

Using E-Business Solutions to Create Value from Emission Assets

Three of the most pressing environmental challenges faced by companies today include greenhouse gas (GHG), nitrogen oxide (NO_x), and sulfur dioxide (SO₂) emissions. These emissions have a measurable impact on corporate performance and shareholder value. A clear need is being articulated by companies around the world (both energy producers and consumers) for accurate and objective information on emissions, emission trading, and emission management strategies.

Linking emissions and reductions to impacts on financial value is essential now that nascent markets for reduction credits have emerged. For GHG emissions, most companies now anticipate a need to operate within carbon-constrained scenarios, regardless of the fate of the Kyoto Protocol. A global market has emerged, though one with limited liquidity, for carbon dioxide (CO₂) equivalents.

In Europe, countries such as the United Kingdom and Denmark have proposed piloting domestic GHG emission trading markets. Several other countries with reduction commitments under the Kyoto Protocol also are exploring setting up domestic GHG emission trading programs to help companies reduce the cost of meeting reduction targets. In many jurisdictions, a market already exists for emission reduction credits of the air pollutants NO_x and SO₂.

In the United States, for example, the acid rain provisions of the U.S. Clean Air Act permitted emission trading and helped to clarify the rules of the market. Other countries also are looking at emission trading as an opportunity to reduce the overall costs of meeting local and regional air pollution goals. In its fight against smog, Canada's largest province, Ontario, has recently proposed a two-phased approach to creating a market for NO_x and SO₂. The first phase will include entities operating in the energy sector. In the second phase, all entities emitting NO_x and SO₂ will be required to meet emission reduction targets and have the option of using emission reduction trading as a compliance strategy.

It is clear that air emissions have financial value and that companies need to approach the management of their emissions as they would any other asset or liability on their corporate balance sheet.

E-business platforms provide an ideal tool for handling the complexity of global emissions management at multiple sites. ICF Consulting has developed an e-business solution to provide companies with the information, tools, and services needed for designing and executing a management strategy—EmissionStrategies.com.

EmissionStrategies.com provides a framework for ensuring that companies derive maximum value from their emission assets, or conversely, appropriately manage their emission liabilities at least cost. This is true whether the goal is developing credible emissions estimates or structuring emission reduction projects using sophisticated financial engineering techniques.

Companies may enhance their understanding of a particular air emission problem with news about regional regulatory developments, price forecasts, emission market outlooks, and best practices in emission risk management. They also have the opportunity to evaluate risks and opportunities arising from their emissions, and are provided with a detailed, step-by-step approach to developing an integrated strategy for managing emissions.

This solution provides companies with a global e-business platform with which they can quantify emissions risks, benchmark emissions performance, evaluate opportunities for buying and selling emissions, and assess financial impacts of emissions management on shareholder value.

To learn more about e-business solutions to create value from emission assets, visit EmissionStrategies.com.

