



BSR Conference 2009

**Reset Economy. Reset World.**

## Improving Carbon Management in Your Value Chain

Breakout Session Summary

Wednesday, October 21, 2009 | 3-4 p.m.

### Speakers

- » **Mary Capozzi**, Senior Director, Corporate Responsibility, Best Buy Co.
- » **Søren Stig**, Head of Sustainability, Maersk Line
- » **Raj Sapru**, Director, Advisory Services, BSR (moderator)

### Highlights

- » Customers are demanding more energy-efficient options, but they are not willing to pay a premium.
- » Improving carbon management throughout the value chain requires collaborative efforts and informed customer decision-making.

### Memorable Quotes

*"Value chain collaboration is no longer a nice to have, it's a must have."* —Raj Sapru, BSR

*"For our employees, [carbon management] is an issue they really care about. They feel a responsibility to the world."* —Mary Capozzi, Best Buy Co.

*"We are now looking to our customers to work with us to judge carriers' performance [on carbon management] as a real piece of criteria when choosing a partner to move cargo."* —Søren Stig, Maersk Line

### Overview

Sapru framed the conversation by encouraging the audience to think about how to better use networks and consider the incentives for a systems redesign of value chains. Capozzi then discussed how Best Buy is addressing its customers' ability to reduce their power consumption and how it is motivating employees to do the same.

At Maersk, the primary motivation for carbon management has been financial; the company is also driven by the potential for industry regulation. Shipping can be part of a low-carbon solution, and Stig said his company is convinced this value proposition is sensible. Stig also acknowledged that, as a significant emitter and the largest private buyer of bunker fuel, the company has a responsibility for improving carbon management. Reputation and the importance of upholding the company's values are also important drivers.

Both speakers said that, for some time, their companies have been looking at direct operational emissions and how to run their businesses more efficiently. However, working with customers directly is more recent and evolving. For Best Buy, educating consumers on the use phase is relevant. Capozzi said her company is investigating customers' needs and desires. Based on this, Best Buy has established relationships with reputable parties such as Energy Star to improve equipment. The company has also launched ewaste collection programs in all stores to address employee concerns.



Maersk is trying to work on its carbon footprint through customer alliances. The company strongly believes that customer demand for energy-efficient options will grow, but that customers will not pay a premium for those options.

The speakers went on to discuss regulations for reporting of metrics and performance standards. While focusing on which “labels” consumers can trust, Best Buy is beginning to determine which partnerships are best to pursue.

This is a new area for the maritime industry, and Stig said the sector must do overtime to make it feasible for carrier emissions to be measured against accepted standards. Ideally, regulation should provide incentives for greater energy efficiency, rather than encouraging companies to find loopholes. Stig, who pointed out that Maersk customers are now asking for emissions data in order to report on their own carbon footprint, cited the progress made through BSR’s Clean Cargo Working Group, which is developing a transparent metric to assess transportation emissions data. Maersk has the most difficulty gathering data from the vessels that the company charters but does not have operational control over.

Capozzi said data availability is increasing as other companies in Best Buy’s value chain begin to measure their own carbon intensity to gain competitive advantage. Capozzi said her company leaders believe that responsibility will differentiate the company, but even if it does not, acting responsibly will not negatively affect the firm.

Stig said given the likelihood of a regulated future and a price on carbon, Maersk will only benefit from having invested in the energy efficiency of its vessels.

Opportunities for gaining significant immediate reductions in emissions can be gained through customers making informed choices. For example, Maersk can reduce emissions by 30 percent just by slowing ships down. But this can conflict with customers’ desires for fast deliveries. To overcome this challenge, Stig recommended working within the supply chain to determine how to add a few days to product delivery times.

The speakers then reflected on issues that currently affect decision-making. For Maersk, the question regards how to take responsibility for the cargo it transports—something that is not possible for Maersk to address on its own. Capozzi said Best Buy, which is impacted by more online sales, will likely change its business model to focus more on services than sales. One innovation could be replacing the traditional buying model with a leasing model. Other services could include providing on-demand sustainability information for customers. The main barrier for this system, which reconfigures the traditional shopping experience, is consumer behavior.

The speakers agreed that there is a compelling business case for companies throughout the value chain to invest in energy efficiency and benefit from direct cost savings and future cost avoidance.

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