

Creating the Business Case for Energy Efficiency: Engaging Governments with Industry

The workshop was held on 13 June and was attended by over 90 participants. The speakers, panellists and participants looked at the ways to engage governments with industry in order to consider how to improve awareness of the business case for energy efficiency. Today industry is responsible for one-third of the global primary energy consumption and CO₂ emissions. This is a sector that will continue to grow rapidly in order to contribute to the expected 88% global economy growth by 2050. As such, the challenge will be to not only avoid an increase of CO₂ emissions during this growth but to manage an overall reduction of emissions. While changing the energy mix will remain an important approach to address the emission reduction challenge, a key role will be played through the reduction of energy consumption. Economically viable energy efficiency actions, based on existing technology solutions, have the potential to already deliver up to 30% of energy consumption reductions within industry. However, to date even specifically designed policies have not managed to overcome all the everyday barriers that continue to restrict widespread uptake of this more often than not financially feasible solution.

One of the main reasons is that energy efficiency, and sustainable energy solutions in general, are in most cases treated separately from a company's day to day core operations. However, energy specific solutions can be shown to also have a positive impact on many types of operation-related activities, such as quality, safety, reliability and maintenance. The workshop looked at energy solutions as a potential driver of many different types of efficiency and productivity improvements within a company. The objective of the workshop was to promote and demonstrate how the joint efforts of policy makers and industry stakeholders are key to developing an improved and acceptable business case for energy driven operation efficiency improvements.

The four sessions of the workshop were a combination of presentations and panel discussions. Session 1 *Putting the business case for energy efficiency into context*, moderated by Hannes Mac Nulty, Sustainable Energy Solutions, BG Consulting Engineers, presented perspectives on why the business case matters and why it still remains a challenge. Presentations made by Ken Somers, Master Expert, Sustainability & Resource Productivity, McKinsey&Company; Vivien Foster, Global Lead for Energy Economics, Markets & Institutions, World Bank; Marco Matteini, Industrial Development Officer, UNIDO; and Oleg Dzioubinski, Energy Efficiency Programme Manager, UNECE led to a discussion on how to address the existing barriers to first understanding and then applying the business case for energy efficiency.

Session 2 *Creating the business case begins with industry driven solutions*, moderated by Scott Foster, Director, UNECE Sustainable Energy Division, was a panel discussion on the business case successes and challenges encountered by the different types of industry stakeholders. Panellists included Robert Hinrichs, Project Manager Sustainability - Global Engineering, Mondelez; Mikhail Akim, Director of Strategic Development, ABB Russia; Roberta Boscolo, Energy and Climate Focal Point, World Meteorological Organization; Natalia Jamburia, Chief Expert, Ministry of Energy, Georgia; Maxim Titov, Executive Director, ENERPO Research Center, European University at St. Petersburg, Russian Federation; and Robert Tromop, Independent Expert, New Zealand.

Session 3 *Best practice policies and making them business friendly*, moderated by Aleksandar Dukovski, Director, Energy Agency of the Republic of Macedonia, was a panel discussion on how governments typically apply best practice policy and in what ways such policy can be improved further to align with every day business reality. Panellists included Sergey Morozov, Specialist of operational improvement department, ArcelorMittal; Matija Vajdić, Senior Researcher, Energy Institute Hrvoje Pozar, Croatia; Kostiantyn Gura, Acting Director, State Company Subdivision "Green Investment Development Center", State Agency on Energy Efficiency and Energy Saving of Ukraine; Almat Kabykenov, Director, Center of expertise, management and monitoring of projects, JSC "Electric power and energy saving development institute (Kazakhenergoexpertise)", Kazakhstan; and Zlatko Pavicic, Independent Expert, Croatia.

At Session 4 *Making better use of the business case supports that already exist*, moderated by Tim Farrell, Senior Advisor, Copenhagen Centre on Energy Efficiency, speakers presented existing and proven solutions that support the effective and viable implementation of energy efficiency measures and assist with the development of comprehensive and clear business case, but which need combined support from all stakeholders to have widespread sectoral impact. Speakers included William McLaughlin, International Lead EnMS Expert, UNIDO; Kankana Dubey, Senior Research Associate, KAPSARC; Stefan Büttner, Head of International Affairs & Strategy, Institute

for Energy Efficiency in Production; Aleksandar Dukovski, Director, Energy Agency of the Republic of Macedonia; and Mikhail Akim, Director of Strategic Development, ABB Russia.

The following main outcomes were outlined at the workshop. Industrial energy efficiency has become a much spoken about topic, yet it remains unclear to many different types of stakeholders how to actually achieve the identified potential. While energy efficiency has been shown to be largely cost effective and in line with typical industry investment criteria, it is still over-reliant on the climate change topic rather than on the business case as an implementation driver. A new and innovative policy approach that moves beyond the more classic mix of incentives and obligations is required to bring about a more acceptable common understanding of the energy efficiency topic, which would improve considerably the ability to achieve tangible results on the ground. Rather than just compel or entice industry to implement energy efficiency, there is a need to actually convince them of the beneficial role energy efficiency can play within their overall business model. Industry is first and foremost about business. Energy efficiency makes financial sense and leads to increased industrial productivity, regardless of its importance to climate change. Convincing industry of this fact is crucial, as is convincing policy makers and supporting organizations to take this fact into account when designing and enforcing energy efficiency policies.

The key step in achieving the current and future potential of energy efficiency is therefore primarily related to awareness building. A two-prong approach includes helping policy makers understand how industry operates from a business perspective and helping industry appreciate the financial and productivity benefits of energy efficiency. At the same time, these levels of awareness need to be applied also to both financing and supporting organizations.

The following actions were proposed in presentations and discussions at the workshop:

- Developing a cohesive industry engagement strategy that focuses on helping companies develop a proper understanding of energy efficiency internally within their own organization (from "shop floor to boardroom") and an exchange of experience and best practices between companies;
- Working with policy makers to orientate the driver of energy efficiency more towards business improvements rather than just focusing primarily on climate change mitigation;
- Developing a clear policy development approach that places the policy end user (the energy using company and the engineers on the ground) within the policy design cycle as a key input of information. The policy design cycle should also equally consider how government, industry, financial institutions and supporting organizations can share a common language on energy efficiency so that each can contribute in the most effective manner.