

## New York Executives for Energy Efficiency



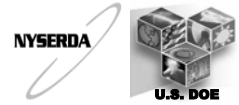
Christopher Russell  
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Alliance to Save Energy

## Executives for Energy Efficiency

### MISSION:

Motivate New York business leaders to improve business performance through energy efficiency.

### SPONSORS:



### FACILITATOR:



## ADVANCING ENERGY EFFICIENCY

- Proven technologies and practices exist
- Competing perceptions & priorities
- Is top management the key?
- Findings & recommendations

## Steering Committee

|  |  |
|--|--|
| <p>Marolyn Davenport,<br/>Johnny Evers,<br/>Jeffery Lawrence,<br/>Ken Pokalsky,<br/>Bob Reigstad,<br/>Gerard J. Sentz,<br/>Randy Wolken,<br/>Bob De Saro,<br/>Neal Schwartz,<br/>Mark Tebbano,<br/>Terry Madden,<br/>Jim Devine,<br/>Dan Fessenden,<br/>John Mandycy,<br/>Ravi Kuchibhotla,<br/>Tony Martocci,<br/>James Rouse,<br/>David M. Tosetto,<br/>Kent Webb,</p> | <p>Real Estate Board of New York<br/>Business Council of New York State<br/>Center for Economic Growth<br/>Business Council of New York State<br/>Buffalo/Niagara Partnership<br/>County of Erie<br/>Manufacturers' Assoc. of Central New York<br/>Energy Research Company<br/>Consultant<br/>Clough Harbour &amp; Associates<br/>O'Brien &amp; Gere<br/>WindowTherm<br/>Carrier Corporation<br/>Carrier Corporation<br/>IBM<br/>Bethlehem Steel Corporation<br/>Praxair, Inc.<br/>Elderwood Affiliates<br/>Outokumpu American Brass</p> |
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## Steering Committee Input

- Definition of business climate issues
- Case studies of recent past projects:
  - Hurdles
  - Critical success factors
  - Lessons-learned
- Segmentation of decision-makers
  - By industry size
  - By decision-making style: "risk perceptions"

## Emerging Philosophy

- **Theorem:** Receptiveness to energy efficiency initiatives varies directly with tolerance for *business risk*.
- **Strategy:** Don't change a decision-maker's perception of risk, but tailor outreach to accommodate the decision-maker's *risk perception profile*.

## Risk Perception Profile

- Decision-maker's stated reason for rejecting a good project
- Reason may reflect conflicting priorities
- Perceived risk becomes a hurdle to project implementation

## More on Segmentation

- Functional segmentation
  - By industry type/size
  - Small-medium-large; (non-) manufacturing
  - Addresses scale, but not decision-making
  - Ideal for positioning technical content?
- Risk Frontier segmentation
  - By degree of decision-maker risk tolerance
  - Addresses pivotal decision-making
  - Ideal for outreach to CEOs?

### HURDLES TO BUSINESS ENERGY EFFICIENCY

|   | DEFINING BUSINESS ISSUE                        | CRITICAL SUCCESS FACTOR                         | STRATEGY OR APPROACH  |
|---|--|---|---|
| 1 | Lacks organizational stability                 | Needs management stability, vision, champion    | Ensure success by screening early program participants  |
| 2 | Investment bias for core business              | Responsive only to episodic energy crises       | Step up program media/outreach during crises  |
| 3 | Fixation on energy PRICE; oblivious to EXPENSE | Lowering of energy prices/tariffs               | "Risk buster" tariff for qualified projects   |
| 4 | Lacks technical appreciation                   | Needs case studies, proven precedents           | Establish cadre of demonstration providers  |
| 5 | Defers to production/business climate risks    | Needs metering, documented hard data            | Coalitions of first-movers to pool data, risk   |
| 6 | Jaded by energy "snake oil" from the past      | Secure sponsors/providers with prestige         | State to pre-qualify energy service companies (ESCOs), architectural & engineering consultants, similar providers |
| 7 | Conservative capital investment criteria       | Availability of guarantees and financing        | Apply SBC funds to debt pools, guarantees, tax credits  |
| 8 | Sensitive to fuel price/tariff risk            | Ensure tariff/price stability                   | "Risk buster" tariff for qualified projects   |
| 9 | Company compelled to adopt energy efficiency   | Company edict, vision, or culture paves the way | Recognize, award, and promote to industry peers   |

### RELATIVE STRENGTH OF ENERGY EFFICIENCY HURDLES

|  |      |
|--|------|
| Capital budgeting process and criteria                 | 97.6 |
| Lack of organizational stability                       | 94.2 |
| Risk of adverse impact on product quality and service  | 93.8 |
| Top management lacks technical appreciation            | 90.3 |
| Bad prevailing economy at decision time                | 83.5 |
| (Tie) Cost and risk associated with new technology     | 70.3 |
| (Tie) Low priority of energy relative to core business | 70.3 |

Sample of 31 cases

### CRITICAL SUCCESS FACTORS FOR ENERGY EFFICIENCY PROJECTS

|   |      |
|---|------|
| Provision of rebates and grants                     | 98.8 |
| Participation of project champions within companies | 97.6 |
| Availability of metering data                       | 96.7 |
| Change of corporate culture                         | 85.0 |
| Continuity of administration                        | 80.0 |
| Knowledge of precedents or case studies             | 75.0 |
| Performance guarantees                              | 70.0 |

Sample of 31 cases

## Recommendations for Outreach

- Precede the energy "pitch" with a clear business philosophy\*
- Financial incentives
- Communication through functional segments
- Clear "business" impact for CEOs; action items for follow-up by subordinates
- Message/agenda partners
- Program staff: sector specialists

## E4EE Work Products

Steering Committee  
Report:

Improving Business  
Performance Through  
Energy Efficiency

...strategies for advancing  
EE beyond a variety of  
barriers

Alliance  
Report:

Strategic Industrial  
Energy Efficiency:  
Reduce Costs, Build  
Revenues, Control Risk

...business philosophies  
for advancing industrial  
EE

## E4EE Next Steps (2004)

- Pilot program outreach
- Manufacturers Association of Central New York
- Pilot energy management mentoring for selected MACNY members
- Outcome: self-sustained EM integrated with business operations