

## Executive Summary

This report stems from a historic shift in business leaders' perceptions of energy and climate change issues. In the last decade, rising and volatile energy prices have converged with increasing concern about climate change and growing consumer support for action on energy and environmental issues to drive a surge of corporate environmental commitments. As companies have begun to act on these commitments, energy efficiency has emerged as a first-priority strategy. Accordingly, many companies have launched aggressive efficiency strategies, in many cases well beyond the scope and reach of earlier efforts.

This report documents these leading-edge energy efficiency strategies, distilling the best practices and providing guidance and resources for other businesses choosing this path. It was developed over nearly two years of effort from Pew Center on Global Climate Change staff, a project advisory committee, members of the Pew Center's Business Environmental Leadership Council (BELC),<sup>1</sup> project consultants, and report authors. The project encompassed a detailed survey of BELC members and other leading companies, in-depth case studies of six companies, a series of workshops on key energy efficiency topics, broader research in the corporate energy field, and development of a full-featured web portal to provide a platform for highlighting and updating key findings from the project as well as providing tools, resources, and other important information. The report covers efficiency strategies encompassing internal operations, supply chains, products and services, and cross-cutting issues.

A key finding from this report is that climate change has reframed corporate energy strategies. Companies that take on carbon footprinting and reduction strategies quickly come to see their energy use in a whole new light. On average, companies surveyed for this study reported spending less than five percent of total revenues on energy—even in today's relatively high cost energy environment. But when these companies calculate their carbon footprint, they typically find that their energy consumption accounts for the great majority of their directly measurable emissions impact. Suddenly, energy shifts from a small cost item to the biggest piece of their carbon footprint. Viewed from this perspective, energy efficiency becomes a sustainability<sup>2</sup> imperative.

This report summarizes the core elements of the best corporate energy efficiency strategies into “Seven Habits” of core practices and principles, cutting across internal operations, supply chains, and products and services. These habits are summarized in **Table ES-1**, and include: efficiency is a core strategy; leadership and



Table ES-1

The **Seven Habits** of Highly Efficient Companies

<b>1. Efficiency is a Core Strategy</b>	
<ul style="list-style-type: none"> <li>• Efficiency is an integral part of corporate strategic planning and risk assessment and not just another cost management issue or sustainability “hoop” to jump through.</li> </ul>	<ul style="list-style-type: none"> <li>• Efficiency is an ongoing part of the organization’s aspirations and metrics for itself.</li> </ul>
<b>2. Leadership &amp; Organizational Support is Real &amp; Sustained</b>	
<ul style="list-style-type: none"> <li>• At least one full-time staff person is accountable for energy performance.</li> <li>• Corporate energy management leadership interacts with teams in all business units.</li> <li>• Energy performance results affect individuals’ performance reviews and career advancement paths.</li> </ul>	<ul style="list-style-type: none"> <li>• Energy efficiency is part of the company’s culture and core operations.</li> <li>• Employees are empowered and rewarded for energy innovation.</li> </ul>
<b>3. The Company Has SMART Energy Efficiency Goals</b>	
<ul style="list-style-type: none"> <li>• Goals are organization-wide.</li> <li>• Goals are translated into operating/business unit goals.</li> <li>• Goals are specific enough to be measured.</li> </ul>	<ul style="list-style-type: none"> <li>• Goals have specific target dates.</li> <li>• Goals are linked to action plans in all business units.</li> <li>• Goals are updated and strengthened over time.</li> </ul>
<b>4. The Strategy Relies on a Robust Tracking &amp; Measurement System</b>	
<ul style="list-style-type: none"> <li>• The system collects data regularly from all business units.</li> <li>• The data is normalized and baselined.</li> <li>• Data collection and reporting is as granular as possible.</li> <li>• The system tracks performance against goals in a regular reporting cycle.</li> </ul>	<ul style="list-style-type: none"> <li>• Performance data is visible to senior management in a form they can understand and act upon.</li> <li>• Energy performance data is shared internally and externally.</li> <li>• The system is linked to a commitment to continuous improvement.</li> </ul>
<b>5. The Organization Puts Substantial Resources into Efficiency</b>	
<ul style="list-style-type: none"> <li>• The energy manager/team has adequate operating resources.</li> <li>• Business leaders find capital to fund projects.</li> </ul>	<ul style="list-style-type: none"> <li>• Companies invest in human capital.</li> </ul>
<b>6. The Energy Efficiency Strategy Shows Demonstrated Results</b>	
<ul style="list-style-type: none"> <li>• The company has met or beat its energy performance goal.</li> <li>• Successful energy innovators are rewarded and recognized.</li> </ul>	<ul style="list-style-type: none"> <li>• Resources are sustained over a multi-year period.</li> </ul>
<b>7. The Company Effectively Communicates Efficiency Results</b>	
<ul style="list-style-type: none"> <li>• An internal communications plan raises awareness and engages employees.</li> </ul>	<ul style="list-style-type: none"> <li>• Successes are communicated externally.</li> </ul>

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organizational support are real and sustained; the company has SMART (specific, measurable, accountable, realistic, and time-bound) energy efficiency goals; the strategy relies on a robust tracking and measurement system; the organization puts substantial resources into efficiency; the energy efficiency strategy shows results; and the company effectively communicates efficiency results internally and externally.

The report also describes common barriers companies face in developing and implementing energy efficiency strategies, and provides examples of successful approaches to overcoming these barriers. The most common barriers identified by the companies studied in this report include: lack of project funding; lack of personnel with the appropriate skill sets; inadequate management tools; and insufficient technical information.

Augmenting the report are case studies of six unique and highly effective corporate energy efficiency programs. These case studies, built through a combination of site visits, phone interviews, and email data requests, add depth and detail to the major trends and conclusions identified in the body of the report. Three of the case studies examine integrated approaches to achieving superior corporation-wide energy performance and another three look at specific initiatives targeting products and services, the supply chain, and internal operations. The case study subjects are: The Dow Chemical Company, United Technologies Corporation (UTC), and IBM (integrated approaches); Toyota (internal operations); PepsiCo (supply chain); and Best Buy (products and services).

These and other leading companies are showing what organizations can do to reduce energy use and carbon emissions. Businesses have the power, through their people and their collective resources, to drive not only technology changes, but behavioral and cultural changes. And since businesses account for the majority of energy use, at least in the U.S. and other industrialized economies, this study suggests that they may possess some of the most powerful tools needed to meet today's climate challenges. The Seven Habits principles and practices identified in this report could become the basis for new standards of practice that companies drive not just through their operations, but also across their value chains, creating a powerful force for meeting the climate challenge.

