

**Subject:** Cultivating a Greener Bottom Line

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## **Cultivating a Greener Bottom Line**

*Businesses are starting to deal proactively with environmental issues*

*By Katie McCarthy*

Radical change is coming to the business world. In the 21st century, many corporations are not just thinking about their bottom line, they also are thinking about their influences on the Earth. Public relations and marketing campaigns often focus on how companies are at the forefront of social responsibility.

Some individual corporations account for some of the largest economies in the world. With operations spanning across continents, corporate responsibility is a significant factor in environmental management.

It may be that many corporations are becoming better environmental citizens and that change will affect not only how business is done in the future, but also the world's future ecosystems.

Many corporations increasingly claim that they are more environmentally responsible. Companies are entering a time of environmental marketbased solutions, energy-efficient solutions, and superior products that move the industry forward. Corporations are releasing products such as hybrid vehicles, energy-efficient appliances, and less hazardous electronics. Companies also are proactively managing their effects on climate change by reducing their greenhouse gas emissions. The company of the 21st century is changing and business leaders are ready to rethink their environmental impacts.

With new developments, new campaigns, and different business practices, could corporations be changing the way business is conducted?

Is it all just greenwash? Or could corporate America be genuinely greening?

10/10/2007

**Climate Impact** Green practices often involve a company reducing its greenhouse gas emissions. In an era when emissions

have continued to rise, taking a step toward reduction is not only good to pre-empt regulation but good for the environment as well.

U.S. emissions of carbon dioxide and other greenhouse gases continue to grow. Emissions increased 16.3 percent since 1990 and in 2005 alone they increased 0.8 percent, according to the Feb. 20 report, "Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2005," by the U.S. Environmental Protection Agency (EPA). EPA links the increase in greenhouse gas emissions to economic growth measured at a 55-percent increase in the gross domestic product during the same 16- year period.

EPA also reports that globally, the United States accounts for 22 percent of carbon dioxide emissions. Carbon dioxide is one of the greenhouse gases that experts say contributes to global warming.

Internationally, the U.N. Climate Change Conference, held in November, opened with a warning that climate change will be one of the greatest challenges facing the human population. The United Nations also led a call for action to limit global warming and to assist developing countries that will have to adapt to a new climate.

Shortly before the conference, Achim Steiner, U.N. under-secretary general and executive director of the U.N. Environment Programme, said, "Climate change is under way and the international community must respond by offering well-targeted assistance to those countries in the front-line which are facing increasing impacts such as extreme droughts and floods and threats to infrastructure from phenomena like rising sea levels."

Climate change isn't a new challenge for businesses. Smart corporations like DuPont and Alcoa have aggressively reduced their own greenhouse gas emissions. DuPont, as the largest supplier of fluorocarbons, played a critical role in resolving global environmental concerns posed by chlorofluorocarbons, or CFCs. In 1988, Dupont learned that CFCs like Freon refrigerants were depleting the earth's stratospheric ozone layer. In order to stop the damage, Dupont decided to end its production of Freon as well as other CFCbased products. By 1990, Dupont had filed 20 patents for non-CFC refrigerants.

DuPont rose as an industry leader by developing alternative products to those with CFCs. Dupont also went beyond compliance by lowering its carbon dioxide emissions 60 percent from 1990 levels voluntarily. DuPont recently announced that it is working to create cleaner manufacturing products from renewable resources.

Along with Dupont, Alcoa also is a leader in minimizing climate change impact. Alcoa has reduced its greenhouse gas emissions by 25 percent since 1990. The goal was reached seven years ahead of Alcoa's 2010 target date by aggressive reductions of perfluorocarbon (PFC) emissions.

Through strong reductions in their greenhouse gas emissions, DuPont and Alcoa demonstrated that corporations can change their business practices and affect the environment. These two market leaders are going beyond their own interest by pushing for nationwide regulation of greenhouse gases with the U.S. Climate Action Partnerships (USCAP).

**Partnership Power** USCAP is composed of multinational corporations DuPont, Alcoa, BP America, Caterpillar, Duke Energy, FPL Group, General Electric, Lehman Brothers, PG&E, and PMN Resources along with four nongovernmental organizations (NGOs) — Environmental Defense, Natural Resources Defense Council (NRDC), Pew Center on Global Climate Change, and World Resources Institute. Together, the groups are working to mitigate climate change.

USCAP is calling for the federal government to quickly enact strong national legislation to achieve significant reductions in greenhouse gas emissions.

Organizations like USCAP allow corporations to advocate what regulation demands they will have to deal with in the future.

For example, USCAP urges federal policy makers to mandate reductions in greenhouse gas emissions from emitting sources and to limit energy use in commercial and residential buildings. USCAP also is calling for Congressional leadership to establish short- and midterm emissions reduction targets. The group wants a cap-and-trade program. A market-based policy tool for protecting human health and the environment, cap and trade sets an aggressive cap, or maximum limit, on emissions, according to EPA. Companies with pollution sources covered by the program would receive emission allowances, with the total amount of allowances capped. Companies that pollute beyond their allowances must buy credits from other companies that pollute less than their allowances. The system of transfer is known as a trade.

Along with emission reductions, USCAP is lobbying for accelerated technology research and development related to greener technology across the nation.

Reporting on the new partnership, Chairman and CEO of General Electric Jeff Immelt said, "The time has come for constructive action that draws strength equally from business, government, and nongovernmental stakeholders."

The cooperation between these business and environmental leaders should be a clear sign to lawmakers that legislative action is needed. The companies involved in USCAP represent a combined market capitalization of more than \$750 billion and environmental groups with more than 1 million members worldwide with global policy influence, according to the NRDC.

"The Climate Action Partnership recognizes that the undertaking to address climate change is an enormous one, and should not be underestimated. But enacting environmentally effective, economically sustainable, and fair climate change law must be a national priority," said Jonathan Lash, president of the World Resources Institute.

USCAP demonstrates how NGOs link lobbying strategies with corporate campaigns. Smart NGOs affect whole industries by finding industry leaders and companies responsive to their campaigns.

**NGO Action** One such example relates to how NRDC helped shape the pending \$45 billion buyout of the TXU Corp. Investors from Kohlberg Kravis Roberts & Co. and Texas Pacific Group relied on NRDC to help broker a deal that withdrew permits for eight of 11 pulverized coal plants proposed in Texas. The planned 11 pulverized coal plants would have emitted 78 million tons of carbon dioxide into the atmosphere.

The proposed new TXU, under Kohlberg Kravis Roberts & Co. and Texas Pacific Group, supports a mandatory nationwide limit on global warming emissions paired with a market-based emissions trading systems, and plans to join USCAP, according to the NRDC.

"This is the new standard by which new energy investments in this country are going to be measured. The smart money is now on clean energy and lower emissions. This is a breakthrough that will have lasting implications for future energy investments in this country and for the policymakers who set the rules of the road," said David Hawkins, a former top EPA official and head of the NRDC's climate program.

Aims to limit total carbon dioxide emissions from its generating operations and to reduce them over time, as

well as pledges not to propose any additional traditional pulverized coal plants outside of Texas, show that this new company is serious about its effect on the environment.

**Waste Issues** Along with limiting greenhouse gas emissions, more companies are reducing the amount of hazardous chemicals in their products, conserving resources through better packaging, and finding ways to recycle electronic waste (e-waste).

The problem of e-waste disposal continues to grow. In December, the U.N. Environment Programme reported that 20 million to 50 million metric tons of e-waste, including lead, cadmium, mercury, and other hazardous substances, are generated worldwide every year. But while the e-waste is growing, the e-recycling movement also continues to grow. The National Safety Council estimates more than 40 million units of electronic equipment will be recycled in 2007, with notebook personal computers and desktop central processing units experiencing significant growth in recovery.

E-waste is being addressed in the government and private sectors. Legislators are calling for new recycling standards. In absence of a federal ban on landfill disposal of e-waste, the states of Arkansas, California, Maine, Massachusetts, Minnesota, New Hampshire, and Rhode Island have developed their own bans to keep e-waste out of landfills.

As states address the e-waste issue, corporations are doing their part too. A number of original equipment manufacturers — including Compaq, Dell, Gateway, Hewlett-Packard, IBM, and Micron — offer leasing and take-back services, according to EPA.

E-waste is a big deal to Apple Inc. Apple recently released “A Greener Apple,” a statement from CEO and cofounder Steve Jobs addressing Apple’s reduction of toxic chemicals in its products as well as increased recycling of its old products. Apple completely eliminated the use of cathode-ray tubes (CRT) in its products in 2006. Apple products also comply with European standards for toxic substance restriction. European standards are stronger than those in the United States for electronic products. The European Restriction of Hazardous Substance Directive (RoHS) standard, in effect since July 2006, places reductions on toxins such as cadmium, hexavalent chromium, and brominated flame retardants. Apple was in accordance with the standards a year before RoHS took effect.

On the e-cycling side, Apple recycled 13 million pounds of e-waste in 2006, according to Jobs. This was achieved by Apple re-evaluating its practices and developing new products.

Another company that has seen great success with rethinking its logistics and environmental impact is Wal-Mart Stores Inc.

With its sustainability efforts, Wal-Mart wants to create zero waste. Wal-Mart also aims to reduce solid waste by 25 percent in three years and improve its private brand packaging in two years. Wal-Mart has already reduced packaging in order to ship more efficiently, allowing less energy to be used and less waste for the customer who receives the product. One of Wal-Mart’s most innovative projects is a baling system called the “sandwich bale.” The bale allows for plastic to be recycled more easily. The plastic is pressed between two stacks of cardboard, like a sandwich, then bundled for transportation. Wal-Mart used the technology at 326 stores this year, diverting 1,100 tons of plastic from landfills.

Both Apple and Wal-Mart are thinking of new solutions to take care of waste. Reducing waste is just one way that companies can think about sustainability. As corporations grow, becoming green may mean rethinking the very products they’re building.

**The Future** “We’re living in an important and exciting time where going global and going green is colliding,” said Bruce Piasecki, president and founder of the America Hazard Control Group, a management consulting firm.

In his book, “World Inc.,” Piasecki surveyed the 300 largest corporations in the world, concluding that firms in the 21st century need a new form of capitalism in order to survive — socially responsible capitalism. In order to succeed, companies must compete on price, technical quality, and social needs. Corporations will be responsible for the world’s future needs facing challenges such as poverty, water scarcity, and a changing economic climate mostly due to their size. Fifty-one of the 100 biggest economies in the world are now corporations; only 49 are countries, according to Piasecki. And as much as 40 percent of world trade now occurs within multinational corporations, Piasecki said.

Facing the reality of climate change and an escalation of fossil fuel prices, companies that prepare for the future will survive.

The environmental community is playing an increasingly important role in not only defining corporate failure, but celebrating corporate success. Going green not only boosts a corporation’s reputation, but it may also dictate its place in the market.

Forward-thinking corporations may bring in increased profits.

The Toyota Prius, a hybrid sedan, is one such green success story. By developing a cleaner car ahead of its competition, Toyota saw a record \$10.5 billion profit in 2005, in part due to the Prius. Other companies that are now jumping on the hybrid craze are buying many of their parts from firms partially owned by Toyota, according to Piasecki.

As more products like the Prius come to market, the business community and the environmental community will continue to envision future greener economies.

Dave McCurdy believes that the environmental community will have a large impact on the corporation of the future. McCurdy, an executive vice president of Enviance, has helped some of the nation’s largest corporations, including Chevron, DuPont, 7- Eleven, and Johnson & Johnson, manage their environmental compliance.

He said companies know that environmental compliance makes good business sense.

“These environmental professionals, these environmental leaders, they are focused on doing the right things. The idea that protecting the environment and protecting your people is good business is not a new idea. And it’s a belief that has been closely held by the biggest companies in the world for a long time,” McCurdy said.

### **Green Leaders**

Forward Management LLC, an investment adviser, recently announced its second annual “Forward Green Leaders,” a short-list of U.S. large-cap public companies whose environmental practices are innovative and progressive. A large-cap company has a market capitalization of \$5 billion or more. Leaders were selected from the top 100 large-cap companies that meet the environmental criteria for the Sierra Club Stock Fund and the Sierra Club Equity Income Fund. The top five are Bank of America, Hewlett-Packard Co., Dell Inc., Whole Foods Market Inc., and Google.

- Bank of America is building a Leadership in Energy and Environmental Design certified 52-story office building in New York. The Leadership in Energy and Environmental Design (LEED) program is administered by the U.S. Green Building Council.
- Hewlett-Packard's Design for Environment guidelines introduce environmentally sound practices into its full product development and manufacturing process. HP is focusing heavily on building energy-efficient products, reducing raw materials used in the manufacturing process, and product recycling.
- As the first major personal computer maker to commit to specific recycling goals for computers, Dell continues to be a leader in environmental practices. Dell established strict criteria for its recycling vendors, set up recycling programs with a global reuse or recycle rate of 80 percent in each of Dell's office and manufacturing facilities, and participated in a number of EPA voluntary programs, including Energy Star Green Buildings, Climate Wise, and Waste Wise.
- Whole Foods is going beyond organic by including an emphasis on local, ethical, sustainable, and humane farming. Whole Foods Market has founded a \$30 million venture capital fund to invest in small artisans producing regional foods, allowing for food to be shipped shorter distances from farm to market, reducing fuel consumption and air emissions from vehicles.
- Google has begun building the nation's largest solar electricity system at its Mountain View, Calif. headquarters. Panels are being built for the entire campus, and the roofs of its four main buildings and three adjacent buildings will be decked

### **Green Losers**

At the 2002 Johannesburg Earth Summit, the Greenwash Academy Awards were held awarding BP for its Beyond Petroleum campaign and its "Oil is old news, Solar is the future" ad campaign. One of the largest complaints from the academy was that BP bragged about investing \$200 million in solar energy. The figure may sound large to some, but that's the price of a single refinery, chemical plant, or golf resort, according to the academy. Also, that \$200 million is spread across six years.

Runners-up included mining corporations and the OECD Guidelines for Multinational Enterprises. In 2002, the Newmont Mining Corp., the world's largest gold mining company, promoted the Toxics Release Inventory in the corporate social responsibility section of its Web site, but for Latin America's largest gold mine, Minera Yanacocha in Peru, Newmont provides no such information. Yanacocha faced ongoing allegations of pollution of dikes, ditches, rivers, and other environmental contamination dating back to 1993. The OECD Guidelines for Multinational Enterprises have disclosure provisions, but they are voluntary. Newmont didn't receive the Oscar because the OECD Guidelines for Multinational Enterprises are ignored by almost all mining corporations, according to the academy.

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