



SESSION TITLE:

Budget Battles: How do you increase focus on energy efficiency during the investment decision-making processes?

SPEAKER SUMMARIES:

Kateri Callahan, President, Alliance to Save Energy

- Ms. Callahan introduced and welcomed each of the panel members in her opening comments.

Peter Welch (D-Vt.), U.S. Congressman

- Congressman Welch emphasized that energy efficiency is an issue that generally enjoys bipartisan support notwithstanding frequent stalemate in the U.S. Congress. As such, he encouraged proponents of energy efficiency policies to “hang in” and not become discouraged if progress is incremental.

Peter Sweatman, CEO and Founder, Climate Strategy

- Mr. Sweatman explained that implementing energy efficiency programs can generate profit, save energy, and create jobs. However, obtaining financing for these programs is often difficult because the underlying asset -- future savings on energy bills -- is derivative in nature. Consequently, companies that successfully invest in energy efficiency understand how to appropriately value the asset and how to adequately assess associated risk.

Paul Camuti, Senior Vice President, Innovation and Chief Technology Officer, Ingersoll Rand

- Mr. Camuti discussed the connection between energy efficiency, technology, and return on investment for organizations seeking to make a strong business case for implementing energy efficient procedures and policies. Accordingly, Mr. Camuti emphasized the importance of predictable markets and regulatory frameworks in encouraging multiple stakeholders to engage in energy efficient investment.

Roger M. Natsuhara, Principal Deputy Assistant Secretary of the Navy (Installations and Environment), Department of the Navy

- Mr. Natsuhara acknowledged that investment in energy efficiency programs within the Department of Defense is currently unpredictable given the effects of sequestration. However, the Department of the Navy generally focuses its energy efficiency efforts on three “buckets”: renewable energy and alternate fuels, operations, and on-shore facilities.

Dr. Roger Flanagan, Director Energy Solutions, Lockheed Martin Corporation

- Mr. Flanagan shared Lockheed Martin’s success with its “Go Green Initiative,” which seeks to reduce waste, water, and energy use. Practical lessons from the Initiative’s implementation include the importance of developing efficiency projects that account for both financial and operational value and rolling energy efficiency programs into other capital intensive investment strategies.

SESSION WRAP-UP

Participants in this panel all acknowledged that implementing energy efficient procedures and programs, if done correctly, can be akin to, as Mr. Sweatman put it, “picking up dollars from the factory floor.” The challenge, however, lies in making a strong business case for investing in energy efficiency when the nature of the asset -- savings on future energy bills -- is unconventional as compared to other investment options. Accordingly,



panelists emphasized the importance of collaboration, education, financing, technological investment and execution, and persistence in encouraging investment in energy efficiency.

Beginning with collaboration, each of the panelists noted that energy efficiency enjoys widespread appeal, which is important because implementing energy efficiency programs requires buy-in from multiple stakeholders. For example, an organization seeking to invest in energy efficiency needs both top-down and bottom-up leadership, to the extent that officers and directors must prioritize energy efficiency, while the rest of the organization must develop, implement, and monitor energy efficiency systems and procedures once they are in place. Even with multi-stakeholder engagement in place, obtaining adequate financing for energy efficiency has proven challenging for several reasons. Because the asset class is a derivative, it is comparatively complex and investors looking for low-risk, predictable returns on investment are sometimes deterred. Similarly, technological uncertainties can lead to investor reluctance if they cannot be certain whether they will receive anticipated returns on new technologies. Unpredictable energy markets introduce an additional degree of risk that some investors are reluctant to accept. To address these issues, panelists emphasized the importance of making the financing mechanisms and terms more transparent to potential investors and using reliable modeling regarding future energy needs and how to maximize return on technology investments.

On a related matter, panelists cited uncertain regulatory frameworks as a contributing challenge in obtaining financing for energy efficiency projects. Congressman Welch noted that while regulation is a crucial factor to encourage energy efficiency, it must also be flexible enough to attract support of all involved stakeholders. In effect, while the government can provide a regulatory framework that supports energy efficiency, it remains up to individual businesses and homeowners to push for and implement energy efficient policies and projects.

Panelists emphasized the importance of educating stakeholders about the technical, financial, and practical benefits, challenges, and opportunities associated with implementing energy efficient projects and policies. Notwithstanding the financial, regulatory, and legal uncertainties surrounding energy efficiency, significant progress has been made in both the private and public sectors and they should be used as a model for future investments in energy efficiency. Creative approaches, such as embedding energy efficiency within the context of other capital investment programs, may also be employed to gain momentum. Regardless of the approach used, panelists emphasized the importance of developing a simplified, transparent understanding of energy efficiency within the business, finance, consumer, and political communities.

ACTION ITEMS & TAKEAWAYS

- Energy efficiency white papers authored by Mr. Sweatman and Climate Strategy are available at: <http://climatestrategy.com/index.php?id=22>