

DOES GREEN MATTER?

Is carbon neutrality an unreachable aspiration or an achievable reality? The NOA steering committee met to investigate the green agenda in outsourcing

The NOA green steering committee is formed of industry experts with specific sustainability and/or green experience, representing a variety of organisations including analyst firms, public sector organisations, suppliers and end users. The group met with the aim of exploring the green challenges facing the outsourcing community and to offer guidance to government officials as well as produce informative guides for the outsourcing sector.

The green agenda has rapidly increased in significance over the past few years. New legislation and hefty carbon reduction targets mean that all businesses are incorporating green strategies into their overall business plan. In the UK, the Carbon Reduction Commitment (CRC), currently being drafted by the Department for Energy and Climate Change, aims to target around 20,000 large public and private sector organisations for carbon reduction.

The outsourcing industry is no stranger to the green agenda. Many large organisations within the industry have already implemented green policies. However, despite the growing legislation surrounding the issue of carbon emissions and climate change, businesses are finding it increasingly difficult to cut through the chaff and establish exactly what it is they need to do in order to implement an effective green strategy.

DOES GREENSOURCING MATTER?

Overwhelmingly, yes. However, this commitment to green issues is not only driven by an altruistic need to reduce carbon emissions; instead, green issues are high on the boardroom agenda thanks to

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three factors: cost savings; government enforcement and competitive advantage. The committee also agreed that the ease with which companies can show off their green credentials, especially above other aspects on the Corporate Social Responsibility (CSR) agenda, is another catalyst to implementing a green agenda.

This year's Green Outsourcing Survey found that among 460 outsourcing technology operations leaders, 97 per cent felt that high energy costs were the driving factor behind implementing a green strategy. Other motivations for carrying out green initiatives included public opinion, client demand and corporate viability. The green agenda can actually be led by cost savings, which of course makes it more attractive to implement. If a company is more efficient, it will enjoy a reduction in utility overheads and a reduction in waste.

The maturity of carbon trading is also adding significant value to green initiatives. Now, businesses are engaging in this 'green currency' far more than previously anticipated. Escalating energy prices are also fuelling the green fire. The 2009 Green Outsourcing Survey found that 84 per cent of respondents felt that outsourcing to control energy costs was a top priority.

By highlighting the cost savings that can be associated with green issues, businesses and public bodies alike can reinforce the importance of the agenda. As organisations across the globe have to deal with a turbulent economy and ever nearing carbon reduction directives, cost, as in much of the outsourcing community, is indeed king.

ENFORCING THE AGENDA

The growing legislation surrounding climate change and in turn, carbon reduction will affect everybody, regardless of whether a company is a supplier or end-user. The enforcement of carbon reduction directives will have an impact on the outsourcing market, ultimately determining just how important the green agenda is.

The UK Government is committed to reducing CO2 emissions by 80 per cent and all government departments and agencies have specific targets that not only focus on ICT but also recycling, waste and water consumption. As

time goes by, the number of regulations won't reduce – organisations will only face more regulatory compliance. If voluntary targets are not met, then sanctions, penalties and enforcement will only get tougher.

ICT vendors, manufacturers and service providers are looking to the green agenda to give them the competitive advantage. Developing green initiatives and implementing the strategies means that businesses can prove exactly how green they are. However, the green agenda is not something that organisations can simply pay lip-service to. Frequently, RFPs are seeking green credentials within the selection criteria. This is especially true for public sector contracts, where green is now part of the standard criteria.

The procurement process for any organisation looking to outsource will almost certainly consist of some element of green. Businesses will be looking to maximize the service provided by the suppliers and that includes enhancing the overall green strategy of the end-user. Organisations not taking the green agenda seriously will find themselves very quickly ignored at the procurement stage. Not having green credentials could mean you are not even considered for the business.

WHAT EXACTLY IS CARBON NEUTRAL?

There is no set definition of what carbon neutral means. Organisations have a huge amount of directives to wade through when investigating what needs to be done within the green agenda. However, these directives can sometimes be conflicting and lacking any real definition. DEFRA is still yet to agree on a carbon neutral definition or offer a clear set of checkpoints for businesses to follow.

There is plenty of legislation due to come into effect that looks to impose tough penalties on organisations that fail to meet certain criteria. However, there is no legislation that addresses the issue as a whole and until this is explored, green initiatives will not be as effective as they could be.

There are a vast amount of green ticks of approval offered by various NGOs, consultancies, analysts and seemingly irrelevant firms. Essentially, this means that any organisation, from SMEs to giant corporate firms, can pay

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a certain amount of money, undergo an unaccredited audit process and emerge with a mark of approval. This mark can then be exhibited to clients and the public without any real process having been undertaken.

The ultimate green tick would allow organisations to conduct business with vendors, safe in the knowledge that they have met international regulations. Suppliers would also be able to tender for projects knowing that they have met the minimum green requirements established by the international community. This would create a safer and greener market for organisations to engage in, as any business that did not have this standard approval, would not be able to tender for work that demanded it as part of the selection criteria. Creating this environment is the aim of the NOA Committee.

UNIFYING MEASUREMENTS

The measurement of an organisation's carbon emissions and green initiatives also needs to be examined in depth. How far should an organisation's carbon emissions be audited in order to get an idea of how carbon neutral they are?

Many organisations claiming to be carbon neutral are only taking into account their internal processes with few looking at their outside suppliers. It is therefore necessary to explore an organisation's supply chain in greater depth.

End-users frequently turn to suppliers to improve their green initiatives, especially when outsourcing data centres. This is a legitimate form of improving carbon emissions, with many suppliers providing greener technology as part of their standard service offering.

However, steps need to be taken to help suppliers offer this service rather than penalise them for taking on more emissions. Regulatory bodies currently only measure the overall carbon emissions a supplier has. This means that a supplier taking on a client's data centre will inevitably have increased carbon emissions.

The supplier would then either need to engage in an offsetting arrangement, which may take money away from new technology investment, or face possible penalties.



By acknowledging the green improvements made to an outsourced process when auditing carbon emissions, suppliers will be better placed to improve technology, decrease carbon emissions and contribute further to the green agenda.

The green agenda is more important than ever. Cost saving, legislation and competitive advantage are all fuelling the need to implement a robust green initiative. However, there is still a significant lack of understanding when evaluating an organisation's green strategy.

LOOKING AHEAD

A lack of definition coupled with confusing and sometimes conflicting guidelines has meant that organisations have over-hyped their green initiatives with unaccredited stamps of approval, aggressive marketing campaigns and ineffective carbon offsetting. Clearly, there needs to be a definitive green standard that all organisations can engage with.

This green standard will need to be internationally regulated and approved so that there can be a level playing field within the global market. Such a uniform standard will reduce the amount of scrutiny needed to establish whether or not a company is green. The outsourcing community will certainly benefit from a greater understanding of exactly which suppliers conform to green standards.

