



# **SUSTAINABLE ENERGY STRATEGY**

How to Make the Business Case,  
Align Your Stakeholders, and  
Set Actionable Emissions Targets



# Why Sustainability Programs Need an Integrated Energy Strategy

Sustainability trends have recently made major headlines as corporations continue to announce progress and plans to combat climate change. Businesses across all sectors are setting goals of zero net emissions, committing to 100% renewable energy, reducing water and waste impacts, and even addressing indirect emissions within their supply chains. But the movement goes well beyond these headlines—as the urgency of combating the climate crisis becomes clearer, businesses of all sizes are realizing the benefits of a climate action plan.

The importance of climate action at every level of society has become clear. In 2015, the United Nations General Assembly created a collection of Sustainable Development Goals (SDGs), or the 2030 Agenda for Sustainable Development, that provides a “blueprint to achieve a better and more sustainable future for all.”<sup>1</sup> It's essential that companies take steps to reduce greenhouse gas (GHG) emissions to levels consistent with a 1.5° Celsius scenario of global warming.

*Within the next decade, GHG emissions levels must be reduced by ~45% relative to 2010*

According to the Intergovernmental Panel on Climate Change, that means that, within the next decade, GHG emissions levels must be reduced by approximately 45% relative to 2010.

As part of a project with the World Business Council for Sustainable Development (WBCSD), Enel helped to create guidelines for an integrated energy strategy.<sup>2</sup> An “integrated” strategy goes beyond a traditional energy strategy to integrate stakeholders within a company and engage with upstream and downstream stakeholders to evaluate inputs and outputs from their operations. This integration enables a strategy effective enough to significantly reduce GHG emissions while also managing costs.

This e-book is intended as a simple introduction to several aspects of the Integrated Energy Strategy. To help organizations blueprint a successful sustainability strategy, Enel X, a leader in energy advisory services, has prepared this guide to explain:

- > The best ways to secure buy-in and set defensible GHG reduction goals
- > The energy decisions that most directly impact GHG emissions
- > How to leverage sustainability programs as a driver for competitive advantage



# 1 Vision and Targets

With 10 years remaining to meet the Global Goals, 2020 marks the start of the Decade of Action. Leading global businesses are incorporating the SDGs into their business strategy and using them as a framework for setting sustainability targets, including Climate Action (SDG13).

As the effects of climate change often rank as one of the most material risks to organizations, many have prioritized energy supply strategies to make the biggest, fastest impact on their GHG footprint. To do so, it is critical that energy consumers integrate current and future emission levels and renewable alternatives into a meaningful reduction target.

## What Should Your GHG Targets Be?

The two primary methods for calculating GHG reduction targets are absolute and intensity based:

- > **Absolute targets** aim to reduce total GHG emissions by a set amount, or consume a certain percentage of total energy from renewable sources. Examples include “25% by 2025” or “100% renewable energy.”
- > **Intensity targets** normalize emissions to a business output, which can be anything from widgets produced to employees to revenue. Intensity—or efficiency—targets allow companies to ensure their relative emissions don’t increase with economic growth, and enable like-for-like comparisons to peers.

While these frameworks serve as a good starting point, targets set this way often lack context. Organizations are encouraged to go one step further and set goals in the context of global limits to answer the question, “Are we

doing our part?” The World Resources Institute’s Science-Based Targets Initiative (SBTi) helps organizations set contextual goals.

- > **Science-based targets** require that, at minimum, companies commit to emissions levels that are “consistent with the level of decarbonization required to keep global temperature increase to well below 2°C compared to preindustrial temperatures.”<sup>3</sup> The organization offers sector-based, absolute-based, and economic-based target setting methodologies for calculating an acceptable level of emissions as determined by climate science.

Other resource reduction commitments include waste, water, and forestry. Organizations will find most success when they pick a framework and set goals that align with their broader business objectives.



### As a leading global power provider, Enel took action to limit their footprint.

Enel was one of the first companies in the world to join SBTi in 2015, when it certified a science-based target for reducing GHG emissions. In 2019, Enel updated its goals, committing to a 70% reduction in direct GHG emissions per kWh by 2030 from a 2017 base-year and a 2050 zero-emission goal.

Additionally, Enel issued the world’s first “SDG-linked” bond, pledging to meet SDG targets to avoid a step-up in interest rate.



#### SDG7

Ensure access to affordable, reliable, sustainable and modern energy for all.



#### SDG13

Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy.



## 2 Energy Strategy Governance

To make the biggest impact, a sustainable energy strategy should be incorporated into the overall governance framework of your organization. This will not only create greater accountability and improve progress towards the ultimate goals, it also ensures these issues are addressed at the highest level within your organization.

### Aligning Your Organization's Stakeholders

To successfully integrate energy management into your sustainability strategy, you must first determine your business's priorities. Many perceive renewable energy as the fastest way to reduce Scope 2 ("indirect") GHG emissions, but large-scale adoption may increase energy expenses in many regions. Competing priorities within an organization often make it challenging to get sustainability initiatives off the ground, so buy-in from senior management is needed to resolve internal conflicts.

Stakeholder workshops are often a necessary first step to bring together the stakeholders from different business functions whose interactions may be limited but whose buy-in is necessary for success. Many obstacles and roadblocks can be avoided by aligning strategies to broader business goals.

The best way to ensure effectiveness is to secure board and executive management commitment. This can create cross-functional accountability and allow for energy impact assessment to be incorporated into overall business planning. Yet it does not stop at the board level—you need commitments from an entire business, including strategic sourcing/procurement, finance, IT, fleet management, facilities management, and beyond.

### Empowering Management

After identifying material issues and establishing actionable targets, organizations will likely need to evaluate their policies, procedures, and management practices to ensure success.

In fact, many reporting agencies such as Carbon Disclosure Project (CDP) require organizations to disclose risks and opportunities, policies, governance practices, and the management incentives that are in place to support sustainability objectives. As investors weigh these factors in their evaluations, a right-sized road-map can heavily influence financial performance.



## 3 Data Collection and Management

As the adage goes, if you can't measure it, you can't improve it, and your energy strategy is no exception. Properly managed data is not only crucial to hitting established targets, it allows companies to show progress and continuously improve and refine their strategy.

### Tracking Your Emissions

An effective sustainability strategy requires the collection and conversion of data from varying emission sources, as well as an accurate carbon inventory. Robust data management systems that provide companies a verifiable audit trail are often a prerequisite for environmental disclosures, and we recommend that organizations evaluate their options in coordination with the requirements of various reporting schemes.

### GHG Protocol

The Greenhouse Gas (GHG) Protocol: Corporate Standard, created in 2001 by the World Resources Institute and the WBCSD, is the most widely used international accounting tool to understand and quantify GHG emissions. The GHG Protocol establishes a global framework and defines emissions by scope, enabling companies to differentiate between direct and

indirect emissions. Keeping an accurate carbon inventory requires reporting companies to maintain up-to-date emission factor sets for different locations, sources and suppliers.

### Leaders in Sustainability, Leaders in Data Management

Effective sustainability strategies should include a data management system that maintains current information from multiple data streams, including but not limited to energy bills, utility meters, on-site and off-site renewable production, and water and waste invoices. When selecting a data management platform, we recommend that organizations consider how they will quantify success and measure project benefits. Organizations that can tie cost-savings or additional revenue to their sustainability programs are more likely to find success.





## 4 Mandatory and Voluntary Reporting

Transparency is key to disclosing your organizations progress and success. There are several disclosure frameworks that help organizations engage with internal and external stakeholders. These frameworks range from broad domains to commodity-specific metrics:

### Broad Disclosure

The **GRI Sustainability Reporting Standards** outline best practices for reporting publicly on a range of economic, environmental and social impacts. For example, to be compliant with GRI standards, companies must report total fuel consumption from non-renewable sources.

### Financial Disclosure

The **Sustainability Account Standards Board (SASB)** sets a standard for disclosing the financial impacts of sustainability to an organization based on the material ESG aspects of their sector. SASB helps investors evaluate the long-term financial value of an organization's sustainability efforts. Adopting SASB standards can help organizations raise capital from ESG investors.

Navigating the landscape of energy and sustainability tracking and disclosure is challenging and evolving. No single reporting framework is perfect for every business, and selecting appropriate frameworks will ensure you are positioned for long-term success.

### Specific Disclosure

Companies that want to show progress against specific targets can disclose to commodity-specific frameworks. **CDP** outlines methodologies for reporting GHG emissions, water usage, supply chain emissions, and deforestation risks—giving companies an outlet to report progress on reducing their carbon footprints.

Some benchmarks—such as the **Global Real Estate Sustainability Benchmark (GRESB)** and **ENERGY STAR**—offer sector-specific disclosure methodologies. Depending on the sector in which your business operates, this may affect how and what you report.



#### **Scope 1 Emissions:**

Direct emissions resulting from owned or controlled sources (e.g., gas boilers or fleet vehicles).

#### **Scope 2 Emissions:**

Indirect emissions resulting from the consumption of purchased electricity. Scope 2 emissions are calculated based on the average emissions intensity of the grid where energy is consumed under the **location-based** methodology. The **market-based** methodology reflects emissions from electricity that companies have opted into (i.e. any retail contracts, green tariffs or power purchase agreements).

#### **Scope 3 Emissions:**

All other indirect emissions from upstream and downstream activities and value chain partners.

## 5 Internal and External Engagement

No matter how much effort and planning go into an energy sustainability strategy, it can't be successful without firm commitment from stakeholders both inside and outside of a company.

### Show investors you care.

Greener business is now an economic concern, not just an environmental one. Harvard Business Review (HBR) surveyed 70 senior executives at 43 global institutional investing firms, and found that environmental, social and governance (ESG) issues were “almost universally top of mind for these executives.” The Ceres Investor Network on Climate Risk and Sustainability is one example of the power of environmentalism in investing. Launched in 2003, it represents 160 institutional investors and over \$25T in assets under management, and its members are encouraged to engage directly with companies to “improve corporate strategies on environmental, social and governance issues.” Make sure your investors support your sustainability plans and realize the positive value it will add moving forward.

*64% of Millennials consider a company's social and environmental commitments when deciding where to work*

### Take action within your supply chain.

To maximize the effect of any changes you make to the supply chain, you'll need to consider the possible scope for improvement against the significance of any supplier, as well as possible leverage you would have over the given supplier or market. If your company has little leverage, ambitious sustainability requirements could lead to significant price increases. Focus your efforts on changes that keep your strategic vision and business goals aligned.

### Ensure your employees feel connected to your goals.

Sustainability commitments can also play an important role in attracting and retaining key talent, as Cone Communications found that “64% of Millennials consider a company's social and environmental commitments when deciding where to work.”<sup>4</sup> Make sure you communicate with employees at all levels about what they can do to contribute toward your goals, and ensure that HR emphasizes to potential employees your company's energy sustainability in order to attract the best talent possible.

*“As a fiduciary, our responsibility is to help clients navigate this transition. Our investment conviction is that sustainability—and climate-integrated portfolios can provide better risk-adjusted returns to investors. And with the impact of sustainability on investment returns increasing, we believe that sustainable investing is the strongest foundation for client portfolios going forward.”*

—Larry Fink, CEO, BlackRock  
(2019 Letter to CEOs)

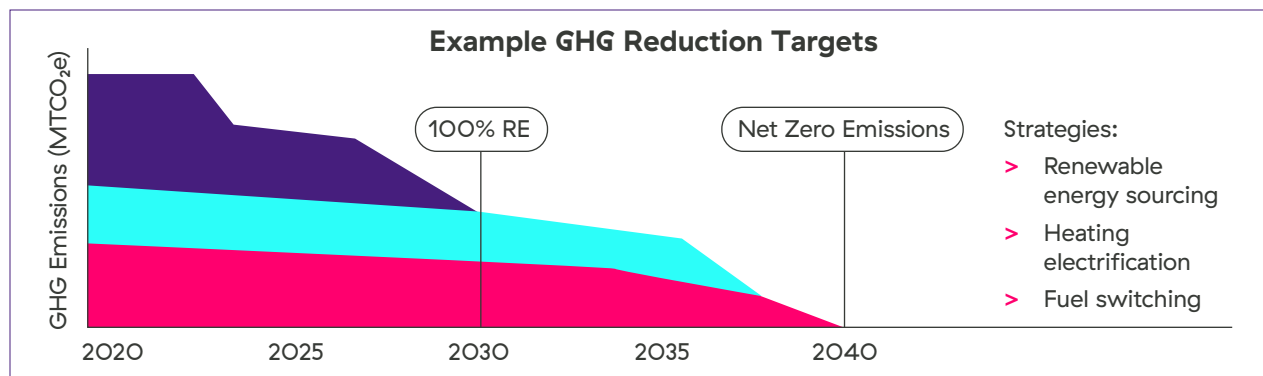
# 6 Solutions

## Sustainability Roadmap

With the right targets and management practices in place, organizations can turn to developing their sustainability roadmap and integrating energy management into their sustainability program. Organizations should establish and review a timeline of specific actions that meet their goals and are appropriate under current business policies.

The solutions you choose are an essential factor in ensuring success. No single option is best for every business, and indeed different priorities must be weighed in considering the options. Here are three simple steps we suggest for successfully implementing a solution:

- 1. Identify and assess options.** There are many different types of solutions—the most prominent options will either reduce consumption, source low-carbon fuel, or invest in natural climate solutions. Evaluate your energy inputs and outputs in order to be able to properly define your business need and complete the appraisal of all your options.
- 2. Select suppliers/partners.** These solutions can often be long-term commitments, so ensure you take your time in requesting information, evaluating options, and looking into supplier track record and performance.
- 3. Begin with a pilot before scaling up.** A pilot project will reduce your risk exposure, and will allow you time to collect data that will increase buy-in from stakeholders after they see proof of the project's effectiveness.





# Why—And How—To Make a Difference

As we enter the Decade of Action, there are clear economic, environmental and social reasons why businesses and institutions must minimize their GHG emissions. Integrating energy into your sustainability program is crucial to reducing emissions, and requires a well-defined plan with widespread buy-in from stakeholders inside and outside the company to be effective.

The energy industry is going through a transformation, and it has created the opportunity for businesses to become leaders in climate change mitigation. The integrated energy strategy discussed in this e-book is fundamental to drastically reducing emissions. For more details about the WBCSD Guidelines for an Integrated Energy Strategy, visit [wbcsdpublications.org/integrated-energy-strategy](http://wbcsdpublications.org/integrated-energy-strategy).



## References

- 1 “[Sustainable Development Goals](#),” United Nations
- 2 “[Guidelines for an Integrated Energy Strategy](#),” World Business Council for Sustainable Development
- 3 “[Science Based Targets Criteria](#),” Science Based Targets
- 4 “[2016 Cone Communications Millennial Employee Engagement Study](#),” Cone Communications