



# Companies keen on green when profits benefit early

Companies are taking a selective approach to reducing their impact on the environment, moving slowly on bigger investments while embracing strategies like energy efficiency and waste reduction that quickly lift profits.

» **By: Mark Potter and Maryam Behmard** » **Reuters - Analysis**

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As concerns over global warming grow, the number of firms announcing plans to become "greener" have proliferated, with previous laggards now racing to catch up.

Wal-Mart, the world's biggest retailer and once a scourge of environmentalists, has embraced some of the most ambitious targets to use renewable energy and cut waste, while Exxon Mobil, the world's largest non-government controlled oil company and long a skeptic of renewable energy, this month unveiled plans to develop biofuel from algae. Environment analysts, however, see little benefit so far.

"For all that's going on, we're not yet really moving the needle on our most significant environmental problems," said Joel Makower, executive editor of Greenbiz.com, which produces the benchmark "State of Green Business" report each year. This has led to accusations of a "greenwash," with environmentalists claiming firms are using big public relations campaigns to mask a lack of commitment to change.

Public skepticism about companies' environmental strategies has grown. A survey by consultants Forrester published last week found that only 15 percent of U.S. consumers believe company adverts about their green products.

The Forrester survey found that while 32 percent of firms are currently working to reduce their carbon footprint, only 10 percent are working to become carbon neutral and just 5 percent are spending money to offset their emissions.

Firms are making even less progress on high cost projects that only deliver over the long term, like greener buildings. Retailers like Britain's Tesco and Kingfisher have opened new eco-stores this year to great fanfare. But there is no timeframe on how long it will take either group to upgrade their hundreds of other shops, and many other industries are even further behind adapting buildings, which account for an estimated 40 percent of all energy use.

## **PROFIT FOCUS**

Companies are making their biggest strides when being greener is also helping them to cut costs and boost profits.

"Almost everything that we're doing looking at reducing our environmental impact has a positive impact in terms of reduction of costs as well," said Louisa Bell, head of environment and energy at Eurostar, the high-speed passenger train service that links Britain to mainland Europe.

With its "Tread Lightly" campaign, Eurostar has reviewed all aspects of its business with a view to cutting carbon emissions 35 percent by 2012, including moving to a default setting of half-lighting on trains, a campaign on energy-efficient driving and replacing brake lights with longer lasting LED bulbs.

A Greenbiz.com survey of top U.S. firms found that 47 percent were increasing spending in green product development this year, while only 6 percent were investing less.

"There's not a single company that's \$1 billion or over that doesn't have some kind of program -- usually increasingly a robust program -- to integrate environmental thinking into their operations, if not their core strategy," Makower said.

### **SUPPORT NEEDED**

Bjorn Stigson, president of the World Business Council for Sustainable Development, which recently published a four-year study on greener building, believes firms are making progress but need more support from governments and society at large.

"Business is not going to invest just out of philanthropic reasons," he said. "It is up to society and to politicians ... to decide what priorities we should have." He wants governments to come up with clear targets to reduce carbon emissions and a regulatory road map to help firms get there at a United Nations conference in Copenhagen in December.

Jennifer Clark, director of environment at Swedish builder Skanska, says investors and customers also need to change their expectations on the time over when a project will deliver a return if more, big green investments are to be made. "Sometimes sustainability is a long-term approach and I think the fabric of our contracts and the style they're set up doesn't transcend the benefits of sustainability," she said.

Companies face a further challenge in finding workers with the right skills to build a greener future. "Are we working with 1990 engineer skills to try to deliver 2050 green skills?" asked Skanska's Clark.

Persuading consumers to go green is no easy task either. With shoppers reluctant to pay a premium for eco-friendly goods in the recession, companies face a dilemma of whether to ditch green products or cut prices and take a hit on profit margin.

Jon Wright, industry manager for retailing at Euromonitor International, believes savvy companies will press ahead with green product development, sharing any extra costs with suppliers, because the market opportunity is so enormous.

HSBC analysts estimate firms producing goods and services aimed at battling climate change made \$300 billion in revenues last year, more than the biotech and software sectors combined. While climate change is an environmental and social issue, it is also a "huge economic global opportunity," they said.

Source: [Reuters](#)