

As the world leaders work to repair our global economy I can't help but think of the consequences we may face when we realize that we have not been managing our natural resources responsibly. Would we be able to come up with a bail out plan?

I encourage all of you to continue your efforts to create a more sustainable future. It is one thing that surely makes sense for all of us.

*Best regards,
Liz*

SPOTLIGHT ISSUE: INSTALLING SOLAR SYSTEMS

Over the past year and a half, I have had the pleasure of managing Gap Inc.'s one-megawatt solar system project. The solar tracking system, which is built on five acres of land, went into operation in September. It is expected to offset 2.5 million pounds of greenhouse gas (GHG) emissions annually; the equivalent of taking 2,466 vehicles off the road over the life of the project.

While the concept behind generating solar energy is quite simple – convert the sun's energy to power facilities – installing a commercial solar system is not so straightforward. There are two general approaches to installing a solar system: 1) install, own, and operate the system yourself; or 2) allow a third party to install and operate a system on your property so you only commit to purchasing the energy that the system generates. The latter approach is commonly done through a *power purchase agreement (PPA)*.

Each approach has its advantages and disadvantages. While owning a system requires

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DEVELOPING SUSTAINABILITY STRATEGIES

Despite a troubling economic environment, many companies continue to develop or enhance their sustainability strategies and programs. Companies recognize that sustainability can result in both bottom- and top-line value.

Having developed Gap Inc.'s sustainability strategy and program during a time of weak profits, I advise companies to take a cost-effective and pragmatic approach when developing a sustainability strategy. They need to ensure that it is long lasting and adds value to the core business. I suggest taking these initial steps:

- Conduct a qualitative lifecycle assessment of your product and/or services – This will enable you to better understand where you can have an impact and where your opportunities for improvement exist.
- Capture and communicate your current efforts - Most companies have some sustainability initiatives, whether in the form of saving energy or a compliance program. Why not communicate these efforts to employees, customers, and other stakeholders?
- Learn what your peers are doing – Benchmarking your efforts against industry peers can not only assist in gaining senior management support, but it can identify new opportunities.

Once you have a better understanding of your possible impact, your current efforts, and potential opportunities, you can work with key business partners to identify sustainability initiatives that align with and support their business goals. It is also important to understand how you can maximize the reputational benefits from your efforts. One way to do this is to identify, capture and report metrics commonly captured and reported for your industry.

Going through such a process should help you gain upper management support for a sustainability strategy and program.

Helping companies develop sustainability strategies that add business value is one of my areas of expertise.



Gap Inc.'s one-megawatt solar system

INSTALLING SOLAR SYSTEMS (CONTINUED FROM PAGE 1)

upfront capital, the energy is generated at no additional cost. Purchasing solar power through a PPA avoids capital expenditure and allows a company to focus on its core business by outsourcing the system installation and maintenance.

Gap Inc.'s installation was done under a 20-year PPA. It is uncommon for a company like Gap Inc. to commit to a 20-year contract. Careful thought was given to predict and address potential events in the future, i.e. what protections should both parties insist upon if financial models change or new taxes are imposed on the system or landowners?

Establishing a price schedule that is fair to both parties requires an analysis of historical energy prices, current predictions, and other factors that may affect cost or transmission of energy to the subject facility. This is challenging given the volatility of the energy market.

It is also important to understand that energy is not the only product of value that comes from the system. The renewable energy credits (RECs) have value in carbon trading as a means to offset GHG emissions. Some experts predict that these RECs may become even more valuable in the future, especially in California where the State has goals to reduce GHG emissions to 1990 levels by 2020.

These are just some of the issues that should be considered when exploring the installation of solar systems. But, despite the effort, installing a solar system is a tremendous, tangible way to progress towards a more sustainable future and reap financial and business benefits.

UNDERSTANDING AGRICULTURAL SUPPLY CHAINS

In order to promote sustainability in agricultural supply chains, you must first understand the basic distinctions between the two broad categories of agricultural crops – products versus commodities.

Products (e.g. fruit and vegetables) are sold to consumers in the same basic form that they are produced on the farm and require only inspection and packaging in their short supply chain. Products are susceptible to spoilage during the time it takes to transport them from farm to store. This is an important factor in regions such as Africa, where lack of infrastructure prohibits timely export to global markets.

Commodities (e.g. sugar, cotton, biofuels) are mixed and transformed when processed through a multi-stage supply chain. They do not spoil as quickly as *products* after initial processing.

It is also important to understand the level of influence a buyer can have in a supply chain when attempting to better the lives of farmers or promote sustainable farming practices. Buyers of *products* may have more direct relationships with the growers and, thus, can work more closely with them. Buyers of *commodities* may be more influential when working with the initial processors (e.g. sugar mills) who purchase most of the *commodities* in that region.

Given the challenges that the agriculture sector will likely face due to climate change and increased competition for arable land, buyers and suppliers should explore partnerships that can improve efficiencies and crop yields to ensure a healthy future for their business.

Please let me know if you would like learn more about agriculture supply chains.

IN THE NEXT ISSUE:

• UPDATE ON AGRICULTURE ROUNDTABLES

• HOW TO COMMUNICATE SUCCESSES

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