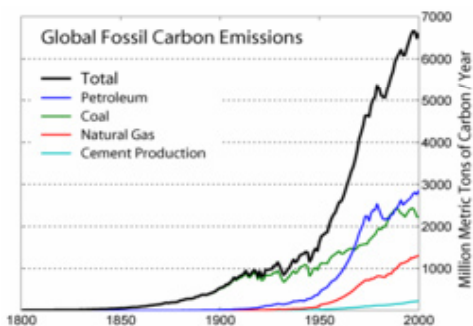
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Global Warming and Greenhouse Gas Emissions: Threat or Opportunity for U.S. Corporations?

By Jim Laabs, Vice President, TCS Basys Controls

Recent publicity given in the national media to global warming has emboldened activists to publicly point out companies whom they feel are contributing to excess greenhouse gas emissions. The result has been negative publicity for a number of major companies.

The use of negative publicity and the excessive change called for by activists have caused many executives to look at the green movement as a threat. This is unfortunate, because a well planned strategy for reducing energy use and carbon emissions not only helps avoid negative publicity, but *it can actually provide an attractive ROI and an opportunity for positive public relations.*



Another long-term benefit is that major U.S. companies taking proactive steps to reduce carbon emissions may help alleviate world pressure on the U.S. government to take more drastic steps to cut greenhouse gas (GHG) emissions. Most business people would agree that unregulated self-governance is preferable to having much stricter measures forced upon business by government.

Green buildings can make economic sense

The green building industry is crowded with ideas and products for improving the environmental impact of commercial buildings. But not all of these ideas are good ones, and it is important to realize that there are many potentially expensive dead ends on the road to being green.

An important distinction must be made between a green building and an energy efficient building. It is often assumed that a green building is an energy efficient building – that is not the case. A building can gain green certification based on environmental factors other than energy efficiency and may not be any more energy-efficient than a non-green building.

The challenge for management becomes allocating capital to those projects which not only enhance the environmental aspects of a building, but also produce a reasonable ROI. *Most projects that meet both criteria are related to reducing energy consumption.*

There are proven ways to reduce energy (and hence greenhouse gas (GHG) emissions, making the projects environmentally beneficial) that also have respectable ROI's. Payback periods of two years or less are not uncommon for energy-reduction investments, particularly those related to temperature control and lighting retrofits.

The public relations value of energy saving projects

Instead of viewing environmental-related publicity as a threat, it can be looked at as an opportunity. Developing a corporate green strategy and publicizing both the plans and results about energy-reducing projects can supercharge the ROI with the added value of publicity and enhanced company or brand image. Executed properly, the public relations bonanza gained from energy reduction measures can exceed exponentially the cost of the project.

Like any public relations opportunity, time is of the essence to take advantage of the potential. Carbon emissions and green buildings are currently a hot topic in the national news media, and most PR experts agree that media interest in this topic has not reached its peak. But gaining news coverage is a competitive endeavor, and success goes to those companies that are both creative and swift in their approach. Obviously at some point in time there will be a perceived glut of environmentally-friendly corporations and media interest will wane.

Going green without going broke

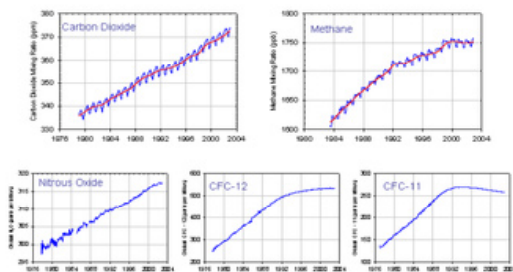
While it is certainly possible to profitably pursue the opportunities presented by the green movement, there are no sure things. A course of action to maximize the odds of success is set out below:

Step 1: Research the situation and develop a strategy, including a budget and expected minimum ROI. At this point, limit ROI assumptions to energy and operational savings, not the potential public relations benefits.

Step 2: Make a list of possible energy/greenhouse gas reduction projects for consideration with their approximate cost and projected savings.

Step 3: Rank projects based on cost over a three-year horizon versus cost reduction during the same period. At this time, also rank projects based on their potential PR value. For example, a project designed to reduce kW demand may provide a strong payback, but reducing demand charges has little direct impact on greenhouse gas emissions, so the PR value would be minimal.

Global Trends in Major Greenhouse Gases to 1/2003



Global trends in major long-lived greenhouse gases through the year 2002. These five gases account for about 97% of the direct climate forcing by long-lived greenhouse gas increases since 1750. The remaining 3% is contributed by an assortment of 10 minor halogen gases, mainly HCFC-22, CFC-113 and CCl₄.

A project with a low ROI, such as a rooftop garden, may be deemed to have significant PR value because it is obviously in the public view and has visual impact which the media favors. The best projects combine both strong energy-savings and publicity potential.

Step 4: If possible, test the strongest potential projects in a small number of locations for 3 to 6 months. Monitor energy cost reduction, and apply

calculations to convert energy savings to greenhouse gas emission reductions. Work with your PR or marketing department, arranging a visit to the test sites and educating them about the energy saving projects. Even test sites can provide PR fodder (how many stories were in the news in recent months about fast food restaurants “testing” non-trans-fat frying oil?), and at the very least the PR staff will be in the loop and ready to publicize the project should you decide to roll it out to other locations.

Pitfalls of becoming too green

There are certifications available that offer independent proof that commercial buildings are “green.” The most well known is the LEED certification, which is supported by a quasi-governmental group, the U.S. Green Building Council. Although certifications like LEED offer some benefit, especially for single large building projects, achieving certifications can be expensive. In the case of LEED, the client company must typically hire a consultant who is approved by the organization, and go through a painstaking approval process.

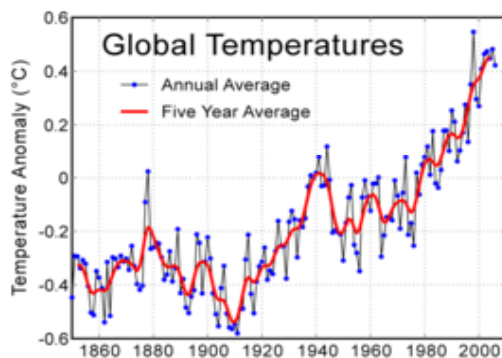
LEED certification is based on a scoring system which includes those factors that the U.S. Green Building Council has determined to improve environmental sustainability. Unfortunately, a number of the scoring factors lead to investments that have inherently dismal ROI as well as arguable value in terms of improving the environment. Many LEED criteria have little or no relation to energy use reduction or greenhouse gas emissions. For example, projects to reduce “light pollution” in urban areas are given considerable weight in some of the LEED scoring systems.

To avoid becoming involved in low-ROI, low-PR value projects, a commonsense approach calls for evaluating projects according to three criteria: (1) ROI from energy savings, (2) potential for media attention and enhanced public image, and (3) impact on energy usage and greenhouse gas (GHG) emissions. Consideration of other criteria will probably result in low ROI investments and/or minimal environmental impact.

Making energy cost reduction the cornerstone of a green building initiative is the best way to ensure an acceptable ROI.

Tapping the PR value of being green

Energy reduction investments can – and should – carry their own weight by having an attractive ROI. But, as mentioned previously, there is tremendous hidden potential in the publicity that can be achieved from media coverage of a company's green efforts.



To gain anything other than a very basic understanding of the interests and motives of the media is beyond the scope of this paper. However, it is enlightening to consider some of the issues addressed by activist groups who have had success in publicizing their side of the story. One of the most successful groups is Ceres, a national coalition of investor, environmental and public interest groups. Here are some of the factors Ceres looks at when determining which companies are most environmentally conscious:

- Public disclosure of green plans and results achieved
- Clearly set targets for reduction of GHG emissions and energy use
- Proactive action to address GHG emissions, including participation in voluntary groups
- Long term planning regarding energy reduction and other green investments
- Accounting and measurement of GHG emissions and reduction in energy use

One can also look at actions taken by the few corporations that have attempted to seek PR from being green to see which techniques have been effective at

generating positive publicity. Some key words taken from statements that have been effective include:

- “set policies on energy efficiency”
- “set targets for renewable energy use”
- “25% greater energy efficiency within three years”
- “reduce GHG emissions by 25% within 7 years”
- “reduce solid waste produced by 30% within 3 years”
- “estimate GHG emissions avoided through energy efficiency measures”
- “Measure and disclose electricity use per square footage of stores”

From the above list, it becomes apparent that a “green” publicity campaign can provide months of media exposure. The publicity cycle goes like this: (1) announce intentions to be more green, (2) announce plan and targets, (3) document and publicize positive results as they occur.

While PR potential of a project should not be the primary factor in making investment decisions, the publicity value of individual investments should be considered. Those projects that can be physically demonstrated generally have more PR appeal than ones that are invisible. For instance, a computerized building automation system is a highly demonstrable project while added insulation on a roof is not.

Summary

The green building movement should not be viewed as a threat, but as an opportunity. The emphasis on global warming and greenhouse gas emissions makes energy cost reduction projects attractive not only from an ROI standpoint but also from the potential publicity that can be generated. With the rising cost of electricity and natural gas, many energy reduction projects offer a payback period of two years or less, particularly retrofits of temperature controls and lighting. The most attractive projects in today's business environment are those that combine these factors: (1) good ROI, (2) strong potential for positive PR, and (3) environmental impact, especially on GHG emissions.