



Crisis or catalyst?

Does the downturn put energy efficiency on the back burner, or create a catalyst for change?

In the face of a severe economic crisis, many companies could find themselves putting energy efficiency on the back burner. But is that really the right move? Here's the debate:

	Point	Counterpoint
Continue to focus on energy efficiency.	It's the right thing to do.	Yes, but in these tough times, is it a luxury companies can afford?
<i>Energy efficiency should still be a high priority, despite the current economy.</i>	It saves money in both the short term and long term.	The financial benefits related to energy efficiency are relatively small compared to other cost and revenue items.
	It drives revenue because customers want to do business with energy-efficient companies.	That was true a few months ago — and will probably be true in the future — but today customers are primarily attracted to companies that offer low prices and are willing to extend credit.
	Energy efficiency helps attract top talent.	Right now, many companies have more people than they know what to do with.
	It positions the company for the future, when energy prices rebound and regulations such as carbon taxes change the competitive landscape.	It's hard to take a long-term view given the immediate challenges many companies are facing.

	Point	Counterpoint
<p>Put energy efficiency on the back burner.</p> <p><i>Today's companies have more immediate problems to tackle. Energy efficiency and sustainability can wait.</i></p>	Energy is only a small part of the overall cost equation, so it doesn't pay to focus much effort on improving efficiency.	Energy efficiency hasn't received as much attention as other cost reduction areas and the improvement opportunities have barely been tapped, so the potential savings are greater. In addition to the immediate benefits, energy efficiency can provide a competitive advantage if it reduces a company's cost structure and energy is positioned as a strategic business input.
	The savings from energy efficiency are hard to quantify and tend to get lost in the shuffle.	The benefits of energy efficiency are significant and real. The problem is the lack of tools and metrics to identify and track the savings.
	Improving energy efficiency requires a capital investment that companies may not be able to afford right now.	Many improvement opportunities only require a change in behavior (e.g., lowering the thermostat, or turning off lights and equipment when not in use.) These small behavioral changes can add up to significant savings.
	This isn't the right time. People are too pre-occupied with the economic crisis.	A crisis is the perfect time to modify people's behavior because it gets their attention and creates a compelling reason to change.

My take



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Environmental concerns and skyrocketing oil prices showed companies in every industry just how big of an impact energy can have on their businesses, and put energy efficiency near the top of the CXO agenda. Executive attention has shifted somewhat in recent months, thanks to sharp declines in energy prices and increasing problems with the overall economy. However, the long-term importance of energy efficiency remains unchanged. After all, no one expects the cost of oil and other forms of energy to stay at their currently depressed levels forever. Prices will eventually bounce back and businesses will once again feel the pinch. Some companies view rising energy costs as an unavoidable cost of doing business. But it doesn't have to be that way. Forward-thinking organizations recognize that energy is a strategic input that can – and should – be actively managed and controlled. Key benefits include:

Cost savings from reduced energy usage. Now, more than ever, companies around the world must find ways to cut costs. Most have scoured their business for savings, slashing to the bone in many areas. Energy efficiency is one of the few areas that hasn't received much attention, which means there are still significant savings opportunities just waiting to be tapped.

Strategic positioning. Energy efficiency can reduce a company's cost structure, which can provide a strategic advantage over the competition. But that's not the end of the story. As the Obama administration begins to make its mark on economic policy, market changes, such as carbon footprint regulations and government incentives for alternative energy and conservation, will likely recast the rules. Improving your energy efficiency now can give your company a lasting edge in this new environment.

Long-term cost control. Improved energy efficiency can also help keep future energy prices in check by enabling energy providers to meet market demand without having to spend a lot of money building new plants and infrastructure. Lower demand for energy can also drive down market prices, and perhaps most importantly, reduce damage to our environment.

Many companies are interested in improving their energy efficiency. They just don't know where to begin. Here are a few practical tips to consider as you get started:

Understand your energy usage — and what drives it. One of the big challenges is that most of the systems and processes that businesses use today were designed at a time when energy was relatively cheap and efficiency wasn't considered a big deal. As a result, they lack the means for measuring when and how energy is being used.

Start with the easy stuff. In many cases, significant savings can be achieved simply by getting people to change their behavior. Easy improvements such as lowering the thermostat and turning off lights and other electrical equipment that is not being used can reduce a company's energy costs in many ways, including costs avoided, actual dollar savings, and by emissions/carbon reductions to name only a few.

Develop a compelling business case. Capital investments may require greater justification. However, in most situations, it's not hard to make the case for change. For example, many efficiency projects can be justified based entirely on the energy savings in the data center.

Establish the right metrics. Demonstrating the actual, realized benefits of an energy efficiency initiative can be a big challenge. The benefits can be significant and real, but often get lost in the shuffle. For example, if a company improves its energy efficiency while at the same time scaling back the workforce and overall production levels, how much of the energy savings is from efficiency versus reduced business volume.

When all is said and done, there is little or no downside to improving energy efficiency. It just takes commitment and effort. The sooner you get started, the sooner you can reap the benefits.

A view from the automotive sector

Mark Gardner

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The automotive industry is in transition — and how individual companies approach the challenges of today's market will speak volumes about their ability to survive. Automotive OEMs and suppliers are doing a number of different things to survive the immediate liquidity and market demand challenges, while also positioning themselves for future success. Energy efficiency and sustainability, at the enterprise level and also related to new vehicle technologies, is a critical component of the industry's remaking.

We see the industry's response to today's challenges emerging through three phases. The first — a survival phase — is happening right now. Cost reduction and cash preservation is front-and-center for most of the automotive players. Companies are doing a number of different things to reduce costs and energy use in their operations and across their supply chains — however energy savings are limited by the inherent structure of current business models and supply chains. In the second phase, surviving companies will enter a rebuilding period, where the investment in more sustainable business models and sustainable products will create fertile ground for a wide range of alternative energy strategies. For example, more and more companies are looking to on-shore the sourcing of products that had previously been sourced off-shore, in the name of logistics and energy cost reduction. The third phase of industry transformation will be characterized by a newly structured industry where healthy auto OEMs and suppliers will compete based on their product portfolios and their new business models.

From a product perspective, intense investments in more fuel efficient vehicles incorporating new powertrain technologies is well underway, with both market forces and regulatory policy driving the shape of things to come. Direct gasoline injection, gasoline/electric hybrids, full electric, and fuel cell technologies are all being assessed. With so many vehicle technology variables to consider — new product design, requirements for new fueling and recharging infrastructure, new sales and service models, and new sources of supply — making big bets on any single vehicle technology brings great risks. Cooperation among companies is one way to spread those risks. So is possible government participation.

However it happens, the move toward new vehicle technologies and more cost competitive business models is inevitable. Energy sustainability will be a critical factor in determining the success of companies and their products. Companies that focus on agility — both in their business models and product portfolios — will be much better positioned to be winners in the restructured automotive industry.

A view from the federal government sector

Daryl Jackson, Director, Deloitte Consulting LLP, Federal Government Services

We work with an organization that operates a large fleet of alternative-fuel vehicles, but its sheer size doesn't remove the need for caution. This organization is already making substantial investments in alternative energy — and is prepared to make more. But like auto manufacturers, it faces steep risks if it places too large a bet on the wrong emerging technology. Billions lie in the balance.

To foster a better understanding of where organizations like this can, should, and will go, we believe collaboration among the largest fleet operators, auto manufacturers, and government policy makers is necessary. By coming together to share their emerging strategies with one another, participants in such a consortium might even be able to coordinate their influence over the direction of alternative energy.

Large-scale fleet owners, both government and private industry, can shape the development of alternative-fuel vehicles through more than just product development. Accompanying infrastructure needs, such as filling or charging stations, maintenance facilities, and aftermarket support, have huge potential for driving the success and accelerated acceptance of the new technologies involved.

Large operators also have significant non-vehicular operations in which energy can be saved. One organization we serve with a large, nationwide real estate footprint is evaluating plans to use that resource as a base for advanced solar technology power generation — including the ability to sell energy back to the grid.

Huge fleet operators teach us two important lessons: First, with size comes responsibility. And second, that responsibility may be best carried out in consultation with other players.

For more information, please visit: www.deloitte.com/us/debates/energyefficiency.

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