



Putting Knowledge Into Action

December 4, 2006



SRI and Clean Energy: A Natural Fit

*By Peter C. Fusaro
Chairman, Global Change Associates, Inc.*

I recently spoke on the new green business model (also see **IssueAlert**[®], July 11, 2005, "[The New Business Model for the Green Space](#)") at the Triple Bottom Line Conference in Paris. The Triple Bottom Line is something that is accelerating in its movement into corporate world, and clean energy or clean technology resonates very well in this community. Being a European conference, the overwhelming emphasis on the conference, besides corporate governance issues, was climate change. Obviously, as the world enters a carbon-constrained world in coming decades, we will see more clean technology enter the energy markets driven by technology shift, higher energy prices and rising environmental imperatives. The fiduciary responsibilities on climate change are now changing as part of good environmental corporate governance.

The Big Debate on Social Responsible Investment is Really Over

A colleague of mine happened to attend the counterpart to this conference in Aspen, Colorado the previous week. Here is some of her feedback: SRI investment is changing from those who expect to fund good business without regard to returns to the new metric of expectations of higher profits due to greenness (yet to be proved but it is on the table). This is actually mainstreaming the issue of SRI and responsibility now also meaning implementing good business management processes and making profits. That's sustainable too. In fact, one Dutch Bank representative told me in Paris that they segment SRI into five investment themes, rather than two.

The change going on is that the new venture categories of clean tech, clean energy, and sustainability will now have to show returns and go beyond the hype. The nonsense is that there is a lack of investment opportunity is that they don't know where to look. Look globally, and you will find more opportunities than can be imagined in this space (try India, South Africa and China for a start). These new cleaner technologies can be scaled

and globally deployed. The investment today is only the tip of the iceberg as \$1.6 trillion is needed in U.S. infrastructure and \$184 billion in Chinese renewable build out to point to only two investment opportunities.

Biofuels are a small consideration in this equation, and needs a shift in emphasis. Marathon Oil is projecting four million b/d by 2020 and that seems reasonable, but not substantial, when the global footprint then will be over 100 million b/d of oil. Perspective and scale are needed. There is no silver bullet and technology will come from everyone and be deployed along the newly emerging energy and environmental value chain.

Wal-Mart Has Gone Greener Than You Think

I always have my antennae up for new things and what struck was the commitment of Wal-Mart to the green bottom line. I actually don't think people understand how much of commitment Wal-Mart has made to corporate social responsibility, as well as energy and environmental issues. I think they actually had an epiphany 15 months ago, as I visited Bentonville, Arkansas over three years ago to talk about energy efficiency and green buildings, and they had one at that time. Here's the green reality: They are implementing sustainable development across the entire supply chain. That includes 60,000 suppliers and much of that supply is from China. They are cutting emissions from their idling fleet vehicles, and they are selling compact fluorescent lights and looking at LED lamps. They are dropping suppliers who do not change their business practices. This is a multi-national corporation with 1.8 million employees and something like 175 million shoppers per week. Their senior management really sees the "green," or triple bottom line. Wal-Mart's changes in business practices will be a continuous improvement process. Their change will impact greenhouse gas reductions and sustainability more than anymore realizes as unintended outcomes is the order of the day.

The Heavy Lifting Now Begins in the United States

The November bye elections were not a mandate for the Democrats. They were a call to action, particularly on energy and environmental issues. Climate change is one piece of this equation, and it is now time for the Bush Administration and the Democratic Congress to develop a real mandatory greenhouse gas regime and remove the regulatory uncertainty from the equation. This change alone will bring such an uplift to clean energy and other investment that it can not be predicted. There was already a Kyoto effect on equities in Europe. Public policy needs to get over the nonsense on ethanol and biofuels as a panacea to long-term systemic problems in U.S. energy and environmental infrastructure, although it seems likely that the visionless pols will give us a boost in the Renewable Fuels Standards (RFS) to 15 billion gallons. Ethanol is not the solution to energy security. It's only an E-10 world realistically, and as I have said before, send the farmers checks not to use "food for fuels." The opportunities for both incremental technological change and disruptive technologies are evident to create the greener world that everyone wants. For, we are all environmentalists now!

Peter C. Fusaro has been engaged on energy and environmental issues for 31 years beginning with EPA's lead phasedown in gasoline. He is a firm advocate of clean energy and mandatory U.S. greenhouse standards, as well as a National Renewable Portfolio Standard (how about lowering the bar on that one?).



© 2006, UtiliPoint® International, Inc. All rights reserved. This article is protected by United States copyright and other intellectual property laws and may not be reproduced, rewritten, distributed, disseminated, transmitted, displayed, published or broadcast, directly or indirectly, in any medium without the prior written permission of UtiliPoint International, Inc.

UtiliPoint's® **IssueAlert**® articles are compiled based on the independent analysis of UtiliPoint® consultants, researchers, and analysts.. The opinions expressed in UtiliPoint's® **IssueAlert**® articles are not intended to predict financial performance of companies discussed, or to be the basis for investment decisions of any kind. UtiliPoint's® sole purpose in publishing its **IssueAlert**® articles is to offer an independent perspective regarding the key events occurring in the energy industry, based on its long-standing reputation as an expert on energy issues.

Reprinted with permission from UtiliPoint® International **IssueAlert**®. Further reproduction or distribution is prohibited without permission.