

Competitive Advantage on a Warming Planet



Global Warming and Today's Market



Climate change is an issue which business can ill afford to ignore. Global warming is affecting your business, no matter what industry you're in. You face numerous climate-change risks — including tough emission-reduction legislation, damaging backlash from environmentally concerned consumers, and weather-related damage to physical assets. As governments consider mandato-

ry carbon reporting and as regulation increases, more and more companies will be affected by carbon pricing. Consumers are increasingly taking your environmental record into account when they make purchasing decisions. And investors are already discounting share prices of firms poorly positioned to compete in a carbon-constrained world.

But the risks of climate change also offer new sources of competitive advantage. For those who get in ahead of the crowd can uncover huge commercial benefits in understanding the opportunities and risks associated with climate change. To secure your position at the front of the crowd, you need to have good carbon management systems in place.

Six Steps to Adopt:

- Conduct an energy survey
- Quantify your carbon "footprint"
- Assess your carbon-related risks and opportunities
- Adapt your business
- Do it better
- Measure and manage



Conduct an Energy Survey

The financial benefits of improved building energy efficiency and lowered energy costs are widely recognized. Many corporations and real estate firms have actively invested in energy efficiency, cutting energy costs while improving building performance and financial returns.

Nonetheless, the national

economy as a whole and its building stock in particular remain inefficient and wasteful of energy. In 2001, total national energy expenditures were nearly \$700 billion. Commercial buildings accounted for nearly one-fifth of the total energy used and one-third of end use electricity. Commercial buildings incur \$132 billion per year in energy

bills, and this cost is rising rapidly. Many commercial properties waste about one-third of the energy they consume, burdening their corporate owners with large and rising energy bills.

Benefits of an Energy Survey:

- Direct energy savings
- Persistence of energy performance and savings
- Higher occupancy
- Increase asset value
- Lower carbon emissions
- Reduced exposure to volatile fuel prices



856 Gate Way
Hillside, NJ 07205

Phone: 412-ECO-ZERO
Toll-Free: 855-ECO-ZERO
eMail: Info@myEcoZero.com

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MYECOZERO.COM



Quantify Your Carbon "Footprint"

Using available reporting standards (such as the Greenhouse Gas Protocol), prepare an inventory that provides a true and fair account of your company's greenhouse gas emissions. Differentiate between direct (such as smokestack) emissions and indirect

emissions (such as those resulting from your firm's energy consumption and travel).

By quantifying your carbon "footprint," you signal to investors, customers, and employees your recognition that climate change is a crucial issue. And you begin gain-

ing a broad view of the risks and opportunities presented by a carbon-constrained economy.

Assess your Carbon-Related Risks and Opportunities

Consider how the following risks could hurt, or present opportunities to help your business:

- **Regulatory** — mandatory emissions-reduction legislation
- **Supply chain** — suppliers' passing higher carbon-related costs to you
- **Product and technology** — rivals' developing climate-friendly offerings before you do
- **Litigation** — lawsuits charging you with negligence, public nuisance, or trespass
- **Reputation** — destructive consumer or shareholder backlash
- **Physical** — damage to your assets through drought, floods, and storms

Adapt Your Business

Based on your assessment of how climate change could affect your company, develop and implement strategies for reducing energy consumption and carbon emissions. And consider how you might reinvent parts of your business to seize new opportunities.

Do It Better

"Doing well by doing good" isn't enough: You have to beat rivals at reducing your exposure to climate-related risk and finding business opportunities within those risks.

