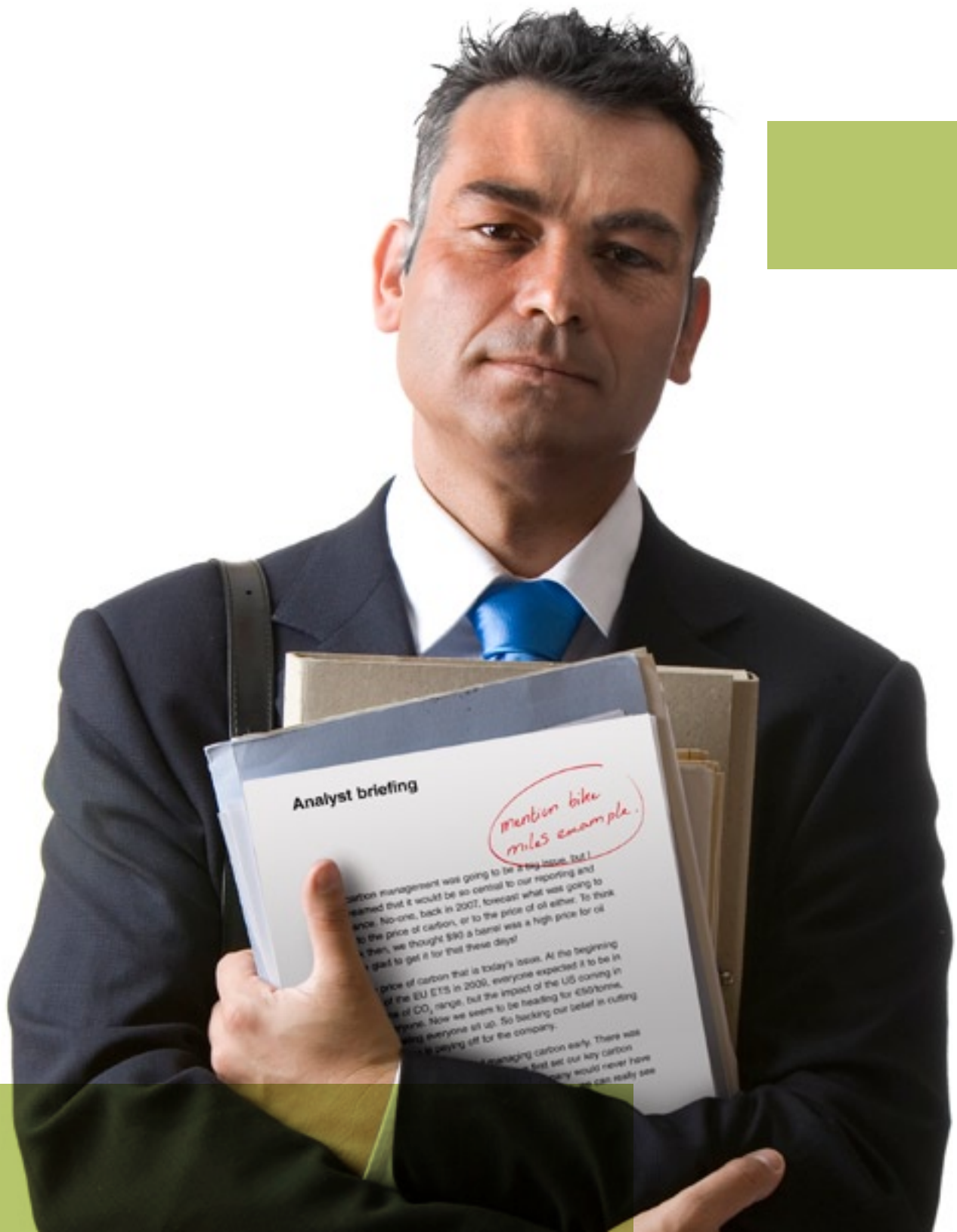


A day in a low carbon life

What might it be like to lead a business in 2012?



This paper describes a day in the life of a fictional Chief Executive Officer, preparing to face market analysts in 2012. The intention is to explore the challenges business leaders might face doing business in a low carbon economy. The scenarios described here should not be read as a prediction of future business conditions, and any resemblance to actual people or companies is unintentional.

7.15am

Home

Revise speech for analyst briefing

The electronic percolator hissed slightly as it poured coffee into Tom's cup. It was going to be a long day – this afternoon's meeting with the analysts would finally give the market's verdict on the policy he had been pushing ever since he became Chief Executive Officer in the summer of 2007, just over five years before. Carbon Challenge was a five-year strategy for cutting carbon emissions throughout the organisation, and it was still central to Tom's vision for the company.

Fortunately he had time for breakfast while he glanced through his speech. Getting the analysts on his side was crucial. "I knew carbon management was going to be a big issue, but I never dreamed that it would be so central to our reporting and performance," he read. "No-one, back in 2008, forecast what was going to happen to the price of carbon, or to the price of oil either. To think that back then, we thought \$90 a barrel was a high price for oil – we'd be glad to get it for that these days!"

"But it's the price of carbon that is today's issue. At the beginning of Phase 2 of the EU ETS in 2008, everyone expected it to be in the €30/tonne of CO₂ range. Now we seem to be heading for €50/tonne, and that is making everyone sit up. So backing our belief in cutting carbon emissions is paying off for the company."

He looked up thoughtfully from the paper. "I just hope the analysts grasp this," he thought.

Tom turned back to the speech. "We realised the significance of managing carbon early," it went on. "Consumer interest was the initial driver for us, and we knew that would rapidly be followed by analyst interest! However, I didn't think back then that it would become such a central business issue as it is now, due to increasing regulation in virtually all of our markets. There was a considerable amount of pain when we first set our key carbon reduction targets, but without them, our company would never have made the strides that it has. Now, after five years, we can really see the benefits in our increased efficiency and profitability."

CL

**It's ca
Green
Page**

His own contribution, he thought with some satisfaction, had been getting the right team in place to push the policy through. Andrew had been the right choice for Operations Director – he really got the importance of the policy, and he'd driven deep cuts in carbon emissions in the supply chain through collaboration with suppliers. And that, of course, translated into real cost reductions as well. Tom made a note on the margin of the speech – he'd have to remember to give credit to Andrew, and also to John, the Human Resources Director; Helen, the Chief Information Officer; and Rob, the Chief Financial Officer. The policy, after all, was a real team effort.

Tom clicked his mouse to open the garage door downstairs and activate the pre-ignition programs on the hybrid car. All of its systems would be booted up by the time he'd walked down the stairs. Funny, this prediction business – in a drawer somewhere, he had a report on the effects of the energy shortage which he had prepared a couple of years before he became CEO. In it, he'd said that no-one would be driving into work by 2012

– everyone would be working from home, with broadband and video-conferencing. Well, yes, up to a point. But at over 100 mpg, the hybrid meant that driving was less of an issue. And it was still important to be in the office two or three days a week – for meetings like this one, for instance.

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may lose

9:00am

John's office

Check progress on people agenda

Tom was early getting to the office. He'd allowed an extra half an hour, but it wasn't necessary as the congestion and traffic management systems were making real inroads into the problem of London traffic. So much for the gridlock everyone had been talking about a few years ago. Tom felt his own company could take some credit for the clearer roads, with their successful travel reduction programme for employees.

John's support had been crucial from the start in getting everyone in the company behind Carbon Challenge, and seeing that they understood the impact of climate change on the total business. "You can have as much central control and technology as you like, but without the willingness of each individual to play a part, the momentum gets lost and people get tired and resentful of the extra metrics," John had said – and it was true. The initial companywide sessions to generate ideas online, the pledging system which had allowed the company to set up inter-team competitions to find innovative ways of reducing the carbon footprint – they'd all been John's suggestions.

But there was more to do, and Tom wanted to check his facts before his afternoon meeting. "What's the position on business travel?" he asked John. "I know the carbon budgeting system is having an effect, and everyone seems to be aware of how much carbon they are using – particularly that their bonuses are linked to staying within budget."

"Travel is continuing to come down," John confirmed, "but some areas are slower than others. Sometimes, face-to-face meetings with customers are important. And despite the changes to the bonus scheme, a few executives still have the old 'air-miles-ego' about always being on a plane. But even they use the railway a lot more since the rail companies introduced rail miles, and since they can be exchanged for cash, they don't just encourage you to travel more, like the old incentive schemes did."

But the biggest achievement of the HR department was reduction of internal travel. The initial investment in technology to support home working, audio and video conferencing, and collaboration software had made huge improvements in costs. "It's made a big difference to the quality of life, and our employee satisfaction surveys have improved too," John added. "Do you remember how much time we used to spend just travelling to meetings five years ago? A little forethought, and a few changes in working habits, and we could have avoided most of it."

"It's difficult sometimes," Tom pointed out. "You really need everyone in a virtual meeting to be comfortable using the technology for it to be a good replacement for a face-to-face meeting. I remember attending my first virtual conference. I was so pleased to not have to fly half way round the world to give one presentation, but I was rather nervous at presenting to a thousand people that I couldn't see!"



“Of course,” agreed John, “but it’s helped us a lot that you use the technology yourself, because others felt obliged to learn it too. And when people do have to travel – well, the changes to Human Resources policies and the company car scheme have made a big difference. Preferential deals on low carbon-emitting cars, disincentives on gas guzzlers, and people choosing to go by train rather than by air. It all helps – and our own bike miles scheme is giving employees a financial incentive to cycle instead of drive.”

Tom nodded, and made a note to mention bike miles in his speech, to show how the employees were buying into the carbon-saving strategy. “We need to think about the next employee initiative now, though, don’t we?”

It’s easy to forget about the issue, now we’ve achieved so much. I was talking to a new employee the other day, and they had no idea about our Carbon Challenge programmes at all. Everyone takes it so much for granted, they’ve stopped talking about it. Helen suggested we might look at Distributed IT, when I spoke to her the other day... that’s the small pieces of equipment that people manage themselves – laptops, phones, printers and all that. We’ll need your help on that, to get people to change their habits. It’s going to be harder than dealing with the data centres – where we did it all with clever systems management!”

“Great,” said John. “I’ll set up a meeting with Helen to find out more.” Tom nodded his thanks, and dashed back to his office, for his meeting with Andrew, his Chief Operating Officer.

**Bike miles
scheme**



10:15

Video conference

Operations aspects of analyst briefing

Andrew was back at the factory – he was able to stay there, rather than having to keep coming up to Head Office, because of the video-conferencing that had been installed three years earlier. But that was just one aspect of the technology – thanks to the Web meeting tool, executives on different continents could share diagrams and data, edit documents, and sketch out ideas on the electronic whiteboard.

“Hi, Andrew,” said Tom, as he adjusted his Web camera. “Are you still travelling to the Olympic opening ceremony next week?” The Rolling Stones were performing the final date of their latest final tour at the Olympic stadium, and Andrew – who wasn’t born when the Stones had their first hits – had tickets to see Lord Jagger on his positively last appearance. Again. Tom could just remember the first final tour, years before. But next year, Lord Jagger, as he insisted on being known since his peerage, would be 70 years old. He couldn’t go on much longer, surely?

“I’ll be there, don’t worry,” said Andrew, framed in a two-inch window on Tom’s laptop. “You got my input into your speech okay?” Andrew had tackled one of the biggest challenges – decoupling growth from increasing carbon emissions. When Carbon Challenge had started, his predecessor hadn’t believed it was possible, and had kept producing reports about carbon offsets and alternative supply to disguise the fact that nothing was being done. The company had wasted a lot of time and money on alternative supplies, offsetting, and other supply side changes, rather than addressing the challenge of reducing carbon in both products and processes.

When Andrew took over, he’d brought in a policy of carbon analysis, and promoted changes in the buying policies of the company’s customers, especially retailers. That had really driven the policy forward. The phasing out of traditional light bulbs in 2007 had been only the start!



“The latest phase of our ‘Design for Carbon’ programme is radically changing the energy and carbon intensity of our products,” he said. “I’m just finishing off this year’s supplier ratings on carbon intensity, as well as on price, quality, and service. One thing you need to get across this afternoon is that it’s detailed analytical hard work and close collaboration with our suppliers that helps us make improvements. That’s hard for the competition to copy.”

Tom nodded. Since the price of carbon had jumped up, it was being felt both by the company and by its competitors as well. Andrew’s work was really coming into its own. “They’ll be questioning us about the impact of the hike in prices – fuel prices too – and we’ll be able to give them a positive response relative to our competitors,” Tom said.

“Yes, but that’s only part of it,” said Andrew. He was passionate about the subject – he’d had no doubt five, even ten years ago that climate change was happening, and now he was deeply involved in the company’s adaptation strategy as well as its carbon reduction programme. “You need to brief them on our ‘Follow the Sun’ initiative. Switching between the northern and southern hemisphere data centres means we can maximise the solar power potential, but it also reduces the risk from adverse weather and flooding.”

Tom had already written that into his speech. “If we hadn’t moved the Eastbury distribution centre in 2009, the floods of 2010 would have wiped us out,” he said. “I’ll remind them of that. Analysts always ignore resilience until its absence bites a company in the backside.”



11:00am

Coffee bar

Quick chat with Chief Information Officer

As he left his office after the virtual meeting with Andrew, Tom almost collided with Helen, his Chief Information Officer, in the corridor. “Glad I caught you, Helen. I want to check a couple of lines from my speech this afternoon with you.”

“Great,” said Helen. “I’m just on my way to get a coffee, let’s talk on the way.”

Helen had been another reliable ally over Carbon Challenge – a truly ‘green’ Chief Information Officer. “Here’s what I’ve said, based on the discussion we had the other day,” said Tom as he leafed through his speech. “Reducing the energy and carbon from our data centres was only the first step on a journey – it is really all about reducing the ratios,

the carbon intensity of computing power,” he read. “Getting greener means getting smarter and smarter means more information – and more information means computing power. IT is now very much the engine of all our Carbon Challenge initiatives, enabling home working, enabling supplier analysis, and enabling collaboration.”

“Spot on,” said Helen. “Have you room for a line about distributed IT as well? Remember I explained that to you last week – it’s the sponge that soaks up electricity from every phone charger, printer and storage device in the company. We can handle data centres with central, technology based solutions, but we’re still only starting to make progress on reducing carbon generated elsewhere by our IT.”

“Maybe I can add it to the section on our future plans,” Tom replied. “After all, cutting back on carbon is a continuing process. But if I do that, it means we absolutely must make progress on it over the next year. The analysts aren’t easily impressed by commitments, these days: they look on us positively because we delivered what we said we would, and came clean when we couldn’t. Getting employees on board is key to this one, isn’t it? I mentioned your idea to John, and he’s going to get in touch with you to discuss the issue. We’ve had a very positive response to all the changes from the staff so far, and I’m sure he’ll have some great ideas to get people behind this initiative, too.”



11:30

Rob's office

Final rehearsal

Tom carried his coffee over to the finance department where he'd arranged to do a final run through with Rob, before they went down to present to the analysts. His Chief Financial Officer had taken a little longer to accept the benefits of Carbon Challenge. He had been much more in control when the only questions he faced were about financial performance, but now the analysts were just as likely to ask about the latest Carbon Disclosure Project (CDP) results and the way the company was performing relative to its competitors in reducing carbon. And since the mandatory inclusion of the CDP submission in the audited financial accounts was introduced in 2010, it was even more complicated – now, he couldn't just focus on the company's finances, but he had to ensure the business and financial controls covered energy and carbon.

At one time, Tom had been worried that Rob couldn't handle all the new responsibilities – but the carbon management information system they had introduced had given him the confidence that he had the right data available in the right amount of detail. "I've prepared a report on all the new measures we have in place relating to energy use and carbon reduction," Rob said. "It all culminates in our carbon balance scorecard – and with the price of carbon predicted to increase in the next year, its impact on our performance will be increasingly critical."

"That's significant, and I think we need to stress it with the analysts," Tom said thoughtfully. But Rob was just getting into his stride. "It's a lot more significant for some other industries," he said. "Fund managers are referencing the Dow Jones sustainability index in their marketing materials for investors as a matter of course these days, and they are shunning businesses which haven't reduced their carbon intensity."

Tom knew what had made the difference: instead of a mad scramble every year when the carbon disclosure questionnaire arrived, the new carbon management information system meant that all the different indicators of carbon emissions – CO₂ emission related to business travel, carbon emissions of major suppliers, and so on – were now regular reporting items, with budgets, forecasts, and actuals broken down by organisation. It made it so easy to see where trade-offs could be made.

"Of course, the real benefit is starting to come in our carbon trading – we'll get a real financial benefit from the price rise. We're really seeing the rewards now of all those efforts to cut carbon, and all the carbon credits we gained as a result," Tom said. Rob had no need to worry about the meeting, he thought to himself – he was on top of it all, and he had a good story to tell the analysts.

7:00pm

Heading for home

In his car, Tom reflected on a rewarding day. The analysts had been tough, but fair – clearly impressed by the way the company had decoupled business growth from carbon consumption, and by the sophisticated level of detailed reporting. Tom had a quiet smile as he remembered one of them looking over his glasses, and sniffing: “You wouldn’t believe the way some of your competitors have struggled to back up their marketing messages with real sustainable reductions in carbon. It used to be called Greenwash, but now it’s just bad business.”

Starting early, before the Climate Change Bill and the Carbon Reduction Commitment had come into force, had put the company ahead of the game, he thought to himself.

But there had been some pretty difficult questions on the adaptation strategy. He flicked the dashboard switch to leave a message on Rob’s office phone. “I’m not sure we’ve thought through the medium- to long-term impact of climate change on our operations. Do we really understand the financial risks to our assets in coastal locations? And what about the

data centre in the flood plain – the water came pretty close last year and we were hours away from invoking our business recovery service. I know our auditors are looking at quantifying those risks. And there are opportunities too,” he said. “Let’s talk about it in the morning – we’re going to have to re-think our supply and sourcing strategy if fuel and carbon are going to be so much more expensive. Bringing goods in from far away places is going to cost a lot more – perhaps we should be thinking about exploring our local sourcing even further.”

Analyst briefing

I knew carbon management was going to be a big issue, but I never dreamed that it would be so central to our reporting and performance. No-one, back in 2008, forecast what was going to happen to the price of carbon, or to the price of oil either. To think that back then, we thought \$90 a barrel was a high price for oil – we’d be glad to get it for that these days!

But it’s the price of carbon that is today’s issue. At the end of Phase 2 of the EU ETS in 2009, everyone was surprised everyone. Now we see the €30/tonne of CO₂ range, but the price and that is making everyone surprised everyone. Now we see carbon emissions is not the same as it was in 2009.

We realised that...
consider...

mention bike miles example.

He'd done all right with the analysts when they asked about the example he was setting in his personal life – hybrid car, solar heating, holidays in the UK. Funny to think how people used to grumble about the English summer...

In the kitchen, he switched on News 24 for the latest US business update to check the company's share price. As he refilled the kettle for a cup of tea and waited for the stock ticker to come around, his main competitor's logo flashed up and turned his attention back to the television. The newsreader had adopted a concerned expression.

"News just in...we can confirm that the SEC will be investigating claims that a Fortune 500 company falsified carbon submissions in their latest company report. More now from our reporter in Montana..."

Just then, the share price that Tom had been waiting for flashed up. He smiled as he thought how his overall strategy was starting to deliver. It wasn't over yet, of course – there was tomorrow's meeting with Helen, for instance, to discuss ways of further reducing the carbon output of the company's distributed IT. He'd have to get John

at that meeting, and see how the HR department could help. He made a note to flag the SEC investigation of their competitor, too – and he was very glad he'd agreed to that carbon information system last year – it should prevent similar problems happening at their company.

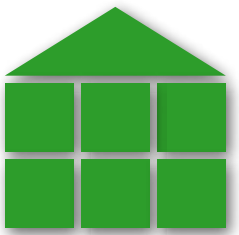
No, it wasn't over yet – but they had made a good start.





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