



Case Study:

Responding to Shareholder Pressure for More Renewable Energy

**POINT380's APPROACH TO INTEGRATED ENERGY AND
SUSTAINABILITY MANAGEMENT**

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Introduction

Corporate sustainability and energy managers are often presented with requests from internal and external stakeholders – such as upper management, non-profits, stockholders and employees – to implement more renewable energy, or purchase more clean power for their company’s operations.

This case study examines one company’s path to understand the drivers behind renewable energy procurement and then craft an approach that aligns with its energy management program. For this large US retailer, the primary pressure to increase adoption of renewable energy came from an investor group seeking to affirm the group’s commitment to address climate change.

The Challenge

Near the end of 2015, a shareholder-investment group of a large U.S. retailer proposed a proxy resolution requesting that the Company commit to purchasing more renewable energy. It already had a robust energy efficiency and sustainability program in place, but had not made significant renewable energy investments. Unsure of the best way to address this shareholder request, the Board of Directors passed the request down to its energy and sustainability managers, who in turn had three concerns:

- They were already championing a multi-year LED lighting retrofit project that was expected to significantly reduce the Company’s carbon emissions, and they were already elbowing for funding;
- Because the Company had begun to decouple its financial growth from its GHG emissions, they knew that the sustainability program was making progress, but they didn’t have a good way to quantify that progress or report it to upper management.
- They knew that renewable energy proposals they had reviewed had weaker payback than efficiency projects, and had difficulty penciling an attractive cost-benefit that would achieve the shareholder’s request.

Our Solution

Recognizing the Intent of the Shareholder's Request

Requests of a company, especially external requests, to purchase renewable energy, or meet a clean energy goal are largely due to concerns over climate change. Though those requests may expressly ask for renewable energy, their intent is to ensure the company has adopted acceptable sustainability goals, and is making the appropriate investments.

In the case of our client Company, the intent of the shareholder-investment group was to reduce the Company's GHG emissions by adding clean electricity to the grid. Recognizing this, the POINT380 team set out to develop an approach to climate strategy that captured the benefits of all emissions reduction options and better suited their operations.

Applying Analytics to the problem

The team analyzed past performance, developed forecasts from business plans and deployed a proprietary suite of software-supported services. These analyses and tools helped the Company better understand its options; craft a balanced, financially savvy investment strategy; and gain support from company leadership and investors.

Benchmarking Program Performance

In the first phase of the project, the team benchmarked the Company's GHG emissions performance against its competitors, and against its science-based target, the emissions reductions desired by the climate science community. This target specifies the Company's portion of the global GHG emissions reduction required to mitigate the most significant impacts of climate change. Our analysis showed that the Company was already outperforming its science-based target, and many of its competitors as well.

“By bringing together the energy management and emissions performance aspects of our projects, I was able to get approval for not just one year of LED projects, but a comprehensive 3-year plan”

**- Vice President,
Facilities**

Understanding What is Driving Performance

The team realized that the Company's GHG reduction performance was far better than expected given the investments the sustainability department had made. For the Company to feel confident enough to report its performance externally, it wanted a better understanding of the internal and external factors affecting the performance.

To assess the emissions performance, the team looked for factors driving changes in energy consumption and energy supply. It then looked at factors that impact the emissions associated with this energy use. The team found that a majority of the Company's energy consumption was from electricity, and its electricity intensity across its buildings portfolio had been declining for over five years. After accounting for efficiency projects implemented over that period, there was still a large improvement in emissions left unexplained.

Further analysis found that the Company's facilities group, through regular maintenance and capital projects, was making efficiency improvements at many of the Company's stores. These efficiency measures were occurring without awareness or input from the sustainability team.

In addition to the electricity efficiency improvements, the team assessed trends in electricity grid GHG

emissions factors the Company's facilities had experienced over the five-year period. This analysis showed that some regional emissions factors had declined much as seven percent. This significantly contributed to the apparent emissions savings.

With the Company's emissions reduction performance now understood and quantified by the team's analysis and research, the Company had a more complete view of its current program performance, and the team could now start working on program planning.

Project Performance into the Future

In order to plan and manage programming into the future, and to make a good business case for additional funding, energy and sustainability managers need a financial forecast that incorporates future energy prices, technology impact, and economic and company growth forecasts. We also need a view of new projects and investments that will continue to harvest emissions reduction opportunities.

To understand whether our client Company could achieve the same year-over-year improvements in efficiency and emissions reductions, the team brought together internal stakeholders from the energy procurement, sustainability, and facilities departments. Using tools developed by POINT380 as a framework for shared understanding and collaboration, the group identified

that the Company’s three-year LED lighting upgrade project was sufficient to keep the Company on-track to maintain a science-based emissions reduction trajectory. Additionally, its energy procurement team could pinpoint facilities in deregulated markets and negotiate for multi-year green tariff contracts, further reducing emissions.

POINT380 compiled the data and insights from this group and created energy consumption and emissions projections. This information formed the basis of a multiyear efficiency investment and energy management plan based on an emissions reduction target the team felt was appropriate and attainable. The analysis showed that the investment plan would achieve a science-based goal, with some room to spare. The next hurdle was to gain support from executives for the new goal.

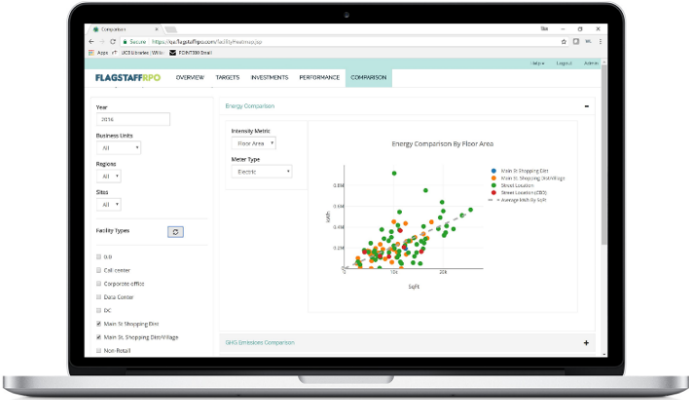
Setting a Goal

POINT380 developed and delivered an executive briefing to provide Company decision makers with the necessary background information, research and analysis. This included an implementation plan that outlined the

Results

This project achieved a number of objectives:

- It applied an analytical approach to evaluating program performance;
- It greatly improved the energy and sustainability managers’ understating of how investments in efficiency were affecting program success;



capital required and financial returns associated with achieving a science-based target.

Managing Progress Toward the Goal

POINT380 also worked with the Company to implement tools that enable it to apply a portfolio approach to achieve energy and sustainability goals. These tools are delivered on FlagstaffRPO™, a cross-departmental software platform that helps energy and sustainability teams actively manage progress towards goals by integrating targets, energy and emissions data, and project investments. The company is implementing Flagstaff to help them manage and optimize their ongoing efforts.

- It created a way to set company goals and plan future programming to meet them;
 - It demonstrated inter-departmental collaboration on company energy and sustainability goals;
 - It created the basis to report program performance to upper management;
 - It improved the business case for efficiency investments and utility contracts.
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As energy and sustainability programs evolve from measurement and reporting to also setting and achieving ambitious resource management goals, they need new forward planning tools and processes to optimize supply- and demand-side investment strategies. POINT380 is positioned to help companies develop these capabilities through industry-leading software tools supported by an experienced consulting team.

About POINT380

POINT380 has been a leader in discovering, assessing and implementing resource strategies for leading companies since 2006. We have launched an innovative cloud-based corporate sustainability information platform called FlagstaffRPO™ that helps energy and sustainability teams set, track and achieve their goals. It accelerates and improves forward planning by integrating targets, past performance, forecasts, project portfolio development and investment analytics. Flagstaff grew out of POINT380's industry-leading research of the business case for climate action that underpins ground-breaking publications such as *The 3% Solution*, *The Climate Has Changed*, *Green Giants* and *Reinventing Fire*. POINT380's software tools and experienced consultants enable energy and sustainability teams to go beyond reporting to achieve the goals their leadership and external stakeholders expect.