

## **IBM AND THE FUTURE OF LOW CARBON BUSINESS**

HANLEY: Welcome to a podcast on the future of low carbon business. I'm Joe Hanley. The past year has seen a tremendous shift in worldwide recognition and awareness of climate change.

Al Gore's documentary, *An Inconvenient Truth*, and the IPCC report on climate change were key landmarks. They pushed the issue to the forefront of public government and corporate awareness.

As part of that raised awareness, climate change is now very much on the boardroom agenda. A recent IBM survey of CEOs worldwide found that their concern about environmental issues has doubled over the past four years.

Faced with rising energy costs, impending new environmental regulation, stakeholder pressures and challenges around new business development, these boardroom executives anticipating the environment will attract increased public attention and impact the shareholder value.

Joining us today to discuss these challenges and the future of low carbon business are Brian Schwagerl, Vice President of Corporate Real Estate and Facilities Planning from Hearst Corporation and Graham Whitney, Climate Change Program Leader at IBM.

SCHWAGERL: Thanks for inviting me, Joe.

WHITNEY: Hi, pleased to be here, Joe.

HANLEY: Brian, Hearst Corporation, tell us a little bit more about Hearst, if you will.

SCHWAGERL: Sure. Hearst is one of the world's largest media diversified companies. We own magazines, newspapers, radio and television. Products that your listeners might be familiar with would be *Cosmo Magazine*, *Harper's Bazaar*, *Esquire*. They may not be familiar with the fact that we own 50 percent of *O, The Oprah Magazine* and *Oprah At Home*. We're partners in *Lifetime*, *ESPN*, *The History Channel*. And we're one of the largest owners of *ABC* and *NBC* affiliates in the country.

HANLEY: But you're also a trailblazer as well. In your recent redesign of your New York headquarters, you've gone eco-friendly. And also you've announced, recently announced a program to target zero waste in the same building. What's prompted this from Hearst?

SCHWAGERL: Well, the zero waste policy came out of a greater understanding of what we could do as a corporation to embrace the sustainability practices on our planet. And that really came out of the recognition that we've received through this wonderful headquarters that we've built in New York City called the *Hearst Tower*. It's 46 stories high. It is the greenest building in New York City, receiving the *Gold Leed* certification from the *U.S. Green Building Council*. It has the cleanest air of any building in *Manhattan*, and it has the greatest light that's being projected in. And it's been recognized around the world as being an amazing structure of architecture and a great place to work.

WHITNEY: That driver of trying to get a better eco and more healthy environment is classically one of the main drivers that we're seeing, particularly in Europe, which is not only from the employee side but also movement because of other stakeholders in a business as well as a more classic and obvious areas of companies wanting to try and get some cost savings out of energy savings or, indeed, looking at new opportunities. So the reputational side is obviously one of the important drivers across on both these opportunities.

SCHWAGERL: That's right, Graham. We stole liberally from what Europeans were doing, and they were way ahead on the sustainable movement and green movement. But when we built this headquarters, it wasn't to get recognition to be the greenest thing going; it was, What was the right thing to do by our employees. And we benchmarked against what all the best corporations around the world were doing. And whether it was security in a post-9/11 world, or technology in terms of communication, we wanted to bring best practices here to the Manhattan skyline and green building practices were one of those results.

HANLEY: One of the issues that strikes me looking at.... One of the issues that strikes me looking at pictures of the building is this looks expensive. Going green costs money?

SCHWAGERL: You know, a building has to have a certain amount of glass and steel in it. It's all the way that you employ looking at purchasing those products. And today there's a great many more sustainable products that you can buy that are out there on the market that at the end of the day achieve better results for you. This is an owner-occupied building. So every penny we've spent for anything that was green immediately goes back into our pocket in terms of energy savings and operating expenses that it might have cost in a normal everyday building. But, you know, our results are showing that we're receiving 25 percent lower in electric rates, and about 30 percent less in water rates. And at the same time we received a great respect from our fellow people and neighborhood, neighbors in terms of what we did for the environment and that was an added plus.

WHITNEY: That's interesting, the movement in terms of the change between capital cost and operating cost, because I think a lot of companies, if you're moved just outside the property area and take the broader view, are finding that the first steps are win-win, as you say. You can get energy savings which translate straight down to bottom line savings. Obviously, even more so with the state of the price of oil. But in Europe that's being amplified even more because there is now the emergence of the carbon markets and the price on carbon. So as the UK is entering into carbon trading markets within the next two years, and you then add into that cost savings an additional 20 or 30 euros a ton on carbon, that's proving to be a fantastic driver for doing that. So I think there's a driver of carbon, but that's over and above the normal business practice, which is, if you're not going to start measuring it then you're not really thinking it's that important. So I think the environmental measures which start to need to be evolved, which are a little more subtle than perhaps just a straight cost and revenue ones are very important to see how that will come out. Things like the zero waste one that Brian's raised is a measure that a few years ago wouldn't have been thought about as being part of a company's thought process or measurements.

SCHWAGERL: When the price of oil is the price it is today, it gets right into individual pockets. So any time that you can reduce the carbon footprint, any time you can figure out to address this in a more sane way, I think that will be embraced.

In our own company, reducing our carbon footprint, I mean, we're looking to track greenhouse emissions at each of our supply mill sites. We're setting greenhouse reduction targets at each of our supply mill sites, and we're encouraging increased use of bio mass in paper production and improved energy efficiency in the manufacture of pulp and paper.

I mean, there's only so much that you possibly can do. But if you don't ask the questions, you won't get the response. You have to encourage everyone to use renewable energy sources wherever they can to replace fossil fuels where possible.

You know, you mentioned briefly our new target zero waste policy here at the Hearst Corporation. I mean, basically what it's saying, in our green cafe, Cafe 57, where we have one of the largest organic salad bars and we try to showcase sustainable fish and sustainable and healthy eating practices, we also take the waste products there and then we compost them after we divide them out to a site in New York City.

I mean, how hard is that? It's just asking the right questions of the vendors that work for you to move you in the direction where you think you're doing the right thing.

HANLEY: It sounds like asking the right questions will require a whole load of innovation to make things happen. Who do you think is going to drive this innovation?

WHITNEY: There are a number of drivers that we've reflected on. So I think the consumers are just the fundamental ones, but they need to be informed and supported by education from government but also people like the retailers and the others who are in there.

But if the consumer side is one, then I think there are roles for others in it. I think the venture capitalists are important. I noticed that Al Gore is now chairing a second venture capital fund on clean tech and clean technologies, which is an important role to play.

But also I think that the regulators and regulation is also part of the framework as needed to be able to encourage better innovation and investment into it. So in Germany, for example, where they have some concerns because they've got a very strong automotive industry and they've got tradition of steel.

So they've made a lot of play about making new investments in solar power, in wind power. They want to become the renewables in the manufacturing part of the world. So each country is going to be taking a different route to it.

One of the things that we're seeing is actually -- which both links back to measurement and others -- if you're going to move to becoming greener, then typically that does mean getting smarter, be it smarter buildings or smarter transport or smarter utilities.

And that means more technology and then more data, classically. And that means that the whole IT part of the business and hopefully for us as well from IBM, opens up the whole opportunity of being able to support the movement into green as it becomes smarter.

SCHWAGERL: I also think that we can lose sight of the fact of how simple things can be incorporated into our everyday life and into what it is that we produce. You know, every building has carpets in it. Why can't they be made of recycled materials?

It's possible that you get better and prettier carpets that are made of recycled products for you to choose from. Every building has a wall that needs to be painted. So why don't you use low

VOC paints where possible? You know, those things are possible.

Every building has a bathroom in it, so why don't you have low flush toilets or different hand soap mechanisms to turn on and off as you put your hands underneath them to wash. It's not a difficult thing.

It's about figuring out the right thing to do. You know, people say to me, geez, what a concept. Your lights turn off when you leave the room, the office. It's about employing those technologies into your way of thinking.

We have razzle dazzle things in our building. We have some of the fastest elevator systems possible that we're seeing in the New York City skyline. But they also use less energy.

We have a three-story water feature in the building as you come in that gives you that aha, wow, look at that, effect, which is what we wanted to do as we welcome people into the building.

But it uses rain water that's recycled from the rooftop. And then that rain water is chilled. So it has a function into the grand atrium space that works for us.

And then any excess water is used to irrigate the plantings on the outside of the building. So it's just about looking at what you're doing in a smarter way, in a more efficient way and asking questions about how can I do this in a sustainable way.

HANLEY: I'm interested to hear, Brian.... I'm interested to hear, Brian, your thoughts and your feedback of your employees, individuals who actually use this building. How do they feel about using it? What's their feel on this eco-friendliness?

SCHWAGERL: It's a great question, and the response has just been dramatic and overwhelmingly positive. You know, we have people who say to me, man, every day when I walk into this building, I feel like I'm walking onto a Hollywood set.

Now, the building is stylish, and the building is very good looking, but it also has this great feel about it in terms of the way you're breathing the cleanest air possible. The way that the light shines in from wherever possible that gives you daylight and you're using less artificial light.

And those things are things that I think we can incorporate into our everyday life. But the green was embraced so wholeheartedly that every one of our products started producing green stories. We introduced [dailygreen.com](http://dailygreen.com), a new green Web site. And we introduced recycling practices across the board.

So these things are a result of our employees saying, you know, it's great that you're green, here's another green idea, how about thinking about doing this? So it's resulted in an amazing 20-time result of positive impact than we could have ever imagined.

WHITNEY: I think that's a great example there, Brian, because of that reinforcing nature of getting the employees and in a sense behavioral change into the equation. Because there's a risk that thinking that we're going to be solving this totally from technology, and clearly we're not. And so that sounds like to me both by engaging the employees, they then start coming up with bottom up ideas. They then start to influence other stakeholders in generating opportunities to make changes.

And I think what you've done by the examples that you set is really changing the bar, the level on which people are competing and what the standards they're expecting. And I think that in terms of how the environmental movement and climate change will go back onto the corporate agenda is so for the combination of government with the right sort of light touches and companies just changing the platform on which they compete.

SCHWAGERL: The positive feedback that we received for this tower has been dramatic. And we have opened our doors to tours from people all around the world, architects, engineers, government officials, all wanting to see how can you build something that's both green and pretty, and why has this building received the press that it has.

And all it was driven by was from our CEO in the gut saying, I want to do the right thing. Why wouldn't I give them anything less than the cleanest air possible for them to breathe, the best tools for them to do the job that they can do and to just make it a fun place to come every day.

HANLEY: Well, Brian Schwagerl and Graham Whitney, thank you very much for joining us. This has been an IBM podcast.

For more information, see [ClimateBiz blog](#), [Ideas from IBM](#), and for details on the Hearst Tower, visit [www.hearst.com](http://www.hearst.com)