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Survey: How can companies go green without going in the red?

Focus on energy efficiency is cheapest route to success

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The Texas Public Utilities Commission recently adopted a new state energy efficiency ruling that raises electric utilities' energy efficiency goals from 10 percent of growth in demand to 15 percent of growth in demand by January 2009, and to 20 percent of growth in demand by January 2010. Utilities failing to meet the goals will be penalized.

For instance, federal air-conditioning standards used to require the Seasonal Energy Efficiency Ratio (SEER) to be at least 10. Today, the government requires the SEER to be at least 13 — requiring about 24 percent less energy to operate than the 10 SEER. Many other appliances have similar energy efficiency requirements.

Although energy efficiency can be difficult to measure and verify, at least 15 states have passed legislation requiring electricity service providers to meet a portion of their annual electric growth through energy efficiency measures, and nearly 40 states require greenhouse gas reporting and registries. Many states and the federal government require energy reductions in their facilities, which, in turn, also reduce GHG emissions.

Energy efficiency has always been one of the cheapest and fastest ways to reduce energy demand and emissions. After all, there is no cleaner form of energy than that not produced.

But this is not a new story. In the mid-'80s, in what was then called Demand Side Management, energy efficiency was one method of controlling electric demand growth. DSM programs were never taken all that seriously. But, even in those days of cheap energy, most insiders realized that energy efficiency was going to make a big comeback some day.

Many regulators now recognize energy efficiency as a supply source. California — with programs driven by crisis and sustained over time — has been the recognized energy-efficiency leader. But Texas appears poised to at least challenge California's record.

Energy efficiency will ultimately result in the sharpest reduction in energy use, and consequently, a reduction in price. Energy-efficiency measures will do more to clean up the environment in the quickest manner than virtually any other action.

The McKinsey Abatement Curve, released last year, lists the various types and resulting costs of many carbon-abatement activities. Actions on the left-hand side of the abatement curve are largely energy efficiency-related and have the cheapest overall costs. Because they are also some of the most difficult to quantify, however, policymakers tend to look at the right side of the curve, which includes, for example, a clean coal type plant, forestation and other high-profile activities.

Market insiders believe that proposed carbon cap-and-trade legislation could result in carbon becoming the largest commodity trading market in the world, with annual values above \$2 trillion by 2025. Even the EPA estimates the market will be worth more than \$1 trillion by 2025. Credits are generated by removing carbon from the atmosphere and then selling them on the market.

Energy efficiency avoids the production of carbon altogether. When companies are short of credits they purchase them via an exchange. When they have excess credits, they sell them. Theoretically, energy efficiency credits can be monetized, but so far only baby steps have been taken while

billions of dollars have been used to claim credits through the Clean Development Mechanism and other means that pay only lip service to energy efficiency.

Even the Regional Greenhouse Gas Initiative program in the Northeast does not have a methodology that recognizes the full value of energy efficiency.

Many of the players that can bring the dollars, innovation and technologies into this market are not fully engaged in the effort because of the on-again off-again commitment to efficiency; measurement and verification issues; and perhaps more importantly, the real stumbling block of no clear path to profits in a cap-and-trade market.

But the latest generation of energy-efficiency advocates are making progress. The rush to green — or energy efficient — buildings (including Leadership in Energy and Environmental Design certification) is growing rapidly, resulting in a 25 percent to 30 percent decline in energy use for LEED certified buildings. There is also a rising consumer demand for clean and efficient energy. And, many companies are taking such actions to capitalize on the good PR that comes from being labeled green.

The outlook for energy efficiency is probably more positive today than ever before. What's missing is a level of economic certainty that could unleash a wave of investment, innovation, more participants and actual energy and emissions reductions that could very likely meet all of the climate change- and energy-related goals.

It is predicted that, by 2012, 40 percent of an enterprise's technology budget will be consumed by energy costs. Office temperatures have to be set at cool levels to keep a server running, and the cost to power and cool onsite computer systems can drain a business owner's budget. Gartner Inc. research estimates that the electrical bill alone per server can cost \$3,700 over four years.

Additionally, powering, cooling and operating PCs and servers are responsible for almost 1 billion tons of carbon dioxide emissions.

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