The business world now operates in the reality that carbon and energy management is essential in order for a company to remain competitive. In many regions carbon mandates exist or will be set up in the next 12-18 months. Shareholders, investors, NGO’s, media, suppliers, buyers and customers are all turning a magnifying glass on companies to view their carbon performance. Stephen Mooney discusses the significance of carbon performance and suggests some carbon management solutions.

As carbon trading volumes increase, companies should expect greater scrutiny from organisations such as the Securities and Exchange Commission (SEC), with significantly tighter regulations on carbon accounting, similar to changes seen with Sarbanes Oxley. Despite this clear and present danger to corporate performance, the communication of a comprehensible carbon strategy is rare amongst many organisations. Worse still, many companies that have highlighted their carbon performance as part of their corporate vision or marketing plan have been left with egg on their face.

**The entity level**

The measure of organisational carbon performance can be traced to the source of the emission and the group responsible for emission management. In large companies this is typically the environment, health and safety (E, H & S) or corporate social responsibility (CSR) department, whereas in smaller companies the responsibility varies. Irrespective of who owns the data or what sector a company operates in, recurring problems exist that prevent timely, accurate and reliable data from being delivered to the boardroom. Typically one or all of the below points is present:

- **Data accessibility/quality:** Depending on the scope and parameters of an emission inventory, reliable records of emission or consumption data may be difficult to ascertain. This is particularly true when a company is trying to measure their true carbon footprint and relying on data of suppliers to generate Scope 3 emissions.
- **Resource constraints:** Carbon reporting has been present for many years, however, the increase in scope and importance has dramatically risen in recent years. Traditionally man hours and spreadsheets were the fix, but a
shift in data requirements has seen an increase in the need for scalable processes and timely, auditable data which cannot be met by these measures.

- **Outdated views on environmental issues**: Historically, environmental management has focused on compliance reporting and damage control, and the environmental departments have been viewed within the organisation as cost centres with limited budgets. Despite the financial implications of carbon, companies are not managing this data as assets or liabilities, in the way that other departments manage business problems.

   When faced with new carbon management challenges, organisations often react with ‘stop-gap’ solutions. Where funding exists, many companies turn to the quick fix solution of hiring more people. This response is short-sighted, as environmental engineers are extremely hard to find and are therefore costly to recruit and train. Furthermore, as environmental departments grow so does the cost of compliance. Meeting the rising demand with existing technologies (spreadsheets) aggravates the problem as demand scales across the organisation and supply chain. The data cannot be produced in a timely manner and is still of no value to the executive tier when presented as complex pivot table spreadsheets. The true relevance of the data cannot be modelled and analysed against the mandatory caps or internal targets. The organisation and valued output policies within a limited timeframe.

   The lack of accurate data from the facility point or baseline is.

   In many instances this has proven laughable, as these companies don’t have accurate data to see what their starting point or baseline is.

   To emerge from the carbon management pitfalls at the facility level, companies need to re-examine the role that environmental departments play in managing environmental data, they need to realise that they are now dealing with company assets and liabilities and therefore may no longer simply be a cost centre to the organisation. To communicate relevant data to the boardroom, organisations need to tackle the emission problem like any other business problem. They must establish processes to acquire and consolidate data, seek external assistance to verify and audit the data, and evaluate the data to ensure it is meaningful to the executive tier. Environmental issues now reach into many other departments including finance, procurement, IT and marketing, therefore a communication bridge must be built. Many innovative companies tackle this with a multi-departmental climate change task force with an executive sponsor.

   In order to elicit change at the facility level, the following actions are recommended:

   - **Reinvent E, H & S** – carbon is now an asset or liability and should be managed accordingly.
   - **Invest in scalable technology** – spreadsheets will cost in the end.
   - **Seek third party assistance** – consultants for data inventory and accountants for audit.
   - **Build multi-departmental bridges** – climate change task force.
   - **Get executive involvement** – a pathway to the boardroom.

   The boardroom

   While it is difficult to predict the eventual breadth of the emerging carbon economy and the impact will be felt by everyone. How a company demonstrates its ability to handle this problem will directly affect its overall performance, and may already be affecting its valuation. Studies have emerged to show that investors and customers are turning to those organisations that are demonstrating a leadership position. In future carbon laggards may face serious competitive limitations in regard to access to capital or to a reliable supply chain.

   Surprisingly, in the absence of accurate carbon information, corporate leaders are often still trying to communicate their carbon performance to the market in order to demonstrate their vision in carbon management. There have been numerous claims in the media ofexecutives trying to be ‘carbon neutral’ or ‘green’ – but the cost of compliance or damage to their reputation or brand reputation will continue to grow. How a company tackles the challenges of carbon management and communicates their strategy and success to their stakeholders is, and will continue to be, a central criterion for success. Executives are trying to keep up with investor and public demand by making ill-advised statements and goals on carbon performance that will ultimately prove costly unless radical change occurs within the organisation. The key is to tackle this problem like other core facets of your business. Change the way that your organisation views carbon emissions, seek new and innovative processes and technologies, and be a leader to drive success.

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   The carbon economy is not going away. Instead of fighting regulations, executives should stay ahead of regulators and competition by driving external policy. Organisations across all sectors and size can have an impact on business through direct lobbying or trade/industry groups.

   So, key considerations for the board include:

   **Internally:**

   - get carbon on the boardroom agenda;
   - reinvent E, H&S;
   - embrace and fund technological solutions;
   - integrate carbon strategy with marketing.

   **Externally:**

   - be a leader not a follower;
   - prepare for a radically different world.

   In very little time the impact of carbon and its effect on business has emerged to be a central issue, and this will continue to grow. How a company tackles the challenges of carbon management and communicates their strategy and success to their stakeholders is, and will continue to be, a central criterion for success. Executives are trying to keep up with investor and public demand by making ill-advised statements and goals on carbon performance that will ultimately prove costly unless radical change occurs within the organisation. The key is to tackle this problem like other core facets of your business. Change the way that your organisation views carbon emissions, seek new and innovative processes and technologies, and be a leader to drive success.