

The Business Case For Carbon Management Software

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The financial risk of carbon liabilities, a need for better management control over carbon data, and new government regulations in a number of countries, will compel CFOs to invest in carbon management software in the coming year. This is the main conclusion of the report, [The Business Case For Carbon Management Software](#) [1], from the research firm [Verdantix](#) [2]. The report analyzes the business case for investing in carbon software from vendors like CarbonView, Carbon Hub, ESS, Greenstone Carbon Management, Hara, IHS, PE International, SAP and SAS.

“Firms that have measured their enterprise carbon footprint, like Cisco, Crédit Agricole and Coca-Cola, now realize they need a more robust process to manage their greenhouse gas emissions,” said Verdantix director and software industry veteran David Metcalfe. “These firms are in the vanguard of an army of private sector and public sector organizations that will invest in carbon management software over the next 3 years. CFOs need to get in the driving seat to assure the Board that the management of carbon assets and liabilities is fully under control. ”

The Pressure on Firms to Strengthen Their Carbon Management Systems is Mounting

Research into 20 implementations of carbon management software around the world found that a wave of CO2 compliance deadlines in Australia, the UK, and the US, as well as tighter rules in existing schemes like the EU’s Emissions Trading Scheme, will pile the pressure on firms to strengthen their carbon management systems. Verdantix found that CFOs need to be able to accomplish the following:

- Assure the Board that carbon liabilities are under control. Many Board members would be horrified at the low quality and poor verification of carbon emissions data that is released into the public domain through channels like the Carbon Disclosure Project. (See: [Investors Want More Disclosure of Climate Risk Data from Corporations](#) [3]) When there is a price

tag attached to CO2 emissions, the CFO's team will need to sign off the data for all carbon emissions communications.

- Integrate carbon costs into financial planning and budgeting. Power utilities like the National Grid started in 2009 to integrate [carbon accounting](#) [4] into their core financial processes. Less emissions intensive firms, that have made carbon reduction commitments, like The Gap, Vodafone and Weyerhaeuser, will need detailed financial plans to guide carbon abatement investments and hit their CO2 targets.
- Reduce compliance and audit costs. Multinationals like Caterpillar and emissions intensive firms like Xstrata face mounting costs from GHG reporting and audit work. The CFO needs to ensure change costs do not break the bank when mandatory reporting rules kick in and acquisitions dramatically affect emissions reporting and internal budget allocations.

"Today CFOs focus on cash management and cost reduction. But they can't dodge the carbon management bullet forever," said David Metcalfe, author of the report. "By implementing carbon management software the CFO is likely to identify energy cost savings that cover the cost of the software investment. Our case study analysis of a \$5 billion revenue chemicals firm suggests a 145% return on investment over 3 years and a payback period of 0.9 years. Financial returns will vary by sector and company size but the start of GHG compliance regimes — as opposed to government announcements of start dates — will trigger a surge of interest in software for carbon management."

A Software-enabled Approach to Carbon Management Delivers Management Benefits

To further clarify the business case, Verdantix conducted research into 20 different implementations of carbon management software. In addition to the potential financial returns compared to an Excel-based approach, the study finds that a software-enabled approach to carbon management delivers management benefits including:

1. Higher confidence in carbon data quality. The work of the Climate Disclosure Standards Board, backed by the accounting profession, will put carbon data verification in the spotlight. Robust carbon data modeling tools like SAS for Sustainability Management enhance Board members' confidence in auditability.
2. Strengthened climate change risk management. Mandatory reporting, public commitments to climate change goals, brand exposure and increasing carbon prices require stronger risk management. The Westin hotel chain in Australia implemented CarbonView software to manage carbon emissions brand risks.
3. Creating a global platform for carbon accounting. With different GHG compliance regimes sprouting in different countries, multinationals need a platform that can scale globally. Shell Exploration & Production implemented the IHS opsInfo application to manage emissions at thousands of locations to achieve global

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consistency.

4. Formalizing the carbon management organization. Few firms have the people and processes in place to implement carbon management strategy. Software from providers like Greenstone Carbon Management includes tools to define, build, manage and tag organizational networks to support climate change strategies.

5. Reducing the cost of carbon abatement. Ultimately all firms with significant emissions will need to invest in a carbon reduction plan. The CA ecoGovernance application has project and portfolio management tools to help the CFO monitor, manage and benchmark carbon abatement spending.

6. Integrating enterprise, product and supply chain carbon footprints. From 2009 to 2011 the enterprise footprint will be the focus of carbon management. During this time, firms with more mature strategies like Tesco and Wal-Mart, will use software to integrate emissions data from the enterprise, the supply network and products.

Tracey de Morsella's career and recruitment articles have appeared in numerous publications and web portals including Woman Engineer Magazine, Monster.com, About.com Job Search Channel, Workplace Diversity Magazine, Society for Human Resource Management web site, NSBE Engineering Magazine, HR.com, and Human Resource Consultants Association Newsletter. In March, she decided to combine her technical and career management expertise with her passion for the environment, and with her husband launched the [Green Economy Post](#) [5].

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[1] http://www.verdantix.com/index.cfm/papers/Products.Details/product_id/61/business-case-for-carbon-management-software/

[2] <http://www.verdantix.com>

[3] <http://greeneconomypost.com/investors-more-disclosure-climate-risk-data-corporations-3044.htm>

[4] <http://greeneconomypost.com/category/business-sustainability/green-accounting>

[5] <http://greeneconomypost.com/the-green-economy-what-does-it-mean-505.htm>