



From left: Stephen Wilson, Helenne Doody, Ian Flavell, Rhian Kelly and Eva Eisenschimmel.

POWER SOURCE

Energy prices are at an all-time high and the government is setting increasingly stringent carbon emission targets. How are leading businesses preparing themselves for a low-carbon, energy-efficient economy? What are the key drivers of these changes and what do they see as a long-term solution? EDF Energy, *Business Voice* and *Financial Management* invited a group of experts to a roundtable to discuss their plans.



CIMA





Q: What are your key drivers to reduce carbon emissions? Are they affected by the economic downturn?

Andrew Wood, managing director,

Adnams: Our drivers have changed over time. We've tried to move corporate social responsibility from a defensive, box-ticking exercise into a more offensive, marketing exercise (and do the right thing for the environment).

Ten years ago we defined a set of organisational values. One of these focused on concern for the built and natural environment. So we chose a brownfield site when we built a new out-of-town distribution centre and dug it into the ground so that the building's temperature stayed constant naturally. We used laminated beams from sustainable forests in Scandinavia and green sedum for the roof. We capture rainwater and recycle it through reed beds and we also use solar power.

We then redeveloped our Victorian brewery, again building in sustainable features. Brewing involves lots of heat and the brewery now recovers 90 per cent of this. We also manage our raw materials more efficiently – for example, we use three pints of water to produce one pint of beer, rather than the industry average of eight, and have produced the first carbon-neutral beer.

John Shaw, finance and information services director, Oxfam: Our biggest source of CO₂ emissions is our 700 UK shops. We signed up last year to a green energy supplier because we wanted to be consistent and it's helped

to raise awareness. It's better to reduce energy use, and with a network of shops staffed by 20,000 volunteers it's important to keep the message strong.

Another key factor in our CO₂ output is flights. Our staff must travel if there's a humanitarian emergency, but technology, particularly video conferencing, is useful. We recently interviewed candidates for a senior job entirely through video conferencing.

Allison Murray, corporate responsibility manager, T-Mobile:

We have two main drivers. One is the commitment to climate change set by our parent company, Deutsche Telekom. The other is business and energy efficiency.

Around 86 per cent of the electricity we buy runs our network of base stations, cell sites and switch

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sites across the country. In 2006 we installed energy smart meters that read the energy we use at each site every 30 minutes, so we know how much energy we use at each of them. The first benefit is financial – we've renegotiated our energy procurement contracts and seen a payback of two years on the meters. The second is that it allows us to calculate our CO₂ emissions accurately for these sites and

shows we reduced our carbon footprint by 17 per cent from 2006 to 2007.

Simon Connell, sustainable development risk manager, Lloyds TSB:

Lloyds TSB has promised to reduce its carbon emissions by 30 per cent by 2012, and there's substantial staff support. The biggest opportunity is with customers. Big organisations have sources of advice and capital to invest, but the landscape is less clear for SMEs. We helped to launch a module on www.smallbusinessjourney.com in conjunction with the Prince of Wales' MayDay network to help SMEs understand how they can drive sustainability and use less energy.

Rhian Kelly, head of climate change, CBI: About a year ago, the CBI put together a task force of 18 CEOs to assess the risk of climate change to

business and ways to manage it. We talked about the need for urgent action now to meet the government's carbon targets.

There are many opportunities that won't cost any money to society overall, particularly around energy efficiency in buildings and transport. There are also technologies such as wind farms that will incur costs to society but by 2030 are both affordable and deliverable. Now



From left: Andrew Wood, Allison Murray, Chris Cotton and James Summerbell.

that we know what we need to do, we must do it.

Rising prices are an opportunity to encourage consumers and businesses to adopt energy-efficient technologies. The government should encourage long-term behavioural shifts and should sell the low-carbon economy as an opportunity for savings.

Ian Flavell, FD, Castle Cement: Making cement involves heating limestone or chalk and this creates CO₂. We can't change that so we have looked at the use of alternative fuels as a means of reducing the consumption of coal. We started about 15 years ago, at the time more because of cost than environmental issues. We've now replaced almost 60 per cent of our coal with solvents, paper, plastics, tyres and animal meal which are cheaper and produce-significantly lower emissions. The amount of CO₂ we emit is substantial, so we have to mitigate it somehow – but a lot of our actions also save us money.

Stephen Wilson, CFO, IBM UK: About 2 per cent of energy goes on IT globally – about the same as the airline industry – so there are significant reduction opportunities. But IT can potentially reduce the other 98 per cent as well. We address this with customers, from suggesting products and services that reduce IT emissions up to consultancy on redesigning business processes using new technology.

James Summerbell, senior buying manager, energy, Tesco: Our combined electricity and gas consumption creates about 61 per cent of our carbon footprint. So both the financial and the carbon costs are a huge concern for us.

We have various energy-reduction initiatives. Three or four years ago, the primary driver was energy costs, but now it's reducing our carbon footprint.

Internally, we've done a lot and it's started to make a real difference – for example, we've committed £100m to research into emerging sustainable technologies and £500m to reducing climate change across the business. Externally, our customers tell us that they want affordable, green

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options. For instance, last year we promised to sell ten million energy-saving lightbulbs by halving the price.

Chris Cotton, building and operations director, Royal Albert Hall: The Albert Hall was built 140 years ago and it can hold 5,400 people. Last year we entertained 1.5 million visitors – and they complain if it's hot and sweaty.

But whereas we might now have five days a year that are over 30°C, are we in 30 years' time going to have three months? Will we need air conditioning to remain competitive with the O2 Arena? Or, do we say, this is a Victorian building and reopen the original ventilation system?

Other drivers are demands from artists, partners and suppliers. We have major catering contracts so we need to decide how far we go down the chain. Our staff also want us to do the right thing – whatever that is. We formed a

staff task force to find out what people want and feed it back to management. That is much more successful than managers telling people what to do.

Helenne Doody, sustainability specialist, CIMA: Internally, we've set up a corporate responsibility group and come up with a set of principles, one of which is around the environment, and we're developing an environmental policy.

We've also got a staff environmental action group whose job it is to raise awareness. They've campaigned to get people to turn off monitors and produced stickers telling people to switch off lights and air conditioning on leaving meeting rooms. We've installed

recycling bins and we've got timers on our vending and water machines.

Externally, our syllabus now includes information on sustainability and environmental management and we provide continuing professional development and training for existing members in these areas.

Q: Are customers prepared to pay more for greener products?

Kelly: It's not about paying more for green products. It's about marketing the savings that are possible if people manage energy efficiently.

Doody: It's also not only about selling green products. It's about making what you already sell green.

Cotton: Our menus are increasingly covered in symbols showing where our food comes from and so on. People want to know and will pay for better practices.





Summerbell: Some people will pay a premium for green products, but we need the public to make environmental choices. It shouldn't come down to scaring them about the future. It should be about enabling them to do it without paying more.

Q: Is the regulatory framework helping your efforts?

Wilson: Green issues may have gone down the political agenda, but up the economic agenda. Ultimately the economic incentive will be stronger, so I think we can balance this against concern about the political agenda.

Kelly: There is of course a role for government in encouraging greater behaviour change.

Eva Eisenschimmel, chief operating officer, customers' branch, EDF Energy: Most people see the government and big business as responsible. Individuals can be persuaded to do a bit, but without an extra push it will be a slower process to get the mass market engaged.

Q: Are green energy and offsetting effective solutions to the problem?

Philippe Castanet, managing director, major business division, EDF Energy: No one could have predicted today's prices. Everyone's shocked. Frankly, the best response is to save energy. It may sound odd for us to advise people to cut consumption, but EDF Group spends €400m a year on research and

development and can help with this. After all, renewable energy generation is limited: a maximum of 15 per cent of the electricity generated in the UK can come from wind farms and these take time to plan and build. But we can all see up to 30 per cent energy savings with minimal effort.

Kelly: There is also a role for the business community to work together

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to allay concerns around green tariffs, offsetting and so on before consumers become cynical and the government rushes in new regulations. We must lead with solutions for how we account for our carbon, green electricity and offsets.

Q: How can businesses influence what people do at home?

Wilson: We've been studying our car scheme and have found that people who take a cash option instead of a car drive older, less efficient vehicles – also a bad economic decision. We're planning to restructure the scheme to encourage people to use lower-carbon company cars for economic reasons and to reduce our carbon footprint.

Cotton: If people see change at work, they take the lesson home. For example, the Albert Hall doesn't have

From left: Philippe Castanet, John Shaw and Simon Connell.

light switches: lights are on or off. We're putting switches in and plan to demonstrate the cost of keeping lights blazing. The workplace plays an important role here.

Connell: Business can influence customers by providing structured

loans for energy with payback from the savings over a short period. For example, if an energy company offered consumers an efficient boiler and a bank provided the finance, the customer could continue paying their standard direct debit for a certain period. The difference between the old and new energy use would repay the debt, and from then the customer's bills would drop.

Eisenschimmel: Rising prices are making people think more about energy use and there are big opportunities for businesses to lead and influence sustainable behaviour at work and home via example and education.

The clear message is that, as well as upfront costs, there are compelling shorter-term paybacks, and firms have a responsibility to look beyond the next quarter's results.