

Carbon Management Hype &



Reality

Carbon management is making its way out of the plant environmental engineering department into the corporate board room. The impact green house gasses are having on our global environment can no longer be denied. Responsible people and corporations are creating the energy in their organizations to develop carbon management policies. This process begins by creating the “Hype” or the compelling reasons to change. It then follows with the “Reality”, the action plans for change.

There are at least four recognized compelling reasons to change or “Hype points”. Each has its own set of action plans for shaping the new “Reality”.



Energy from carbon based fuels is a major contributor to GHG.

Volatile energy prices have gotten everyone’s attention as it impacts both corporate profits and personal use. Managing energy usage internal to the enterprise and across the supply chain creates an opportunity to reduce carbon emissions. It also has a positive impact on corporate operating costs and profits.



Everyone can contribute to effective energy management.

The management of energy usage will vary across industries. Most organizations will first consider conserving energy use within operations or facilities. This can be as simple as turning out the lights in empty rooms. It can extend to optimizing the use of energy intensive production assets through planning and monitoring systems. It might also include implementation of non-carbon based energy alternatives. External to the enterprise organizations can make energy efficiency a differentiating factor in sourcing materials or delivering value to customers.



Customers attribute value to brands with effective “Green” products and practices.

Customers are making carbon management, “Green”, policies and practices a point of differentiation in their buying decisions. Corporate brands and product brands are both impacted. Carbon management commitment and effectiveness are becoming new attributes of competitive branding.



Competing on your “Green” story requires that you have a “Green” story.

Whether motivated by corporate citizenship, profits, or competition the development of a “Green” brand image must be supported by credible facts. Organizations need to know exactly how their facilities, processes, or products enable carbon reduction. Since managing green house gasses is a long-term issue it is also important to track progress over time.



Commercialization of carbon management credits will create new revenue opportunities.

Reducing carbon emissions needs to be balanced with enabling economic growth. Commercializing carbon emission improvements as a complement to regulation is one way to enable this balance. Packaging carbon emission reductions as validated credits enables the market place to assign value to these reductions. Companies that cannot reduce their own carbon footprint can buy offsetting credits to meet regulated goals.



Processes for recognizing carbon emission improvements must be auditable.

As government regulations evolve the process for validating carbon emissions must also evolve if they are to be commercialized. Taking the practical approach of creating consistent controlled processes for recognizing carbon emissions will enable carbon credit commercialization. Just using spreadsheets to collect data will not be enough.



Inappropriate green house gas regulation can be a significant risk to industries, organizations and our environment.

Regulation is necessary to reduce carbon emissions and level the economic playing field across companies. Regulatory policy making has its own hype driving it. Industries and organizations are at risk of constrained economic growth if they fail to factually contribute to policy development. Conversely, their contribution to GHG reduction may be too limited if regulatory policy moves to slow or targets are too low. Developing effective policy begins by truly understanding the current status of carbon emissions, their drivers, and their role in economic growth.



Corporate responsibility begins with committing to carbon management.

Carbon management involves contributing to regulatory policy development. Contributing to policy making could be driven by a desire to be a good corporate citizen or it could be driven by a desire to manage a significant risk. Either way, it requires a controlled process for collecting the factual data to be contributed. Industry associations are the conventional way to channel information to policy makers. The more factual the data the more credible associations are when providing inputs on regulation.

THE REGIONAL STATUS OF GLOBAL GREEN HOUSE GAS REGULATION

UNITED STATES



Environmental policy for carbon management in the United States has moved slowly over the past eight years. That is about to change. President-elect Obama considers climate change and the dependence on foreign oil a priority.

These problems, "Left unaddressed will continue to weaken the economy and threaten national security," he said on a Nov. 18 video address to a climate summit meeting in California. His fix, **President-elect Obama plans to set ambitious targets for reducing emissions that cause global warming and to invest \$15 billion or more per year** in energy efficiency, renewables like wind and solar, biofuels, nuclear power, and "clean" coal.

Source: Business Week, December 8, 2008

Some voluntary corporate programs are being driven by the areas of hype mentioned above. Carbon management in the U.S. is still in its early adopter stage of best practices for most industries. Industries heavily impacted by carbon based fuel availability and pricing are much further down the road with programs and controls.

AUSTRALIA



To document a national carbon footprint and to address Kyoto Protocol commitments Australia has deployed mandatory legislation that requires mandatory reporting of any company facility that emits more than 25,000 tons of carbon dioxide-equivalent annually. Companies that don't register or that reporting accurate numbers will be fined as much as \$220,000.

To address greenhouse gas (GHG) emission and energy consumption reduction, as of 2010, the Australian Government will put in place the Carbon Pollution Reduction Scheme (CPRS) to place a limit – or a "cap" – on the GHG emissions allowed to be produced. Permits would be issued up to the level of the cap and each year corporations would surrender to the Government a number of

permits equal to their emissions. This will produce a market for permits, which will be actively traded and will attract a price. It is this price – “the cost of carbon” – that will change the way that decisions are made throughout the economy. Corporations that can easily reduce emissions will do so to avoid this cost, thereby freeing up permits for those companies who have fewer opportunities to reduce their emissions. The cost incurred by upstream industry will then filter downward encouraging downstream industry to reduce energy consumption and or use assets in a more optimal manner.



CHINA

China is presently considered a developing nation in the Kyoto Protocol leaving it with limited global obligations for regulation. At the same time, China follows the United States as the second largest producer of green house gasses in the world. China embraces this developing nation status to support its explosive economic growth. Global outsourcing to China of green house gas emitting industries has also enabled industrialized countries to reduce their own emissions. Industrialized countries can get credits for helping Chinese industries develop more efficient production methods that produce lower green house gas emissions.

To reduce energy consumption and greenhouse gas emissions, China has set a 2010 target of per unit GDP energy consumption to drop by 4% annually with aim to raise this to 20% in the near future. The Chinese Government has taken several actions including signing agreements between National Development and Reform Commission (NDRC) and local governors to achieve energy reduction targets. Major energy consumers and the SOE (state-owned enterprises) are targeted.



United Kingdom

The UK Climate Change Bill will become law in autumn 2008 and will bring in a new emission trading scheme, the Carbon Reduction Commitment. It aims to reduce emissions in large non-energy intensive organizations by 1.2 million tons of carbon per year by 2020. This will include supermarket chains, hotel chains, office-based corporations, government departments and local authorities. The Carbon Reduction Commitment is mandatory and with the reporting base line the 2008- 2009 year measurements are required as of now. From 2010 reductions will be mandatory. At the end of each year, company performance will be summarized in a league table outlining the best and worse in terms of carbon emissions and reduction.

The business and public sectors generate over one third of UK CO2 emissions. The establishment of Climate Change Agreements has created a real incentive for reductions within energy intensive industries; the Carbon Reduction Commitment scheme will do this for other, non-energy intensive sectors.

More Information

For additional details on Carbon Management and extensive reports on the regional developments for carbon management, please go to: www.carbon-view.com.



CarbonView™



Supply Chain

Supply Chain Consulting is a global provider of enterprise software solutions and services. We deliver innovative business software solutions to meet the needs of today's enterprises. Our product portfolio includes SLIM™ qualified SAP solutions, Viewlocity™ supply chain visibility and optimization software and CarbonView™, the world's leading proactive carbon management solution.

Walton on Thames - EMEA Headquarters
The Coach House, 163 Burwood Road
Walton on Thames , KT12 4AT Surrey , UK
Phone: +44 1932 260 340
Fax: +44 1932 260 34

Sydney - World and Asia Pacific Headquarters
Level 4, 110 Walker Street, North Sydney NSW 2060
Phone: +61 2 9409 6100 Fax: +61 2 9409 6111

Richardson, TX - US Headquarters
2301 N. Greenville Avenue
Suite 250, Richardson , TX 75082 USA
Phone: +1 972 715 0300 Fax: +1 972 715 0302

E mail: enquiries@supplychain-consulting.com
Australia | China | Hong Kong | Indonesia | Philippines | Singapore | Thailand | United Kingdom | United States