

Financial Mechanisms for Implementing GHG Reduction Projects



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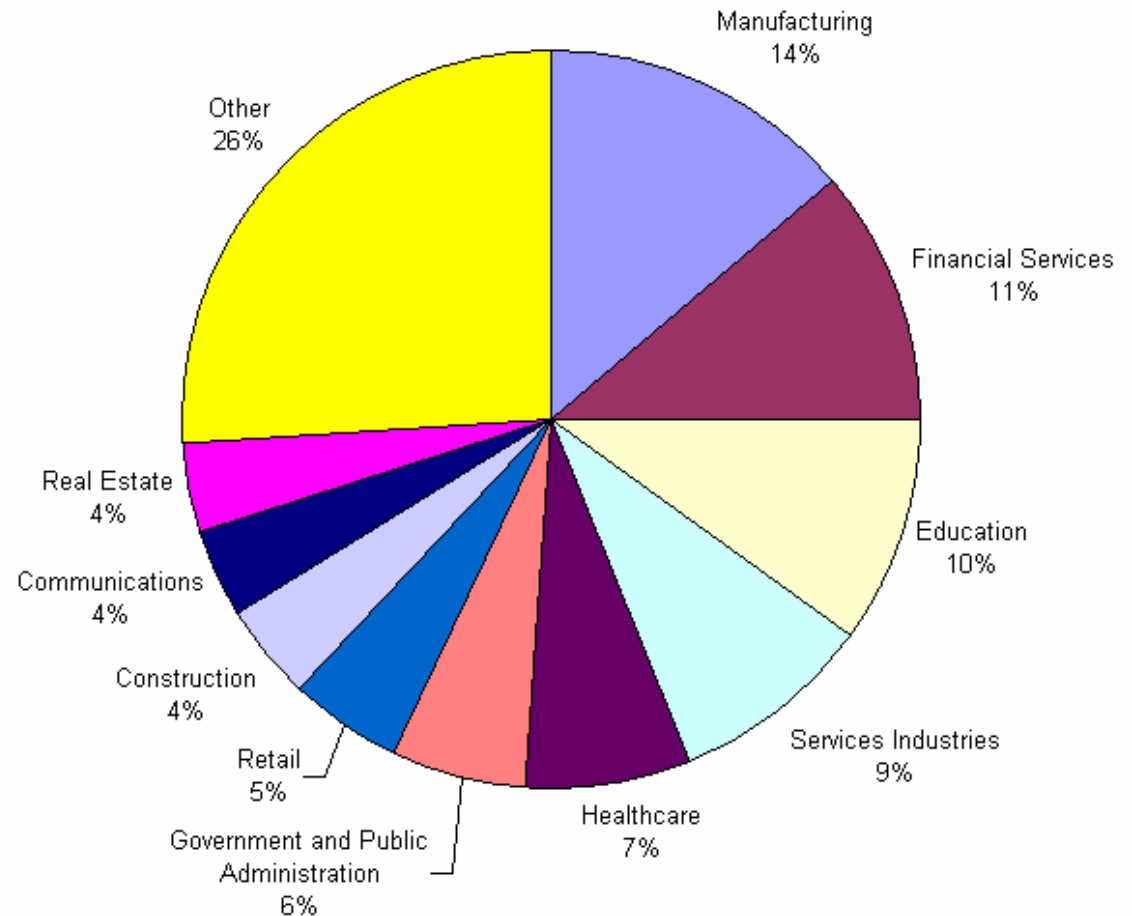


Outline

- Energy Efficiency Investment Survey
- Performance Contracting as a financial vehicle
- Lessons for GHG reduction projects

Investments in Energy Efficiency

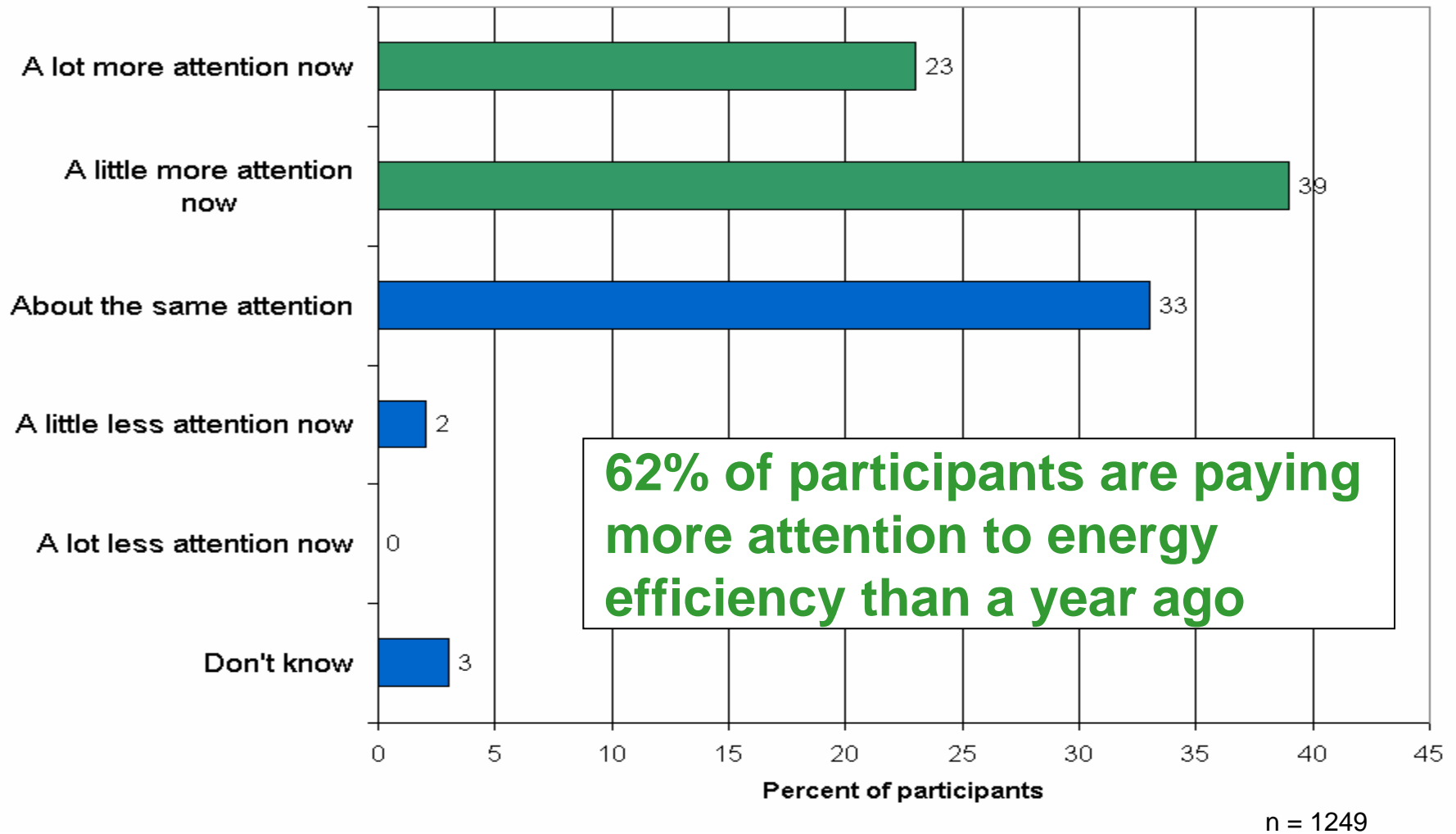
- On-line survey conducted March 2007
- 1249 North American executives and managers responsible for energy management decisions



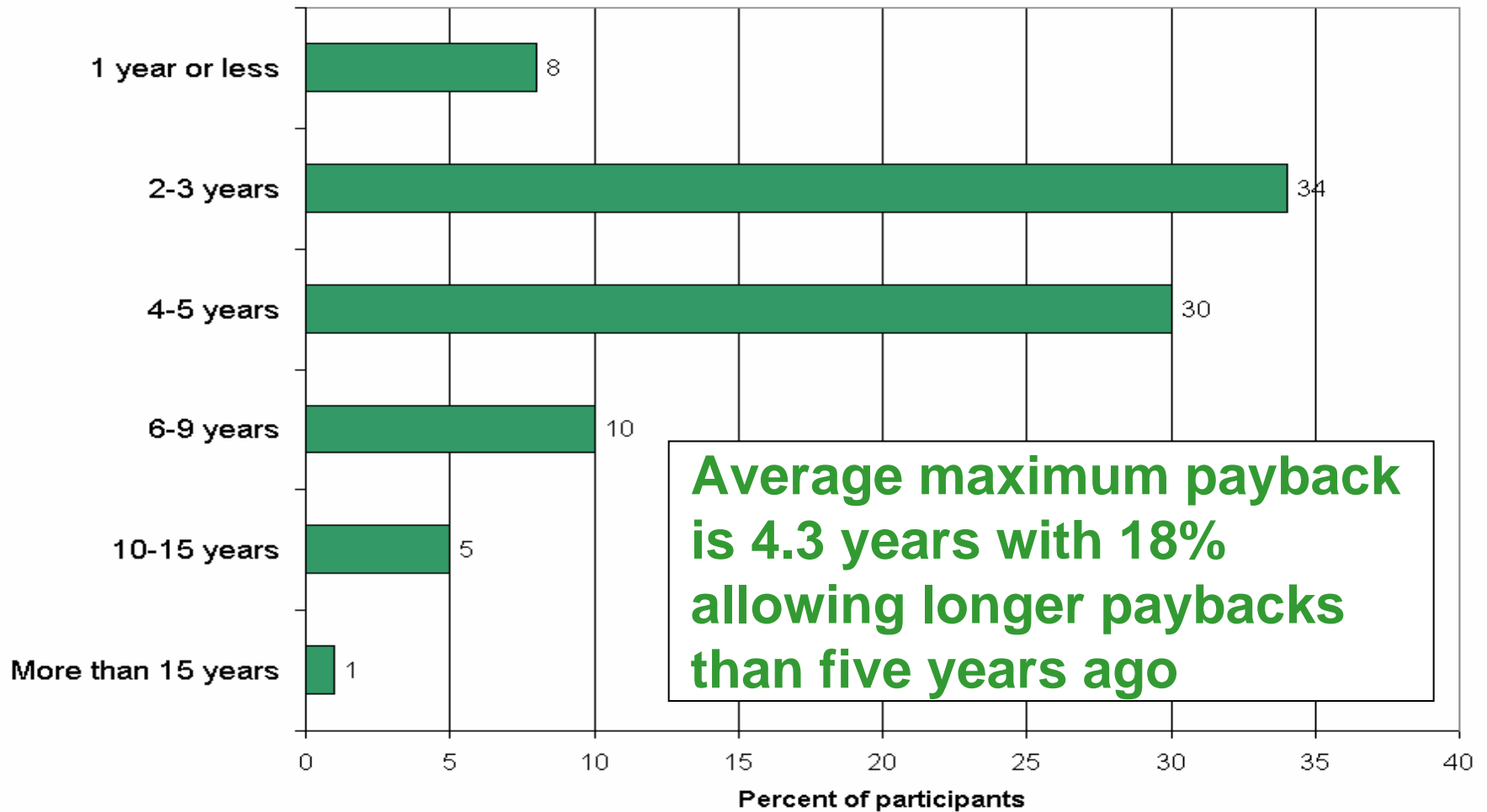
Major Findings

- 79% believe energy prices will rise significantly next year (average increase expected is 13.3%)
- 57% expect to make energy efficiency investments over the next year (8% of capital budget will be used)
- 80% will also fund energy efficiency improvements through operating budgets (6% of budget will be used)

Attention being paid to Energy Efficiency

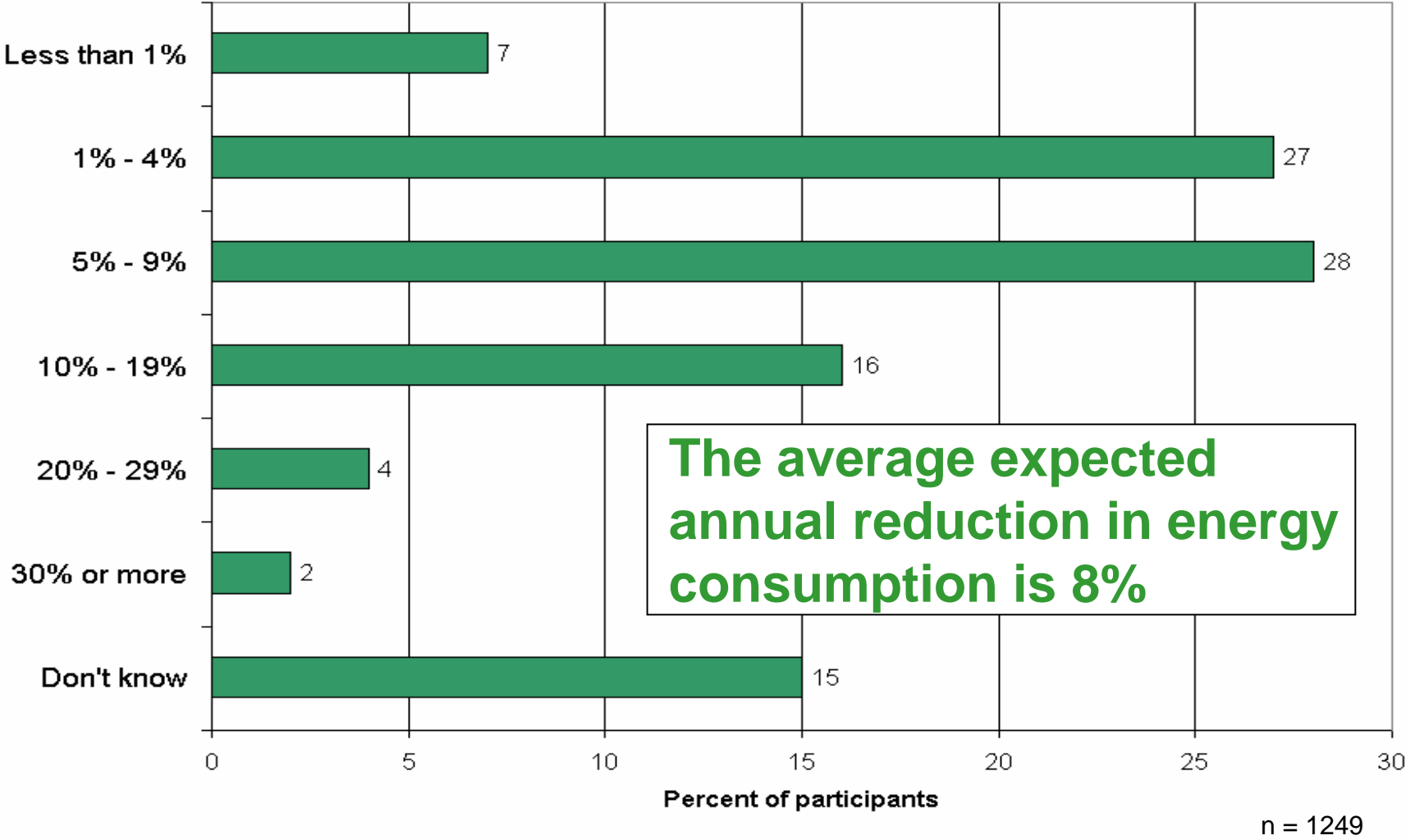


Tolerance for Return on Investment

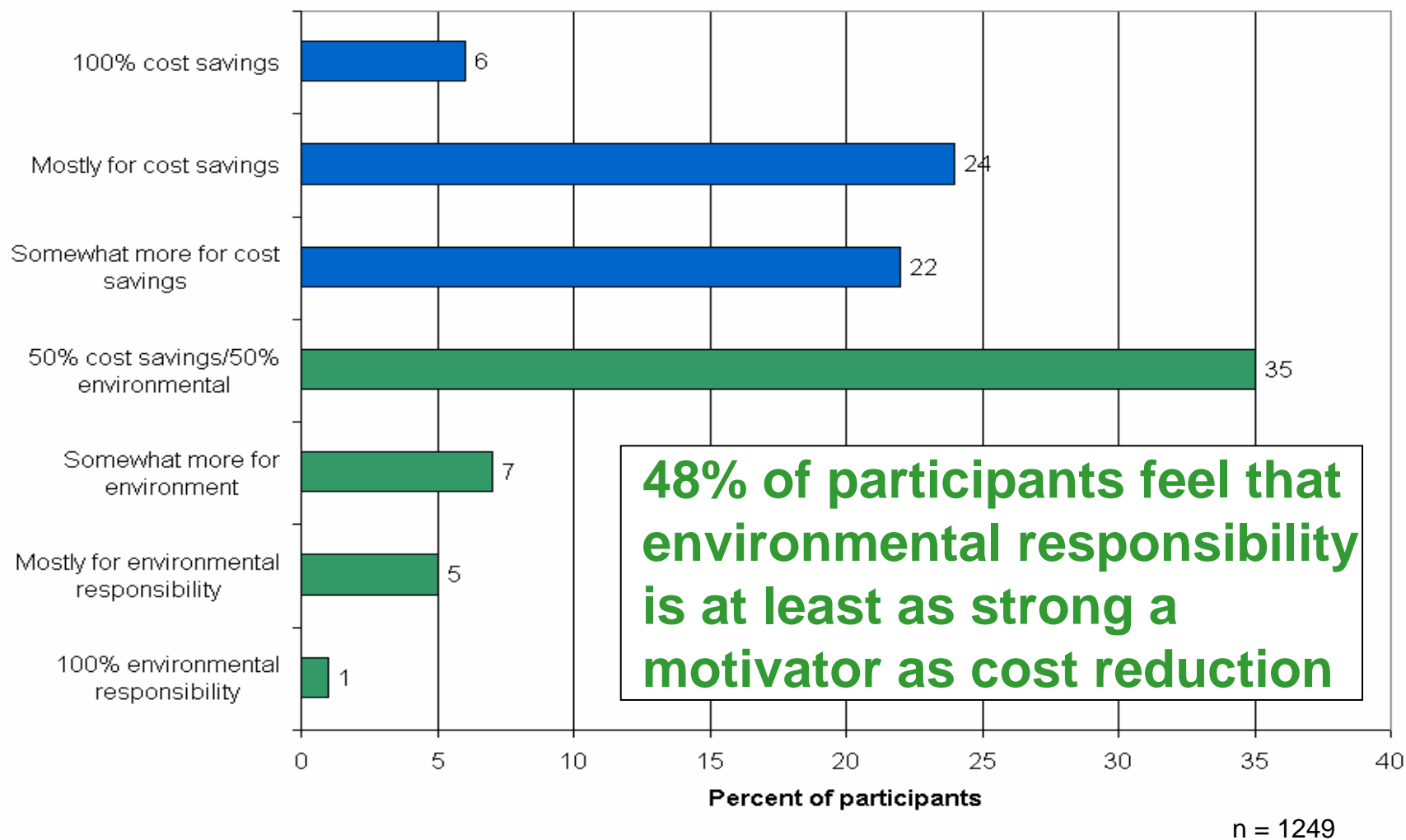


n = 1249

Expected Annual Energy Reductions

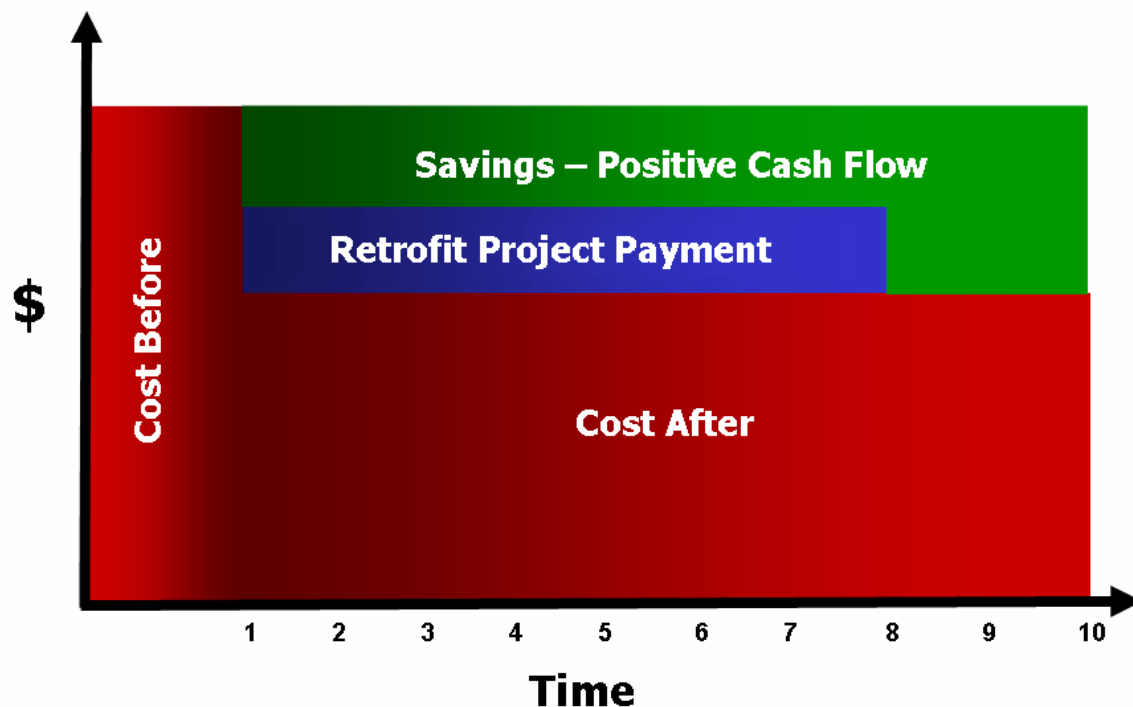


Motivation for Energy Investments

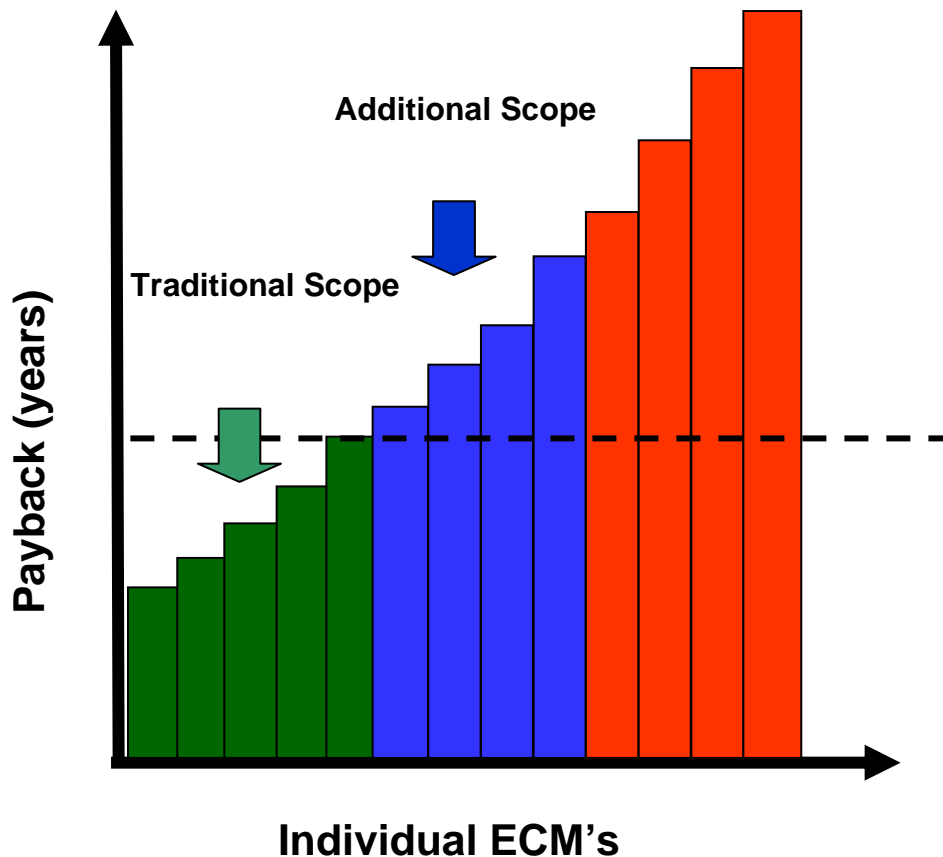


Energy Savings Performance Contracting

A proven model for financing and implementing large-scale energy efficiency retrofit projects in the public-sector based on guaranteed energy savings



A Programmatic Approach to Efficiency



Bundling energy conservation measures into a single project results in expanded energy efficiency and renewable energy investments while still meeting internal financial targets

Lessons for GHG reduction projects

- Establish goals and manage GHG reduction projects centrally
 - Complete an energy/GHG baseline and perform an energy audit of all facilities
 - Benchmark facilities using EnergyStar, LEED and/or other standard tools
 - Estimate GHG reductions for all improvements
 - Combine improvements into a single program that meets the required financial criteria and obtain senior management approval for the program
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Placing an additional focus on carbon

- Require GHG impact analysis for all large fleet and facility-related capital requests
 - Don't forget the impact of real estate consolidation
- Evaluate potential GHG reduction projects based on financial return/cost of investment
 - Will tend to favor energy efficiency investments
- Consider providing internal carbon credits for GHG reduction projects
 - Allocation of corporate benefits (tax credits) or avoided costs (offsets) to fund reductions within business units
 - Use the voluntary carbon market to establish price

Thank you!

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