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Special report

The climate change industry takes root



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Climate change consultancies

Specialists stand out

By Toby Procter

Climate consultancy is rapidly expanding, helping corporations limit their environmental impact and asking how performance can be assessed. There are many firms offering advice – of varying quality

How many environmental consultants does it take to change to low-energy light bulbs...? None, but companies will have to change a lot more besides light bulbs to meet stakeholders' rising expectations and tougher emissions regulations.

The broadening of stakeholder concerns to include managing greenhouse gas emissions should support further growth for an already big environmental consultancy sector. But the growing complexity of emissions measurement and technological solutions will also demand scarce and expensive skills, and accepted standards to test them by.

Just how many companies, government agencies and NGOs are involved in corporate environmental services worldwide is a matter of conjecture. Google "environmental consulting firms" and you will be presented with links to more than 20 million web pages. No statutory qualification is needed to offer such services, and they may in any case be as diverse as the sources of their clients' greenhouse gases.

Last year, US market revenue for the top 200 firms in the environmental consulting field totalled \$42.2 billion, up 12.5% over 2006. ERM, the largest of the purely environment specialists among them, saw revenues grow by 10% in FY06, largely from activity in Brazil, India and China.

ERM has more than 120 offices in 40 countries employing over 3,000 people. Add to such giants the smaller specialists and the environmental arms of more generalist business consultancies outside the US, and greening corporations clearly have a huge services sector to call on.

How much value are the suppliers of these

services generating? At one level, the question can be left to their clients. Arguably, environmental services should be under the same level of scrutiny as other types of business services – lawyers, investment bankers, accountants, management consultants – where value is often not easily quantified.

Carbon Profit, for example, is a UK climate-change consultancy, which focuses on strategic advice and change management, the results of which are seldom identifiable in a company's figures.

Director Neil McClocklin says: "Our mission is all about helping organisations develop a belief that it is in their interests to take climate change seriously, and it makes good business sense because there are hard tangible benefits. We do this by helping organisations change the way they work through behavioural change."

For other more solutions-based environmental consultancies, it is measurable effects – legislative compliance, resource costs and carbon-trading instruments – that have driven demand for their services.

Performance metrics

The results of getting help to reduce the greenhouse gas impacts of corporations' internal activities can be measured with relative ease. Investments can be set against energy cost reductions, and/or against the cost of failing to meet emissions regulations or market demand for more energy-efficient products.

The picture is less clear when the perspective is widened to take in the company's supply chain. Product supply chains often include multiple, less easily managed or measured sources.

When companies announce plans to reduce their carbon footprints, or carbon-label their products, there are few easy means of assessing the accuracy of their claims. Carbon impacts from employees and global supply chains are hard to calculate with precision.

Managing emissions reductions in global supply chains requires a high order of both technical knowledge and management expertise. The data, analysis and change management processes involved, which may need industry-sector expertise, are beyond the capabilities of many advisory firms or their clients.

Measuring even SMEs' emissions presents a challenge. Jon Price, sales director of the UK-based Carbon Neutral Company, told a recent motor dealers' conference that it took four to five weeks to calculate a single-site car retailer's carbon footprint, inclusive of its employees' commuting habits, and a further three to four weeks to implement appropriate decisions.

Charges for consultancy on this scale are clearly beyond many small companies' budgets. For them, generic carbon calculators, government advisory schemes and adherence to industry-standard best practice must suffice.

But claims to corporate virtue based on often-simplistic environmental measures should come

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with health warnings – which they don't yet carry. As Roland Clift, professor at the Centre for Environmental Strategy, University of Surrey, says: "The current rush to attach 'carbon labels' to consumer products is an example of a misplaced belief that numerical certainty is possible."

Especially for agricultural produce, there are far too many uncertainties. Clift says: "How much carbon is stored in or released from the soil when the crop is grown? What are the releases of other greenhouse gases, more potent than CO₂, like nitrous oxide? What is done with the wastes from the crop, like straw or potato plants? Are they used as energy sources?"

Clift believes that rushing out a carbon label to "inform" consumers is at best a well-meaning gesture, at worst a folly if the label is not based on a considered and accepted methodology.

The first hurdle

But widely accepted methodologies are still lacking, and the attendant scepticism about the value of some carbon-offset schemes and alternative energy sources, such as biofuels, is bound to raise the bar for the environmental consultancy sector.

In the UK, some objective data to support advisory services will come from a government-funded British Institute of Facilities Management research programme aiming to provide a resource of case studies, advice and data. UK companies interested in carbon offsets should benefit from a voluntary code of best practice, which the UK government expects to be in place by the year-end. "In the meantime," McClocklin admits, "eco-hunch will have to do."

On a more positive note, not-for-profit organisation The Climate Group has a new voluntary standard for carbon offsetting, which it expects to be recognised worldwide. A number of organisations have already developed credible standards for quality assurance bodies to use as benchmarks, such as the Gold Standard, the Forest Stewardship Council (FSC), the Climate, Community & Biodiversity Alliance (CCBA) or the VER+ standard. There are also publicly accessible databases, such as the international Greenhouse Gas Protocol maintained by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

Aiming higher than ISO, 3C Group (The Carbon Credit Company) is a major European carbon consultancy which focuses on helping companies deal with CO₂ as a new class of asset, following the inception of the Kyoto protocol's AAU (Assigned Amount Units), its project-based mechanisms CDM and JI (Clean Development Mechanism and Joint Implementation) and the EU ETS's carbon allowances. 3C Group also offers businesses unaffected by mandatory cap-and-trade systems the option to buy credits from carbon-reduction



Five weeks work calculating one showroom's carbon footprint

projects that in turn help to finance such projects.

3C says that without such carbon-financing mechanisms, none of the carbon-reduction projects it has achieved would have been feasible. It points out that the integration of environmental concerns with the financial sector has made investors increasingly eager to find reliable partners who can offer security and returns on investment.

The company's markets demand knowledge of the financial sector, of the international carbon certification and trading systems, of the technical aspects of climate protection project development, and of the inter-related energy markets – a menu whose complexity explains why the blue-chip consultancies have left a gap in the market for the likes of 3C to fill.

Offsetting sins

As 3C admits, the suspicion that offsets are like the indulgences offered to sinners by the medieval church may only be allayed if the indulged companies show preparedness to reduce their dependence on them. Here, in particular, a sustainable future for carbon consultancies may include using transparent third-party verification from the few bodies trusted with quality assurance and capable of accurate carbon emissions calculations, such as the Swiss SGS or Germany's TÜV Süd.

The environmental consultancy sector may as yet be too young, too diverse, and its solutions too novel to be assessed definitively. But it will have come of age when its members feel able to make clear carbon performance comparisons and issue objective, sometimes critical, strategy statements. The aim should be to make these statements of a stature comparable to those issued by the Big Four accountancy practices, the blue-chip management consultancies or the major credit rating agencies, without an undue fear of losing work.

After such rapid growth, a push for raised standards is likely to hasten an inevitable consolidation of the environmental consultancy market. As 3C's Sascha Lafeld says: "In the end, it will be the players that are credible, work transparently and adhere to the highest quality standards that will survive." ■

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