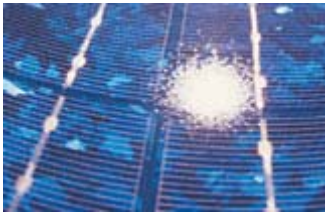


Energy Co2 : Renewable Energy

Business Powered by - the Sun

Renewables, such as solar, wind, and biomass, have long been overlooked by corporate energy buyers. But perceptions are changing, explains Craig Hanson, Senior Associate in the World Resources Institute's Climate and Energy Program.



Solar energy has become more attractive for corporate buyers. Besides helping reduce emissions, using solar and other renewable energies also improves the image of a company

Recently, some major US companies have been turning to green power to meet some of their energy needs. What is triggering this activity?

Many companies are starting to realize that energy from renewable resources is increasingly available and cost-competitive. For instance, 20 percent of Starbucks Coffee stores in the United States use green power, and IBM extracts over 100 million kWh per year from renewable energy.

Companies are discovering that there can be a strong business case for using renewable energy or "green power," and are seeking to obtain associated business benefits.

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What kind of benefits?

For example, using renewable energy can strengthen a company's relationships with its various stakeholders like customers and local communities by signalling that it cares about climate-related risks. This is one of the reasons why firms such as FedEx Kinko's and Staples use renewable energy in many of their stores.

Likewise, Johnson & Johnson has installed many rooftop solar electric systems. They strengthen the company's relationship with its communities by reducing local air pollution, stimulating local job markets, and providing educational opportunities for local schoolchildren.

Besides these "soft" benefits, are there any material advantages of purchasing green power?

First of all, companies want to lower or stabilize operating costs. Genera

Motors, for instance, has reduced energy costs at five of its US assembly plants by switching from using natural gas to using landfill gas in their industrial boilers.

Other companies turn to renewable energy in order to hedge against volatile fossil fuel prices. For example, IBM and FedEx Kinko's buy wind power in Texas on long-term, fixed price contracts, and thereby effectively avoid fluctuations in fossil-fired electricity rates.

What about avoiding emission costs?

Indeed, proactively switching to renewables reduces a company's exposure to the operational and financial risks associated with possible future regulations of greenhouse gases and other pollutants.

Once regulated, emissions effectively become monetized. Emitters incur costs in the form of pollution taxes, allowance costs, and emissions control equipment expenses. Companies such as DuPont and carpet manufacturer Interface are switching from fossil fuels to renewable resources for this reason.

Conventional energy technologies are mostly less cost-intensive than renewable energy, which is often sold as a niche product at a premium price.

Unfortunately, popular perception is that renewable energy is always more expensive than conventional resources. But in fact, often enough this is no longer the case.

For instance, some forms of renewable energy are already less expensive than their conventional counterparts. To give you an example, thermal energy (i.e., heat) from burning landfill gas in boilers is less expensive than thermal energy from coal or natural gas.

Furthermore, the cost of generating electricity from wind turbines has dropped by over 80 percent since 1985. These costs continue to decline as renewable energy technologies advance and installed capacity increases.

Looking at the nearer future, what would you regard as an effective instrument to promote the corporate use and purchase of renewable energies?

I think several approaches could help. For instance, corporate energy buyers should be educated about the multitude of renewable energy options and their current costs. Many managers would be surprised by what they learn.

Besides, companies should encourage policymakers to incorporate the full environmental and health costs associated with energy generation into energy prices. This is beginning to occur in some regions (e.g., EU Emissions Trading Scheme), but should be rolled out in other regions and for more pollutants.

Doing this would actually correct what economists call a "market failure" and improve the overall efficiency of a free market while at the same time promoting the investment in and development of renewable energy technologies.

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