

# Managing Risk from an Enterprise Perspective

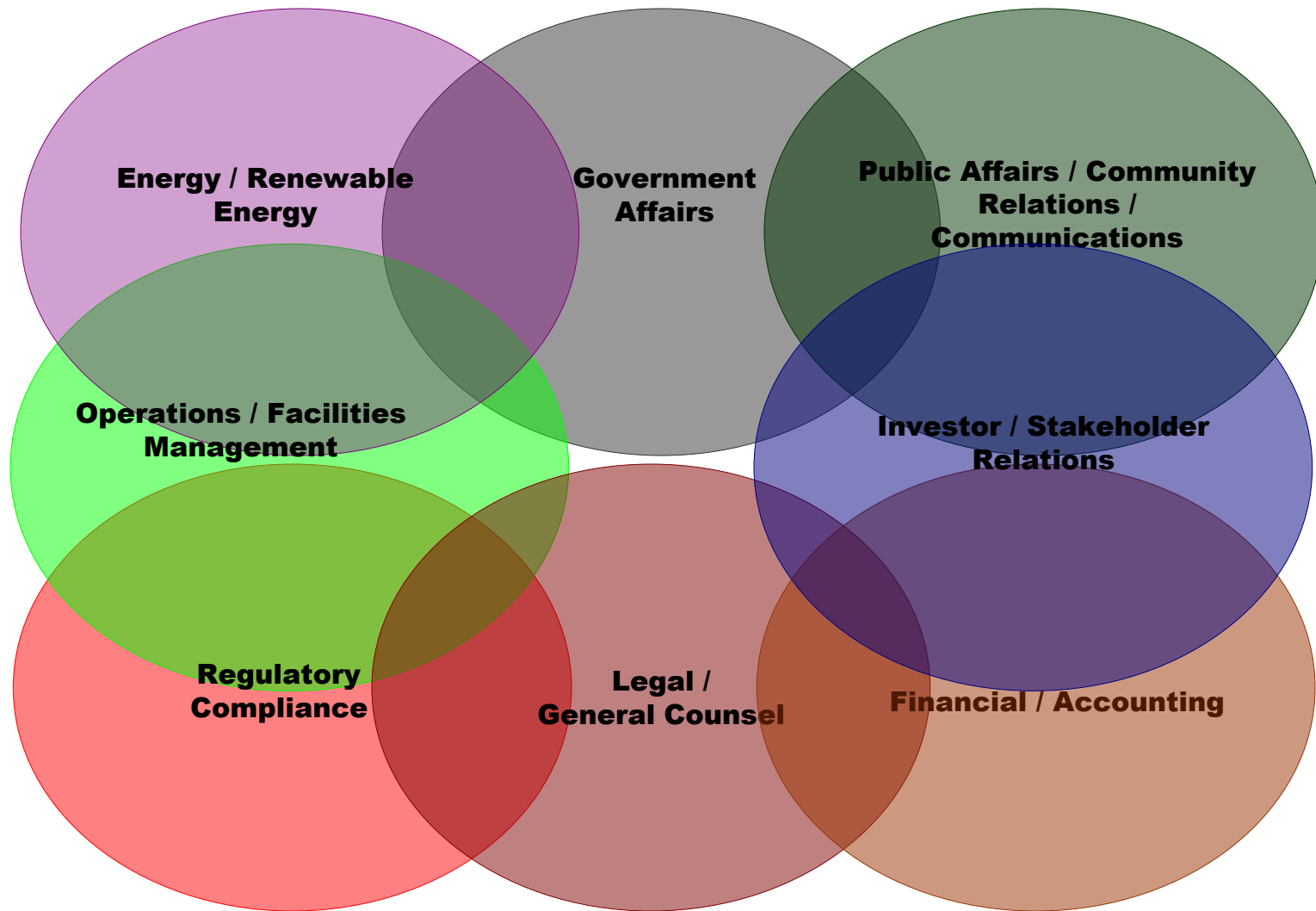
Presented by:  
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Association of Climate Change Officers

North American Climate Policy Forum  
Renaissance Blackstone Hotel Chicago  
June 23, 2010

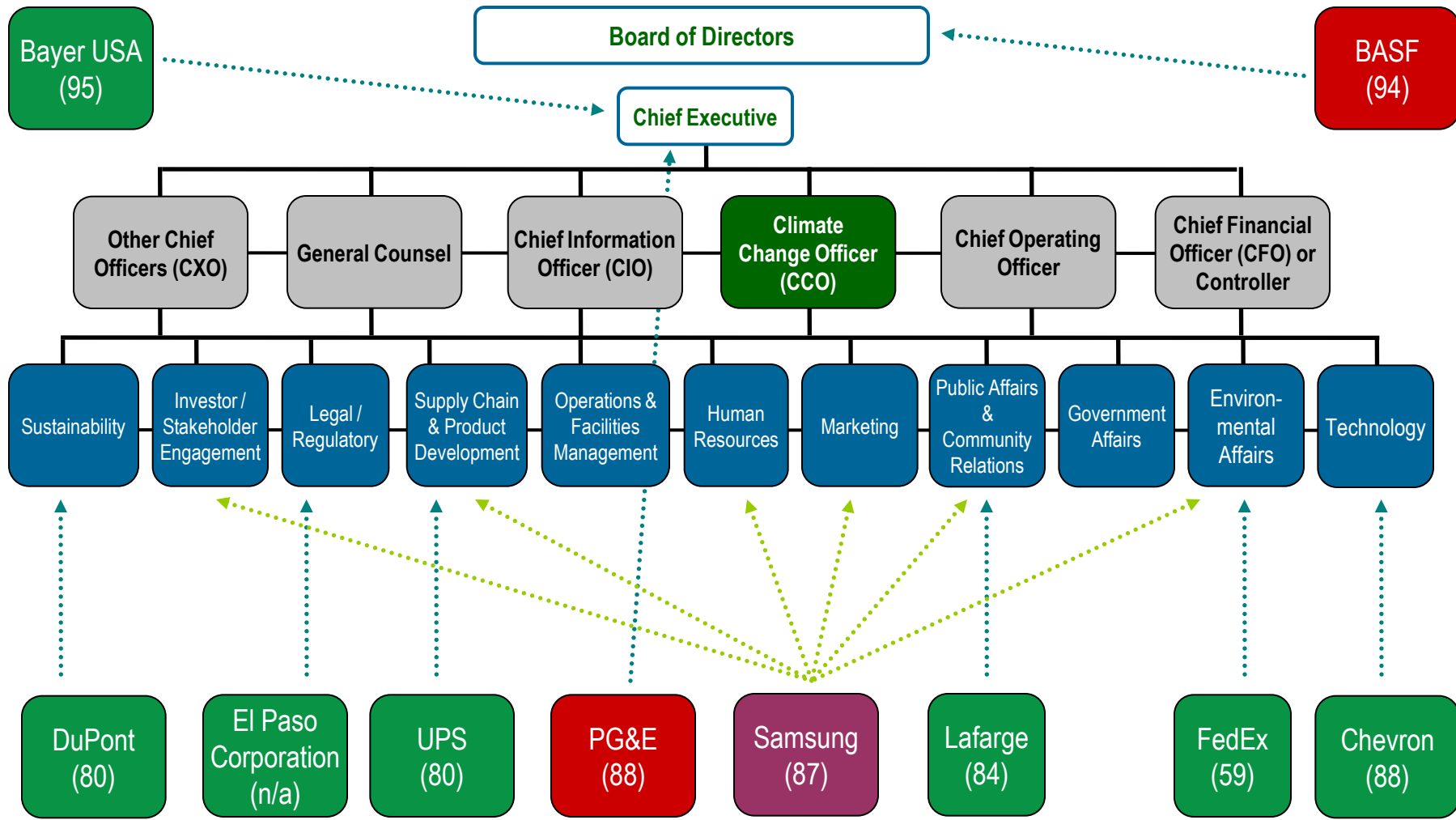
# Sample Issues Addressed by Industry and Government Related to Climate Change

- Regulatory
  - Local, state, regional, Federal, foreign and international
- Legal / liability
- Physical
  - Weather impacts, natural resources, sea-level rise, ecosystems, etc.
- Public health
- National security
- Market & consumer forces
- Investor & stakeholder forces
- Supply chain / procurement
- Soaring energy costs
- Investments
- Recruiting
- Efficiencies
- New lines of business
- Competitive advantage
- Emissions markets

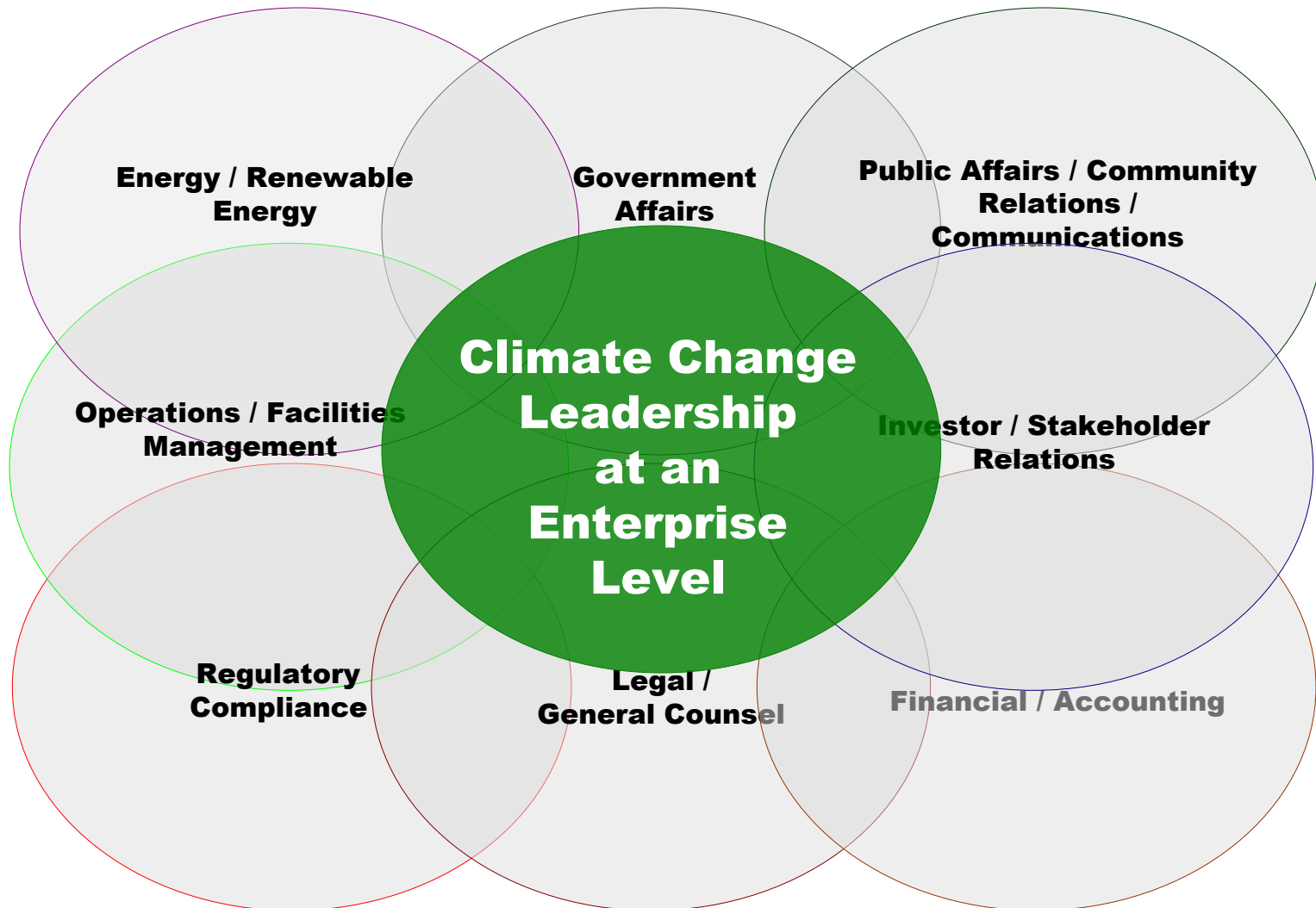
# Roles Related to Climate Change



# Sample Organizational Charts of CDP 2009 Survey Responders



# Roles Related to Climate Change



# The Real Challenge

- **Change Management – “If you do what you’ve always done, you’ll get what you’ve always gotten”**
  - Organizations, by their nature, tend to be shy away from radical change because the dominant mentality of “this has always worked, so why won’t it work now.”
  - Individuals in executive-level positions may feel as though they will be “restructured” or that they will lose influence, and as a result, will often oppose these efforts.
  - Regardless of the cause, organizational change and change management programs can prove to be very costly.
- **Evolution of a New Profession**

# Horror Stories



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## Dell Meets Carbon Neutral Goal Ahead of Schedule

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Round Rock, Texas, August 6, 2008

- Green Energy Investment Covers 100 Percent of Global Electricity Use**
- Partnership with Conservation International Preserving Madagascan Forest**

Dell has met its carbon neutral goal ahead of schedule, achieving a major milestone in its commitment to be the 'greenest' technology company on the planet and fulfilling a pledge to operate efficiently, maximize investment in green power and responsibly offset remaining impacts.

"We're driving 'green' into every aspect of our global business," said Dell Chairman and CEO Michael Dell. "This includes setting new standards for energy efficiency and green power, delivering environmental and cost savings for customers and aligning key growth priorities with our focus on preserving our shared Earth. Every company can join Dell and the ReGeneration in this long-term commitment."

Dell met its goal early by implementing an aggressive global energy-efficiency campaign and increasing purchases of green power, verified emission reductions and renewable energy certificates. Since 2004, the company's annual investment in green electricity from utility providers, including wind, solar and methane-gas capture, has grown from 12 million kWh to 116 million kWh, an increase of nearly 870 percent. Earlier this year, the company announced that its global headquarters campus is powered by 100 percent green energy.

Dell today also announced that it is making additional investments in wind power in the U.S., China and India. Combined with green electricity purchases from utility providers, this equates to 645 million kWh and the avoidance of more than 400,000 metric tons of CO<sub>2</sub>e.

The company is already saving more than \$3 million annually and avoiding nearly 20,000 tons of CO<sub>2</sub> through facilities improvements and a global power-management initiative.

"I want to thank our employees for working so hard to make this possible," said Mr. Dell. "As always, our work is only getting started and this has never been more true than our focus on green."

Dell is also partnering with Conservation International on a habitat and forest preservation initiative

# THE WALL STREET JOURNAL

WSJ.com

U.S. NEWS | DECEMBER 30, 2008

## Green Goal of 'Carbon Neutrality' Hits Limit

By JEFFREY BALL

ROUND ROCK, Texas -- Computer giant [Dell Inc.](#) said this summer that it has become "carbon neutral," the latest step in its quest to be "the greenest technology company on the planet."

What that means, and what it doesn't, may surprise Dell customers and other consumers who have been bombarded with bold environmental promises from major corporations.

In the two years since Al Gore's movie, "An Inconvenient Truth," helped make climate change a marquee issue, companies from [Timberland Co.](#), the shoe maker, to [News Corp.](#), the owner of The Wall Street Journal, have promised to become "carbon neutral."

The term may suggest a company has reengineered itself so that it's no longer adding to the carbon dioxide and other greenhouse gases scientists say are contributing to climate change. The experience of Dell, one of the few multinational corporations to claim it already has achieved carbon neutrality, shows the reality often falls short of that ideal.

The amount of emissions Dell has committed to neutralize is known in the environmental industry as the company's "carbon footprint." But there is no universally accepted standard for what a footprint should include, and so every company calculates its differently. Dell counts the emissions produced by its boilers and company-owned cars, its buildings' electricity use, and its employees' business air travel.

In fact, that's only a small fraction of all the emissions associated with Dell. The footprint doesn't include the oil used by Dell's suppliers to make its computer parts, the diesel and jet fuel used to ship those computers around the world, or the coal-fired electricity used to run them.

Dell's announcement that it had achieved carbon neutrality didn't go into these details. But in an interview, Dell officials estimate that the emissions produced by its suppliers and consumers each amount to about 10 times the footprint Dell has defined for itself. That means the company is only neutralizing about 5% of the greenhouse gases that go into the making and use of its products.

Moreover, while Dell is improving its energy efficiency, it is claiming carbon neutrality mostly by purchasing environmental "credits." These are financial instruments that bankroll environmental improvements made by others, such as running wind turbines or planting forests. Dell reasons that

# The Washington Post

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## House Is Abandoning Carbon Neutral Plan

Move Highlights Congress's Green Struggle

By David A. Fahrenthold  
Washington Post Staff Writer  
Sunday, March 1, 2009

The U.S. House of Representatives has abandoned a plan to make its offices "carbon neutral," a sign that Congress is wrestling with a pledge to become more green even as it crafts sweeping legislation on climate change.

The promise that the House would effectively reduce its greenhouse gas emissions to zero was a centerpiece of the Green the Capitol program in which the new Democratic leadership sought to use Capitol Hill as a kind of a national demonstration project.

But last week, a spokesman for the House's chief administrative officer said the chamber's leadership had dropped an essential part of the plan, the purchase of "carbon offsets" to cancel out emissions from its buildings. Offsets are a controversial commodity that promises that a certain amount of pollution was captured or avoided elsewhere.

"Right now, there is no plan to purchase more offsets," spokesman Jeff Ventura said. The House paid \$89,000 for offsets to cover the last session, in 2007 and 2008.

The decision comes as legislators also struggle with the future of the Capitol Power Plant: Hundreds of demonstrators with Greenpeace, the Rainforest Action Network and others have protested against the plant's continued use of coal.

Both issues, the proper use of offsets and the right way to clean up old smokestacks, will probably come up in the national debate over climate change measures expected to be passed in the coming weeks.

Congress is learning that even in its back yard, the weeds get pretty deep.

"It's very easy to make glib promises and a heck of a lot harder to follow through with real action" on climate change, said Frank O'Donnell of the nonprofit group Clean Air Task Force. "I guess, they're saying, 'Gee, it's not going to happen very easily.'"

The Green the Capitol program, announced in June 2007, has made major changes in the way the Hill manages energy and costs.



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In addition, the House aimed to be the "World's First Carbon Neutral Legislative Body." Although the Senate promised to become greener, it not go that far.

The first step in the House's plan was to reduce energy use in its buildings. Workers replaced light bulbs in thousands of office lamps and made vending machines and air conditioners more efficient. And the House has paid Pepco extra for power from wind farms.

Still, planners said, emissions remain. For example, the House gets the steam for its heat from the Capitol Power Plant. In addition to burning coal, the plant uses natural gas.

So the House turned to offsets. In 2007, it paid a market, the Chicago Climate Exchange, for offsets equaling 30,000 metric tons of carbon dioxide.

But The Washington Post reported last year that although the money was funneled to projects that captured greenhouse gases or avoided their emission, many had been completed before the House paid a cent. Experts said those issues make it hard to say that the House's money had caused the environmental benefits the chamber paid for.

"Maybe they're admitting that what we did [in purchasing offsets] was actually nothing," said Rep. Dan Lungren (Calif.), the ranking Republican on the House administration committee, which oversees the office that purchased the offsets.

On Friday, Ventura issued a statement saying that carbon neutrality was no longer the House's goal.

"Although original 'carbon neutrality' targets were achieved [in the last Congress], we recognize a widely accepted standard for 'absolute neutrality' does not exist, nor is there any formal accreditation process to certify an organization is carbon neutral," Ventura said. "Therefore, the second phase of Green the Capitol will focus on the continued reduction of carbon and the saving of energy through operational improvements."

This will come up again. Democratic leaders say they want to have a bill ready for debate this summer that would create a "cap-and-trade" system for greenhouse gases.

In such a system, Congress might give polluters the option of buying offsets. A power plant might pay to plant trees elsewhere in the United States or around the world, for example, because the trees capture carbon dioxide as they grow.

"It is a complicated decision," said Katherine Hamilton of the analysis group Ecosystem Marketplace. "They're going to have to decide: What are the criteria that create a viable offset? [How should they] set out the rules on how people play the game?"

The Capitol Power Plant has also been a sticky issue -- and a more obvious one because its smokestacks are just blocks from the Capitol. After a request from

## Climate Change and Shareholder Value In 2004

On 1st November 2003, the Carbon Disclosure Project (CDP) issued a second information request to the FT500 Global Index companies. 95 institutional investors representing assets in excess of \$10 trillion are signatories to the request, which asked for disclosure of investment-relevant information relating to the risks and opportunities presented by climate change. Full details of the responses and reports can be found at [www.cdproject.net](http://www.cdproject.net)

### Significant differences of opinion within FT500 still exist.

It is clear that many companies within the same sector do not agree on the importance of climate change on their business and the competitive conditions in their particular industry. The following examples illustrate the differences in companies' opinions with respect to the relevance of climate change to their business:

Believe climate change  
not relevant to business

vs.

Believe climate change  
highly relevant

#### *Chemicals*

**Bayer** states that "the risks of so-called 'climate change' have neither been proved nor refuted... Results by IPCC have periodically illustrated the possible risks of climate change, but they have also revealed significant uncertainties in the estimates based on the models used". However, the company does think precaution is best and does

vs.

**Air Products and Chemicals** not only recognize the potential impact but that understanding climate change "is critical to managing commercial risks and seizing upon *new* business opportunities that arise from responses to external climate-change policy drivers".

# From the Depths of Despair ...

Climate change is a truly global issue, which cannot be solved exclusively at a national or regional level. To avoid migration of energy- and/or GHG-intensive production processes to countries with low climate-related regulatory standards, Bayer strongly advocates ambitious and consistent international frameworks (e.g., a global emission trading scheme).

**Bayer**

In the energy management growth cluster, we are developing new

**Table 1: The highest scoring companies in CDP 2009**

| Company                         | Sector                 |
|---------------------------------|------------------------|
| Bayer                           | Health Care            |
| BASF                            | Materials              |
| HSBC Holdings                   | Financials             |
| Wal-Mart Stores                 | Consumer Staples       |
| Chevron                         | Energy                 |
| Cisco Systems                   | Information Technology |
| PG&E                            | Utilities              |
| Public Service Enterprise Group | Utilities              |
| Spectra Energy                  | Energy                 |
| Bank of Montreal                | Financials             |
| Boeing                          | Industrials            |
| Carnival                        | Consumer Discretionary |
| Rio Tinto                       | Materials              |
| Samsung Electronics             | Information Technology |

...the countries are represented in the CDLI, with four (Australia, Germany, UK and the US) represented by at least five companies – possibly reflecting the increasing driver of carbon reporting regulation in these countries;

- Companies from the US make up 50% of the CDLI; a marked rise in the standard of carbon disclosure over the last year. This demonstrates that US corporations are taking climate change seriously

...each receive some recognition receiving recognition on this basis; and

- The CDP 2009 methodology rewarding companies more for providing specific information that answers the question and informs investors, rather than for a high level of general detail.

A high score in the CDLI reflects a company's ability to manage and report on carbon and climate change in

Published on *GreenBiz.com* (<http://www.greenbiz.com>)

# PG&E Ditches U.S. Chamber of Commerce for Anti-Climate Bill Efforts

By *Tilde Herrera*  
Created 2009-09-22 13:56

Another high-profile company is washing its hands of a major trade group over its opposition to a climate change bill working its way through Congress.

Pacific Gas and Electric Co., the Northern California utility, said today it is leaving the Chamber over what it calls the Chamber's extreme position on climate change. Just weeks before, Duke Energy and Alstom Power left another trade group, the American Coalition for Clean Coal Energy (ACCCE), over its efforts to defeat the American Clean Energy and Security Act, also referred to as the Waxman-Markey bill.

The Chamber found itself in the spotlight over the summer due to its legal threat to force the U.S. Environmental Protection Agency into holding a public trial on the validity of climate change science. The Chamber's vice president for the environment, technology and regulatory affairs likened such an event to the infamous Scopes Monkey Trial, which focused on the science of evolution and its teaching in schools. The Chamber executive later backtracked on the analogy, deeming it "inappropriate."

In a letter to the Chamber, PG&E Chairman and CEO Peter Darbee criticized the trade group's stance:

We find it dismaying that the Chamber neglects the indisputable fact that a decisive majority of experts have said the data on global warming are compelling and point to a threat that cannot be ignored. In our opinion, an intellectually honest argument over the best policy response to the challenges of climate change is one thing; disingenuous attempts to diminish or distort the reality of these challenges are quite another.

The Chamber has also caught some flack from other members this year over its anti-climate bill moves, including Nike and Johnson & Johnson. Both are also members of other trade coalitions advocating strong climate change legislation, such as the U.S. Climate Action

# Conclusion

- As the general public, industry, and government come together to build comprehensive solutions to address climate change risks, the role of the climate change officer will be a significant leadership component that will enable success in responding to climate change considerations while enhancing the quality of operations/activities and the bottom line of industry and government in all sectors and geographic regions.
- Questions?

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