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The CEO's Guide To Decoupling Revenues And Emissions

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Every solution to climate change requires decoupling economic growth and emissions. The choice is stark: Accept more emissions and more climate change, or accept a lower standard of living

with less emissions. [Spiking energy prices](#) and [power-cut mandates](#) make decoupling an urgent priority in Europe, and U.S. businesses are not sheltered either in our globally linked economy.

For CEOs and their leadership teams, the path to decoupling revenues and emissions is not clear. For example, a CEO in the steel industry cannot exit steel manufacturing; she must execute a strategy within an inherently energy-intensive manufacturing process. What are the levers to pull in the near and immediate term that enable the strongest possible economic performance while cutting energy use and emissions? What data is needed to make those decisions?

Based on my company's experience with thousands of homes and businesses, I have developed a straightforward method to find the least-cost opportunities for energy reductions. It may be a bit surprising to hear that the same approach works for both homes and businesses, but experience shows that the method is the same in both settings while the specific solutions may differ.

Start At The Bottom

Policy analysts can propose solutions to climate change or emissions reduction with broad brush strokes, but business plans for energy and emissions reductions require a different approach. Each property site has assets in place and operational procedures. Opportunities for reductions are by asset and by procedure, with the cost of change varying quite a bit by project, by site and by locale.

A corporate reduction plan is a portfolio of projects. The optimal reduction plan is built by scanning the portfolio and prioritizing the projects with the best economics. A bottom-up data approach to emissions reductions is required.

A Portfolio Of Data-Driven Business Plans

Energy and emissions reduction planning is a data-driven process, and granular asset-level data is needed. Data from utility bills and IoT sensors build the business case for each reduction project.

But the raw data is not enough. Emissions reduction is ultimately a financial-planning exercise, and one that has risen to strategic C-suite importance. Sustainability data must be as rigorously prepared as the financial data. Otherwise, one is evaluating a financial expenditure, say a CapEx investment, based on a guess-estimate of impact.

So bring together finance, sustainability and IT teams and build the sustainability data framework and pipeline that delivers high-quality, reliable information that is ready for review by the CEO, top team and board of directors.

The Levers to Pull

Here's a guide to use when scanning a site for energy and

emissions reductions potential. The levers are ordered by the typical return on investment (ROI) achieved, from highest to lowest.

- **Stop The Stupid.** These are the habits that waste energy and just don't make sense, such as timers that turn ovens on in a bakery two hours before they are needed. To find this waste, use sub-meters or IoT sensors to gather energy and water data at 5- to 15-minute intervals
- **Small Purchases.** Switch to LEDs, smart thermostats or add a water sprinkler timer. These and similar small changes can immediately reduce usage.
- **Time Shifts.** If energy prices change during the day, consider shifting usage to a lower-cost period. Check your rates first, as most utilities do not price energy by time of day.
- **Grid Participation.** In addition to avoiding high-cost time periods, it may be possible to be paid for using energy in low-cost time periods. Some companies in the [U.S.](#) and in [Europe](#) pay businesses to switch usage to low-price periods.
- **Renewables.** Consider replacing natural gas or grid electricity with renewable power such as solar or wind. In most U.S. locations, this is the [cheaper option](#) and will reduce emissions too. An energy broker or solar developer can help you get started.
- **Renewables With Battery Storage.** Battery costs [keep falling](#) and may make economic sense to add a battery to increase time-shifting flexibility.
- **Appliance Replacements.** At home, a common recommendation is to replace an aging refrigerator with a newer

more efficient model. The same is true in businesses. What appliances could immediately reduce energy consumption—no construction work needed?

- **Asset Upgrades.** The next group of projects require a small bit of construction work by specialized trades. This includes refurbishing HVAC units or insulating vents and walls for greater energy efficiency.

- **Major Projects.** Significant site upgrades and operational changes won't deliver savings in the near term, but should be evaluated today. The other levers are easier, but they are limited in number.

Also, to complete the reduction plan, consider these components:

- **Habit Changes By Employees.** Small changes by employees are not game changers, but they do communicate corporate values. Surveys show that [employees want to see sustainability actions](#) by their employer. Ask for small habit changes and put the spotlight on your larger strategy.

- **Off-Balance-Sheet Financing.** There is an active market for financing [energy](#) and [water reductions](#), as these have verifiable and predictable savings. Consider using other people's money to stretch cash reserves.

And note what is not included:

- **Carbon Credits.** Purchasing carbon offsets or credits changes reported emissions but does not reduce actual emissions. Evaluate their use in a different process.

Getting Started

Pressures are high and time is short. The first step is data. Get it wired up. And follow with a first-level scan across your reduction projects. Investor-grade sustainability data enables a standard financial review. With data and focus in hand, bring in the local trades and experts to finalize the business case for the reduction projects in each locale.

Our times demand energy and emissions reductions, and ultimately the decoupling of revenue growth and emissions growth. Data-driven reduction plans will quickly impact enterprise valuations. Investors are looking for companies that [stand out from the crowd](#). The value of decoupling emissions and revenues has never been higher.

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