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Energy efficiency: Best step forward to cut carbon footprint

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A glance at the skylines of Wall Street and the City of London leaves green campaigners fuming, as lights routinely blaze through the night. With their reputations already dented, this suggests that some of the world's biggest financial institutions care little for energy efficiency or public opinion.

Nevertheless, the move towards carbon reduction, which started as a compliance issue for most banks, is developing into a strategic business opportunity for some of the more enlightened ones.

Francis Sullivan, deputy head of corporate sustainability at HSBC, says: "If we can measure, manage and reduce our own direct impact, we can help clients with both the financial and environmental aspects of their investment strategies."

"We can position ourselves as the bank of choice for the climate change business, which is now the same size as the global aerospace industry. We want to be number one in that sector – and if we don't do it ourselves, we have no credibility."

Banks must reduce their energy consumption, switch as much as possible to renewable sources, reduce business travel and then offset the balance.

Hugh Jones, director for solutions at the Carbon Trust, which works to accelerate the move to a low-carbon economy, says: "Financial institutions estimate that data centres account for 40 per cent of their energy bill. To run an energy-efficient data centre a number of factors need to be optimised, including server utilisation, hardware, utilities, supporting infrastructure and the design of the building itself."

According to Klaus Kämpf, from the sustainable research team at Sarasin, a Swiss private bank, most easy-to-implement and cost-efficient measures have been implemented. "We do not observe many changes in 'behavioural' aspects, such as travel policies, which are influenced by business development and cost considerations, not by awareness of carbon footprint," he says. "The effect of videoconferencing for substituting travel is generally overestimated. Further steps require more investment and effort."

For instance, **Deutsche Bank** has invested €200m in its Frankfurt head office, Europe's largest building renovation. "Green towers" will become one of the most environmentally friendly skyscrapers in the world, reducing heating energy by 67 per cent, electrical power by 55 per cent, water use by 74 per cent and carbon dioxide emissions by 89 per cent.

Three years ago, **Bank of America** announced its intention to invest $20bn over 10 years to address climate change. It had committed more than $5.9bn by the end of 2009. The Bank of America Tower in Manhattan is the first high-rise commercial office building to attain platinum rating under the Leadership in Energy and Environmental Design (Leed) certification system, developed by the US Green Building Council.

HSBC has been carbon-neutral since 2005. In 2009 it emitted 991,000 tonnes of CO_2, 3.8 per cent less than the previous year. Its 10,000 buildings and 170 data centres accounted for 87 per cent of the total, with the remaining

13 per cent coming from business travel. The bank offset this by buying verified emission reductions on the international market.

Bill Thomas, group head of sustainability for HSBC Technology & Services, says that whereas emissions from buildings are reducing, computer use is increasing. A data centre uses 40 times more energy per square metre than a normal office building, and he expects this to double to 80 times over the next two years.

“There is no single thing that will make the efficiency numbers look better, just a lot of little things done a lot of times,” he says. “We build new buildings to the highest possible standard, but we still have to work hard to keep them tuned and efficient.”

Mr Thomas is angry when he sees other buildings lit overnight, and says another easy action is to encourage employees to turn off their desktop computers when they go home. This brought a saving for HSBC worldwide of 7.3m kWh of electricity and 3.1m kg of CO_2 emissions in 2009. “It is almost free money for the taking,” he says.

Jon Williams, a partner at PwC, who heads the finance sector sustainability and climate change, points out that the banking industry’s direct environmental impacts are modest, compared with other sectors. The problem is that they lend to, and invest in, highly energy-intensive industries.

“They are part of the finance supply chain that enables impactful infrastructure to be built,” he says. “They can also help to move capital into renewable energy. If they don’t get their own house in order to ‘walk the talk’, they will have absolutely no credibility to influence their customers, which ultimately could mean withdrawing a loan.”

Chris Stubbs, a director at WSP Environment & Energy, a consultancy, says a bank’s direct carbon footprint is dwarfed by the projects it funds. “A big trend among many banks is to require more than just financial viability to approve a loan,” he says.

“For example, The Co-operative Bank in some cases requires assurances that specific projects will be energy-efficient before it will lend, particularly in developing countries. The World Bank requires that banks record the sustainability parameters of the projects they invest in, so that banking can be described as sustainable throughout.”

Banks can also influence customers through specially designed products. For instance, HSBC conducts green equipment financing from Hong Kong. It lends to smaller companies to buy low-energy equipment for factories in mainland China. Mr Williams suggests there could be a huge opportunity for banks to set up service companies with energy suppliers to provide energy-efficient equipment for their clients.

“Increasingly investors are seeking to benefit from direct investment opportunities into the rapidly growing areas of alternative energy and emissions trading,” says Mr Jones at the Carbon Trust. “This growth is due to factors linked to climate change policy, such as subsidies for renewable energy investment or generation.”

Mr Sullivan says that, although HSBC looks at the energy intensity of large projects, there is currently no consistent framework to account for it. The bank is working with the Equator Principles, the “gold standard” for sustainable project finance.

“We can help our clients to step up to the plate and participate in the low carbon economy,” he concludes. “We have to demonstrate that we can manage our environmental footprint effectively if we are going to have any credibility in offering them sustainable financial services.”