

Turning Knowledge Into Action



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Emissions Software—Are We Ready?

By Gary M. Vasey, Ph.D.

Managing Director, Europe and AsiaPac

and Peter C. Fusaro, Chairman, Global Change Associates



Greenhouse gas emissions have been receiving a lot of attention recently. Last week, President Barack Obama traveled to the Climate Change Conference in Copenhagen and pledged a 17 percent reduction in U.S. greenhouse gas emissions by 2020. Meanwhile, other initiatives have taken place both within the US and in other regions of the world. At this time, despite continued uncertainties, we may well stand on the precipice of an era in which carbon becomes a globally traded commodity and in which companies, particularly energy companies, are forced to monitor, track, report and reduce their GHG and other emissions.

Against this regulatory and legislative background, two software categories stand to benefit as companies seek to capture their carbon footprint, report on their emissions and trade various instruments to manage their emissions profile and allowances or simply profit from speculative trading in those instruments. Those two software categories are CTRM software for emissions and emissions monitoring software.

Environmental Software

Environmental software is evolving to capture greenhouse gases data for a single facility, as well as across the enterprise. While most companies are still collecting this data on spreadsheets, the day is rapidly approaching when government mandatory reporting requirements will drive significant change in this industry. In fact, we foresee that environmental software solutions should be transparent end-to-end, highly automated and scalable. They should be easily customizable as well and adaptable to changing regulations and standards. Carbon management strategies will need to incorporate changing regulations in its software design.

We undertook a study to determine the present state of the market for this type of software. What we have found is that most companies are not yet capturing greenhouse gas data using software applications. That represents a unique business opportunity on a corporate level to deploy new software technology to existing systems. In fact, both software categories remain somewhat immature lacking the regulatory certainty and impetus to truly take off. The survey that we undertook as the core of the study strongly indicates that this is an emerging yet immature area. While Emissions Monitoring software is attracting investment capital and the interest of larger software vendors such as SAP and IHS, it will take U.S. action to ignite activity in this market.

Currently, there are a large number of vendors participating in the market. As many are relatively new entrants, much of the software benefits by being on modern technologies and architectures and from being offered under cost effective deployment models such as ASP and SaaS. We have attempted in the study report to broadly classify this emerging market and see interest from traditional TRM software vendors, environmental consulting firms, compliance and risk management software providers as well as traditional EH&S suite vendors. The result is a confusing array of potential solutions that offer a variety of different functionalities ranging from monitoring and compliance, through foot printing, trading, registry interfacing and reporting to tracking and management of allowances. Without regulatory certainty, actual required functionality is difficult to pin down.

Environmental Responsibility?

Another issue facing vendors was highlighted by our study. That of where corporate responsibility truly lays for GHG emissions issues. Without a true regulatory impetus many companies may be paying no more than lip service to the issue currently and have not yet created the organizational responsibilities, accountabilities and budgets required.

We believe that once the United States acts, it will prove to be the catalyst to enact global rules and standards that will clear up much uncertainty and start to drive procurement activities in a much more positive manner. The literally tens if not hundreds of potential solutions and suppliers of software in this area will then be forced to rapidly adopt those standards to support their clients and potential clients business processes. As this occurs there will be a natural fall out of vendors who do not survive and new entrants making acquisitions such that the sector will mature reasonably rapidly.

The Clash of Software Markets

In undertaking the study we were particularly interested in the coming clash of the emissions monitoring and emissions trading vendors. In reality, while there will need to be integration between the two types of software, we feel that the evidence suggests that the existing CTRM vendors will have a relatively easy task of adding GHG trading and risk management functionality into their software and will continue to own that part of the business. As the Emissions Monitoring side develops and matures it will naturally leave an area of functionality related to tracking and managing allowances that can be likened to the 'logistical' side of managing Carbon. This area will likely be fertile ground for new players such as IHS but may also be tackled by CTRM vendors.

Summary

Our new report examines the current regulatory and legislative position and the drivers behind developing this market *concluding that regulatory certainty* is required to drive the market to the tipping point. It also then examines the software market itself concluding that both software segments are relatively immature and finally, it provides a list of many of the vendors and products in the space currently.

Our new report, Emissions Trading & Monitoring Software Markets is available for purchase at the CommodityPoint Store (www.commoditypointstore.com) and UtiliPoint websites (www.utilipoint.com).

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