Enabling Carbon Management – Moving Beyond Carbon Measurement and Reporting

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Creating a carbon footprint report has become a commonplace activity for most businesses. It is increasingly expected that they will participate in voluntary carbon reporting initiatives, of which there are an ever growing number, including the likes of the Carbon Disclosure Project (CDP), and Global Reporting Initiative (GRI), as well as any compliance reporting obligations, such as the CRC Energy Efficiency Scheme (CRC). On top of this the carbon footprint is often included in the annual CSR or shareholder report, and many companies are finding they are also required to report their footprint when tendering for new business. Gyles Scott-Hayward, an analyst at Greenstone Carbon Management looks at how businesses will move beyond carbon measurement and reporting.

Most companies are familiar with, or becoming familiar with, the process of calculating their carbon footprint. This process has traditionally involved a lengthy task of gathering all the data and then creating a spreadsheet based model to calculate the resulting carbon emissions. However such 'static' solutions cannot provide the flexibility and intelligence required to address the challenges surrounding carbon measurement, and the need for dynamic reporting and forecasting to establish reduction strategies.

With increasingly complicated reporting methodologies coming into effect and carbon legislation for businesses looming, more sophisticated, and accurate methods of calculating a carbon footprint have come to the fore. Carbon accounting software has led to businesses engaging in their emissions in real time and in far greater depth. This has led to a greater appreciation and awareness among business leaders of the costs and perhaps more importantly the opportunities of successful carbon management. Businesses that are prepared to look beyond the reporting requirement and develop a carbon management programme can reap a range of benefits.

Reducing your footprint is good for business

While businesses are becoming more carbon savvy, so are the media. With increasing carbon footprint reporting, there is growing scrutiny of progress in achieving real carbon reductions.

Businesses that are able to demonstrate such savings will be able to generate positive media coverage and enhance their brand perception. This is not only beneficial in terms of client interest, but is also increasingly important for the workforce. Companies that are able to demonstrate that they take these issues seriously make more attractive employers with greater staff morale and are able to more easily attract and retain high calibre employees.

In the current economic climate, companies are focused on increasing efficiencies and driving down costs. The use of energy and services such as travel and transport are typically the largest contributors to a company's footprint, and often represent some of the most significant business costs. Developing ways to reduce the amount of each of these needed for the business to operate will consequently not only save money, but also reduce the company's carbon footprint.

Preparation for Legislation

If new tax structures or other costs are being applied in a region in which a company operates, they would of course be entirely prepared for the day they take effect. The same should be the case for carbon legislation, be it reporting structures, cap-and-trade markets of taxes. By putting in place a fully functioning carbon management strategy company's are placing their business in a position to thrive in a tougher market. This, as we have mentioned, is not achieved through merely measuring and reporting emissions, but reducing them.

Business Sense and Climate Sense

Moving beyond carbon reporting not only makes business sense by preparing for what is to come but also makes climate sense. In the same way that acting in 10 years time will cost the business financially through the ever increasing price of carbon, it too will cost the climate dear. This is due to the fact that any greenhouse gases (GHGs) emitted in to the atmosphere now will remain there for many years yet. Carbon dioxide has an atmospheric lifetime of approximately 100 years, with other GHGs lasting for less time but having a more serious impact on warming. Therefore reducing global emissions suddenly by 80% in 2050 will not reduce the atmospheric GHG content to the same degree as a gradual, but constant, reduction that achieves an 80% reduction by 2050.

Developing a Climate Strategy

The springboard for the climate strategy is the assessment of the company's emissions profile or carbon footprint. This is the basic level of carbon reporting but it is essential that it is accurate and extensive in order that a company can understand what kinds of direct and indirect GHG emissions are being created, from what sources, and in what quantities. It is at this stage that the CSR, energy manager or the company's carbon account software provider can advise on the best metrics to use to track emissions and what techniques and technologies are required to measure them.

Having a clear appreciation of the businesses emissions profile means that risks posed by emissions from operations and the GHG intensity of products and services can be easily identified. This puts the company in a position to benchmark against competitors to see where they can get ahead of competitors both at bottom line of the business and in terms of emission reduction. At this stage it is easy to establish what options are available for reducing emissions. From looking at the emissions profile the low cost emissions reductions can be identified and implemented, these may even be cost negative (over a given time period they save money).

Setting goals and targets is often seen as one of the most important areas of a carbon strategy. This is often done as a significant strategic issue for the future or because companies have been prodded by shareholders or other external stakeholders. Regardless of the reason they provide a means of monitoring progress in key areas. These should be set over an appropriate time period and can be set as an efficiency or reduction target.

Setting the right reduction target and constantly monitoring progress towards it is essential. An ambitious target can be beneficial in inspiring action and encouraging creative thinking in finding new ways to reduce emissions. A waste reduction target for example can lead to dramatic reductions in emissions. Many companies may not realise, until they have analysed their emissions profile, that they have a disproportionate amount of waste being treated in landfill sites. A simple recycling target can help reduce overall emissions dramatically.

But, the company must be careful to keep track of its performance. It is important to identify any issues early while there is enough time to make changes to the strategy. If published targets are not met, not only can this demoralise staff, it can lead to negative media coverage and potentially accusations of 'greenwash'.

Moving Forward

In order to make the strategy successful it is important to engage the organisation. It is vital to consider how to attain buy-in across the workforce. In order to achieve this, leadership from senior management can set an example for others to follow. There will be areas of resistance from within the organisation, these need to be identified and treated accordingly. It is often the case that financial departments or others with a duty to profit need convincing of climate change being a core issue.

The company can then build on any good practice identified adding further projects or initiatives to reduce emissions and increase efficiency. The impact that these projects are likely to have on the company's carbon footprint and costs can be investigated using scenario planning, creating models based on the specifics of the planned action and the actual carbon footprint data. By testing different projects in this way, the company can be sure that the projects they select will result in the largest carbon saving at minimum cost, and can also determine a realistic target for reducing emissions.

Accurate forecasting is the future

As well as getting short-term forecasting right, it will be increasingly important for companies to develop accurate and achievable plans to consistently reduce their energy consumption and carbon emissions. This is extremely difficult to do unless companies are able to monitor their detailed energy usage over time and produce a meaningful analysis which can used to build models for emission reduction. This kind of functionality is built in to carbon accounting software, but is very complicated to replicate in a spreadsheet-based system. While many companies have seen the effect of carbon reporting legislation coming, and planned accordingly, many have yet to realise the associated risks that can be mitigated by developing a proactive carbon management programme.