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The Low Carbon Agenda

No.20 / September 2009

The Summer's Gone...

... and so has the global recession according to the IMF and the OECD, although the recovery in the UK is expected to be a long slow one. But, with things looking up, now's the time to start budgeting for your low carbon transition.

I always say "no budget = no commitment", and you can't hide from this harsh reality. On the other hand there are some clever ways to optimise budgeting for low carbon efforts. Read on...

All the very best,

Gareth

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PS: Again, please forward this bulletin to anyone who will find it of value - maybe your Finance Director!

No Budget = No Commitment

When I talk to businesses and other organisations about improving their environmental/CSR performance, I always ask "What's your budget?". Almost always there is an awkward pause before I'm told "We don't have one". Yet these organisations are often claiming to be 'committed' to minimising the impact on the environment. Let's face it, if you haven't set aside some budget, then that commitment is worthless and doomed to failure as:

- Environmental projects will always be seen as a discretionary spend and will have to fight it out with other, short term requirements;
- It is impossible to put together a long-term strategy if the funds to deliver each stage need to be approved project-by-project;
- The commitment will appear (literally) paper-thin to internal and external stakeholders.

So you will have to put some money where your mouth is. First we'll look at one of the main problems and then a couple of options for intelligent budgeting.

Direct vs Indirect Benefits

Most projects fall into one of three categories:

1. Compliance - the stuff you really have to do to stay out of court;

2. Investment for a direct benefit - projects which give an immediate return on investment (ROI) eg factory automation;

3. Investment for an indirect benefit - projects where the economic benefit cannot be accurately predicted eg a public relations exercise.

The problem with low carbon/environmental projects is that they often straddle two, if not all three, bases. This causes confusion in budgeting as, if there is a direct ROI, this tends to be the sole measure of success. But for many organisations the indirect benefits are much larger, eg by building a trusted, progressive brand, but these cannot be factored into a simplistic ROI calculation. This can lead to good projects getting the chop.

Budgeting Strategy #1: Split Budgets

To overcome the direct/indirect benefits confusion, separate your projects into two tiers:

- Investments which can stand up on a direct ROI assessment (eg energy efficiency investments);
- Investments which don't make this cut are then evaluated for their indirect benefits against a different budget.

A tip from TLCA readers BOSS Paints in Belgium - they apportion a % of profits each year into a 'people & planet' budget which funds a range of projects in the second category - everything from solar panels to car tyre pressure checks for staff. These are not expected to make a direct ROI, but have proven and substantial indirect benefits including improved branding and staff retention.

Budgeting Strategy #2: Accumulator Budget

In this approach, an initial budget is established to realise quick wins. A large proportion of the financial savings from those measures is recycled back into the budget to pay for further investments. This cycle continues and, as cash accumulates in the fund, more and more ambitious projects can be undertaken. The benefits of this approach are that the budget holders are encouraged to make most efficient use of their funds, the required ROI can be set on a case by case basis and, importantly, success is rewarded.

Woking Council in the UK have been operating such a budgeting system for 13 years and have managed to save over £1m per annum and cut carbon emissions from council buildings by an astonishing 77.4%

Government Help

If you simply don't have enough money, there is a whole raft of incentives from Governments to help. The particular schemes vary from country to country and even region to region, but they include grants, low interest loans and tax incentives on investments. The downside is the red tape and form filling that usually accompanies the application, but after all, there's no such thing as a free lunch.

Next Month

I did say last month that in October we would cover Peak Oil, but due to a change in my schedule I'll be putting that on hold for a month or two. Instead we will focus next time on a really important topic - making it happen.

New Coaching Service - Free Trial

Many readers will be trying to bring about effective change in their organisation. This can be a difficult, frustrating and often lonely job. To help people boost their performance and accelerate progress, we've launched a new one-to-one coaching service which you can try out for free - more details here.

News

The 10:10 campaign has been launched in the UK to encourage individuals, organisations and businesses to cut their carbon footprint by 10% by the end of 2010. If you sign up, then don't forget to check out our 101 Carbon-busting tips to get you started.

If you are a UK business that uses, produces, supplies, or disposes of batteries, or that manufactures or designs battery-powered products, then you'd better be aware of the new battery recycling regulations.

If you are a UK organisation whose half hourly metered electricity use was above 6,000 megawatt-hours (MWh) in 2008 you will have to participate in the Carbon Reduction Commitment from next year. More details here (and don't forget those Carbon-busting tips).

Tip of the Month

In industrial processes, experiment with reducing the voltage of your electricity supply - many machines can operate at less than the standard mains voltage, saving energy.

Contact us: newsletter@terrainfirma.co.uk

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