



Role of Energy Efficiency in Corporate Management Strategies

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by

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American Council for an Energy-Efficient Economy

The American Council for an Energy-Efficient Economy (ACEEE)

Nonprofit 501(c)(3) dedicated to advancing energy efficiency through research and dissemination.

35 staff in Washington, D.C., Illinois, Delaware, Michigan, and Wisconsin

Focus on End-Use Efficiency in Industry, Buildings, Utilities, Transportation, & National Policy

Offer Conferences and Publications

Funding:

- Foundation and Federal grants (50%)
- Specific Contract work (20%)
- Conferences and Publications (25%)

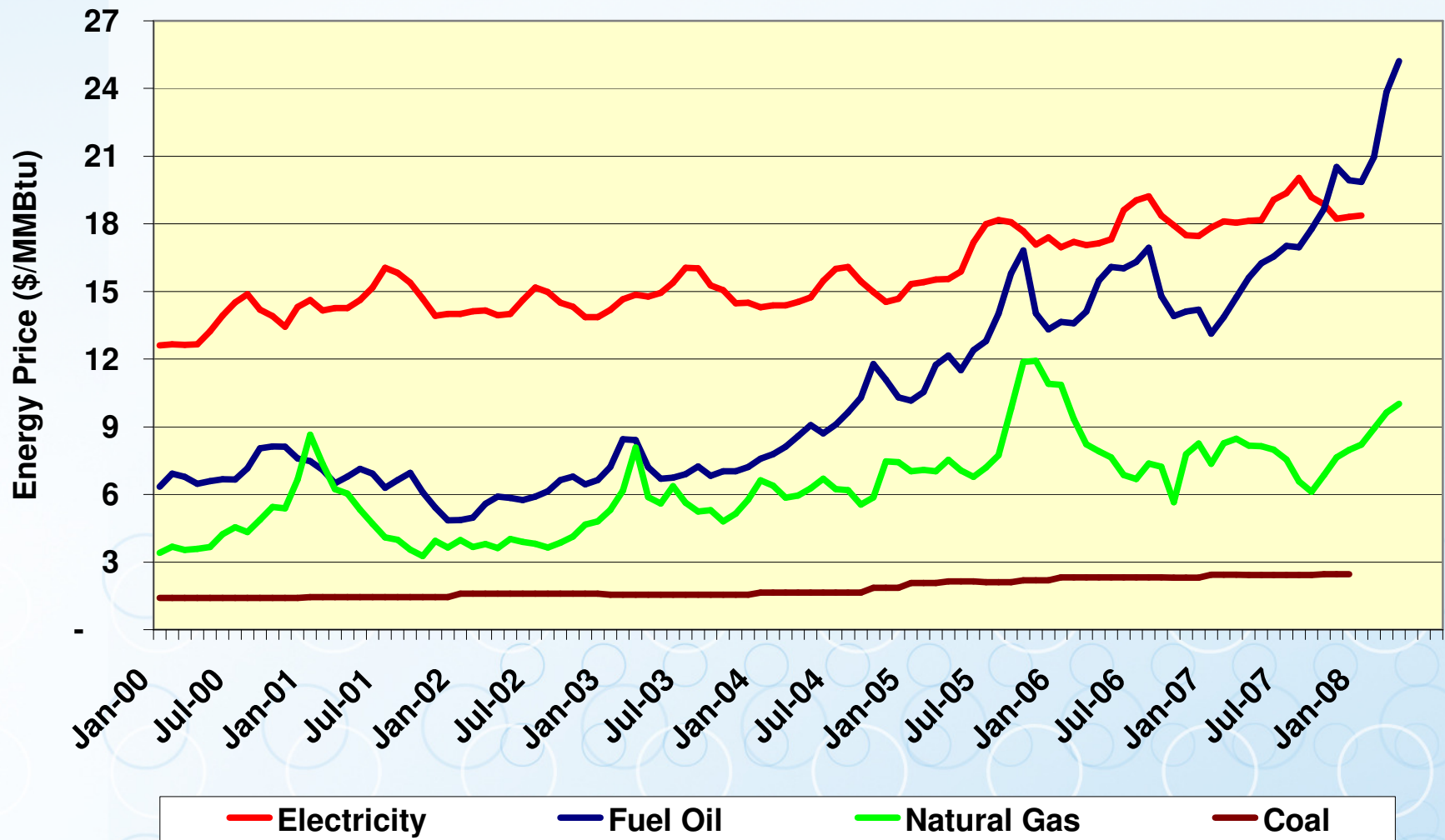
America's Energy Straitjacket

*"Not Your Parents' Energy Crisis" **

- No current “supply” limitations – rather “deliverability” limitations in all energy markets
- Oil markets constrained by refining and global demand
- Coal markets constrained by mining, rail capacity, and growing exports
- Electricity constrained by available fuel and transmission – high demand taxes infrastructure
- Renewables limited by equipment manufacturing
- Fuel switching limited by tight markets



Straitjacket Manifested by Increased Prices & Volatility



What Does the Future Hold for Energy Markets



- Longer-term outlook cloudy – many uncertainties but indicators point to higher prices
- Markets will be driven by global forces – particularly China and India
- New Alaska and OCS gas & oil at least a decade off
- Significant Nuclear and CCS Coal 10-years or more
- Renewables limited by manufacturing capacity and project formation capacity

Energy Efficiency: a Way Out of the Straitjacket

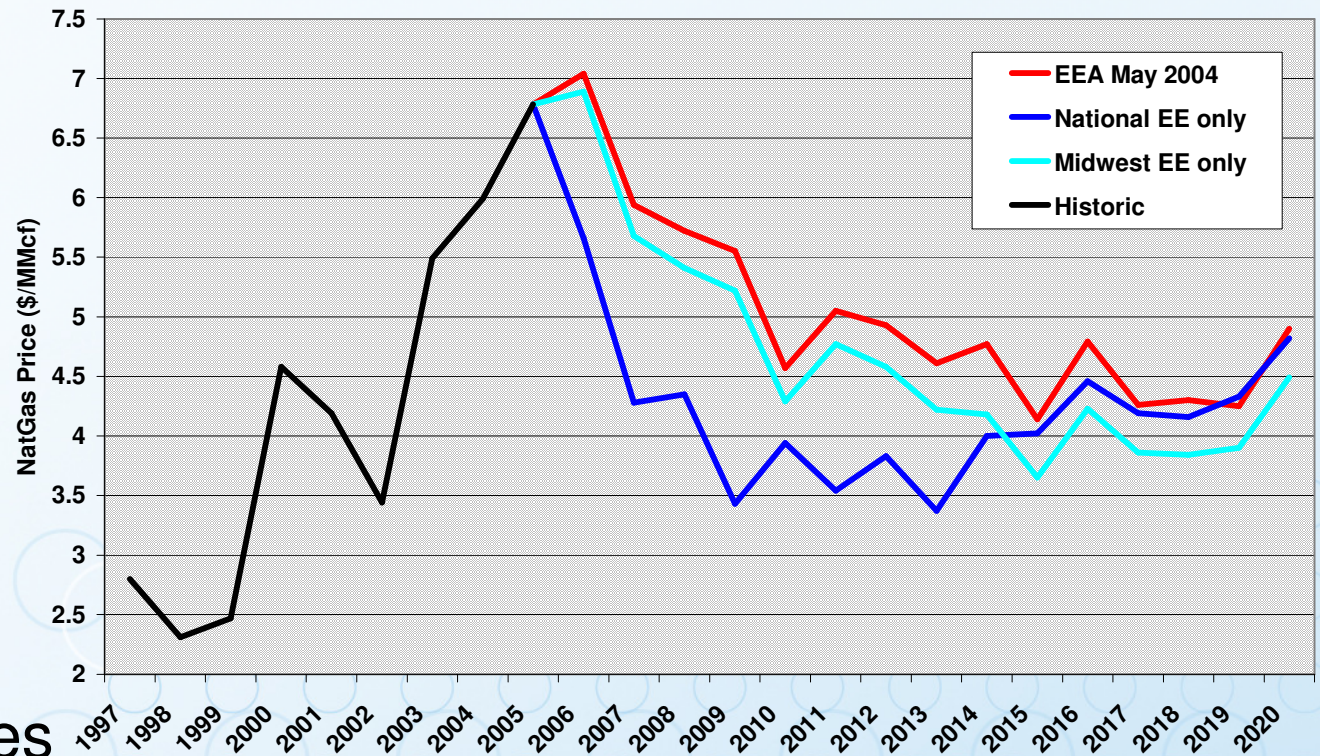
- Efficiency can help bring balance to energy markets—reduce electricity and gas prices
- Reduces risk exposure to volatile energy markets
- Efficiency enables renewables—without demand reduction, clean supplies can't catch up
- Climate trumps all—efficiency is the best, least-cost down payment on climate stabilization

EE Can Reduce Energy Costs and Energy Prices

Current price increases result from tight markets. Small changes can result in large changes in energy prices.

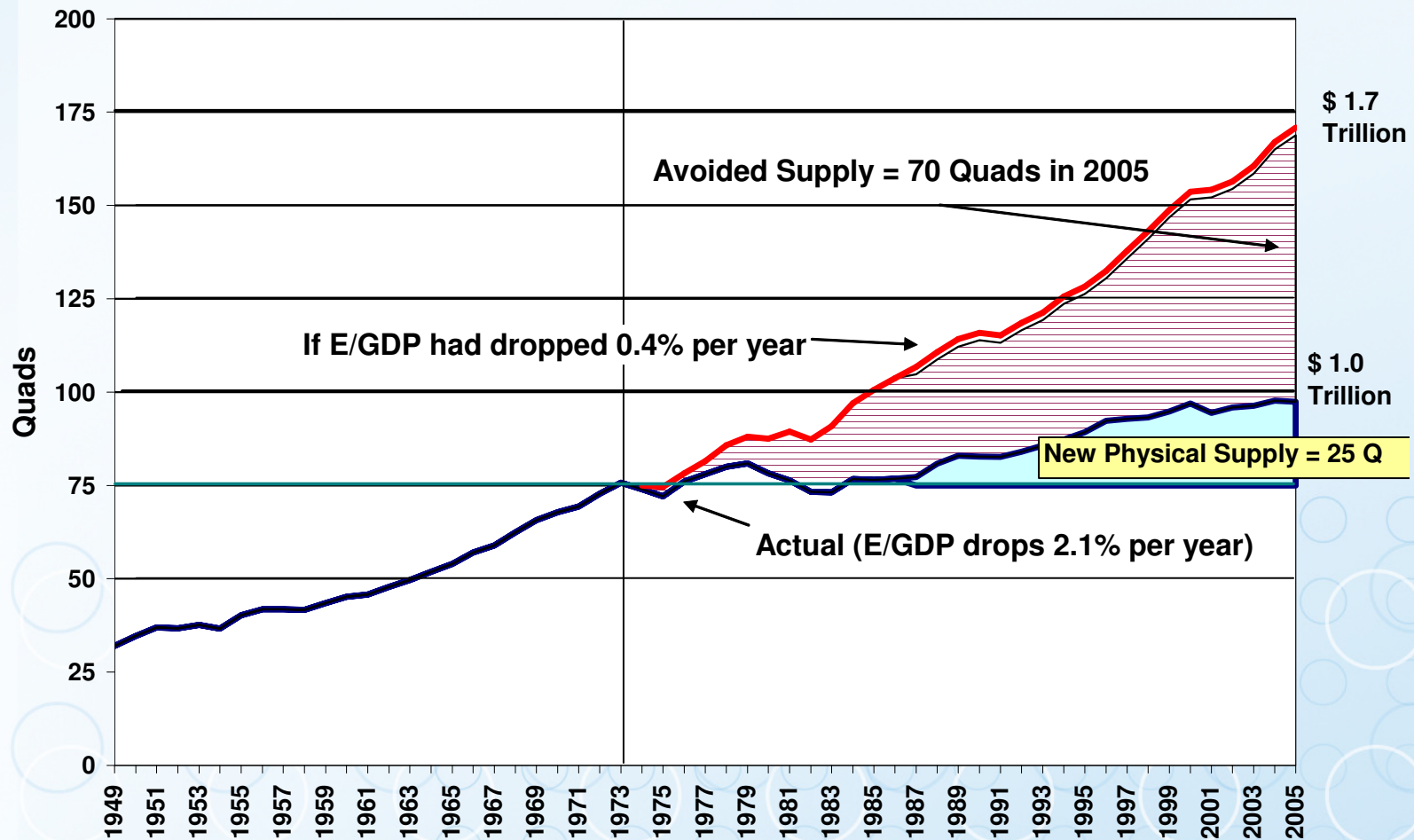
Applies to:

- Natural gas prices
- Electric prices



Source: EEA 2004 and ACEEE 2005

Energy Efficiency's Past Success



Managerial, Financial & Organizational Hurdles to EE

- *Knowledge* – You need to:
 - Know how much energy you are using, and
 - See EE opportunities to implement them
- *Inertia* – Energy has been managed as a commodity not as a strategic issue
- *Experience* – Many organizations are not set up to manage their energy use – e.g., workforce
- *Budgeting* – Many organizations are not set up to make the EE investments that save energy

National Barriers to EE

Invisible – Decision makers are unaware of the opportunities

Distributed – No EE “industry” exists

Regulations – Don’t recognize the impacts of EE on markets

Price Focused – Decision makers look at *price* not *costs*

Modeling – Economists assume that we are using energy optimally

Corporate Responsibility & the Role of EE

EE is good for the environment – energy not used is emissions not emitted

EE is good for the economy – EE helps balance energy markets making energy more affordable for all consumers

EE is good for the corporate bottom line – improves profitability and reduces risk

EE is good for corporate image – smaller energy footprint is a smaller environmental footprint

EE as a Risk Management Strategy

Price volatility is a financial risk for companies

Ability to arbitrage energy is limited – long-term, fixed cost contracts scarce

Energy efficiency reduces exposure to market volatility

Limited down-side risk since most EE investments are cost effective

Integrating EE into Organizational Change

Energy should be managed together with other strategic issues – e.g., labor, safety, environment, production

Most effective if integrated into overall corporate management structure – e.g., Dow, Alcoa, WalMart

Energy readily integrates into ISO-9000/14000 systems

Role of EE in Corporate Climate Strategies

Energy efficiency is the least-cost, most quickly deployable carbon reduction strategy

Energy efficiency enables low-carbon energy resources – e.g., renewables, waste energy recovery, distributed resources

Summary and Conclusions

Energy Efficiency is the 1st Fuel

Investments in EE are:

- Good for business
- Strategic
- Responsible

EE should be the foundation of corporate and nation climate policy

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