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Greening Hudson's Bay

Going green pays dividends for HBC, others

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Dick LOEK/TORONTO STAR
An HBC trailer is readied for piggybacking at Canadian Pacific's Scarborough express yards on Friday. A deal with Ikea has HBC shipping goods one way, Ikea the other, filling capacity once shipped empty.

The corporate headquarters of Hudson's Bay Co. may be on Bay. St., but make no mistake, the retailer's power centre isn't in Toronto.

Try Gloucester.

It's in this non-descript suburb of Ottawa where a team of six employees from a little-known company called TempCon Technologies Ltd. take turns monitoring the energy consumption of nearly 300 Bay, Zellers and Home Outfitters stores across Canada.

They do it remotely, 24 hours a day, seven days a week. Using proprietary software developed by TempCon, everything including lights, signs and air conditioners from stores located in Nova Scotia to British Columbia can be controlled from a small command centre in Gloucester.

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"We know how much electricity is being consumed at any store right to the minute, and we can report on that daily," says Brian Kennedy, owner and president of TempCon.

It's an example of how large companies are choosing — using cutting-edge technology or just plain common sense — to reduce their impact on the environment, and in the process, save some significant dollars along the way.

Consumers, shareholders and partners demand no less in a post-Enron era, where the degree to which a company is socially responsible is having a greater influence these days on purchasing decisions, business relationships and investment choices.

Federal Kyoto obligations are one thing, but even institutional investors are getting aggressive with their environmental demands.

Last year, a group of 30 large investment firms representing $4 trillion of invested dollars began asking Fortune 500 companies what they were doing to lower carbon emissions. Called the Carbon Disclosure Project, letters were sent to top CEOs asking them how they were lowering environmental risks for their respective companies.

The powerful group reported in February that less than 40 per cent of companies had action plans in place. It said it would use the results to determine which organizations to invest in or withdraw investment from. Needless to say, it was a wake-up call for the business community.

"If the company is minimizing its environmental risks and social risks, that's going to increase the value of the company," both from a brand and financial perspective, said Peter Clark, strategic planning and environmental manager with consultancy Energy Advantage Inc. in Oakville.

"Increasingly, the officers of companies are becoming responsible for the risks associated with their operations, including litigation."

Energy Advantage works with companies such as HBC, Sears Canada Inc., Cott Corp. and Great-West Life Assurance Co., helping them set up energy consumption programs that comply with or go beyond industry standards. The consultancy also manages its clients' energy needs, tracks usage and prepares regular reports that contribute to and quantify emission-reduction efforts.

"If you can't measure it, you can't manage it," said Clark. "It's one thing to say you're (environmentally) sustainable, but you've got to be able to prove it."

Proving it is what TempCon does. Kennedy has been working with Zellers for 28 years, a relationship that expanded when the retail chain was purchased by HBC. He also does similar work with Staples Business Depot, Nortel Networks, London Drugs and McDonald's.

It was about 15 years ago when TempCon gained the ability to monitor the energy consumption of its customers remotely from Gloucester, and just last year, after significant investment in technology, the company began offering real-time, up-to-the-minute remote monitoring.

During the seven days following the August blackout, TempCon helped HBC reduce its power consumption by 31 per cent by keeping tabs on energy use.

At the heart of this system is proprietary software that talks with energy management systems at each HBC location. Of HBC's three retail chains, 275 out of about 400 stores have been rigged and efforts are underway to equip the rest.

This work with Energy Advantage and TempCon has led to significant savings over the past two years. Fred Ware, senior manager of energy and environment at HBC, said the company has reduced its carbon-equivalent emissions by 150,000 tonnes in 2001 and 2002 — roughly equal to taking 65,000 cars off the road for a year.

Ware said HBC has saved $15 million during this two-year period by just lowering electricity usage in its stores by well over 100 megawatts. He conceded that HBC could have realized these savings earlier, but it wasn't until 1999 that the company hired Energy Advantage and started collecting and tabulating data that gave them a baseline standard of energy use.

Again, it comes down to Clark's earlier comment: You can't manage what you haven't measured.

But even without complex data reports or advanced monitoring technologies, companies have been finding commonsense ways of reducing energy use and emissions. Don't let the philosophical meanderings of Kermit the Frog fool you — it isn't that tough being green.

Take the issue of shipping goods. Many companies ship products via truck or train from one location to another. Some of the time trucks and colourful train containers are shipped back empty so they can be refilled and sent off again. The process is repeated, and energy is wasted in the form of polluting emissions from empty trips.

HBC, and other companies, has identified this as avoidable. Why not find partners that need to ship goods in the opposite direction? Capacity is fully-deployed and both companies reduce shipping expenses.

To date, HBC performs such "back-haul" operations in partnership with nearly 200 companies, including Rona and Ikea. The company has also moved a significant portion of shipping to trains, taking thousands of trucks off the road each year and easing congestion along a corridor that stretches from Chicago to Windsor to Montreal.

In the case of Ikea, the Swedish-based furniture company was shipping from to Toronto from Montreal. HBC was shipping the opposite direction. The partnership was a win-win for both companies, and a decision to move 98 per cent of Ikea goods from truck to Canadian Pacific Railway — which developed an express train between the two cities — made the 401 highway a safer place to drive.

"We were looking for alternative forms of transportation to decrease our environmental impact and to increase some efficiencies in Canada," said Greg Priest, social and environmental affairs coordinator for Ikea in Canada. "It decreases CO2 emissions a great deal, and that's good for us.

Ikea is an example of a company with industry-leading environmental standards, touching everything from transportation and packaging to product design and in-building energy management. More important, the retailer expects its suppliers and partners to be comparably green, and it imposes its own baseline standards on those it does business with.

The winner out of a competitive bidding process could edge out the losers by having its environmental house in order.

HBC, for example, had to meet a list of environmental requirements to comply with Ikea's social responsibility program. In the case of suppliers, Ikea sends auditors to make sure environmental action plans have been developed and that policy promises are being delivered.

"In order to get their business we had to meet their high standards, which we did," said Ware at HBC, which, with the help of Energy Advantage, had to develop an environmental report card that Ikea found acceptable.

Simple approaches to energy reduction have also saved Royal Bank a bundle. The country's largest financial institution reduced its CO2-equivalent emissions by 3,522 tonnes in 2002 by retrofitting lights in 165 branches, encouraging employees and janitorial staff nationwide to turn off unnecessary lighting and equipment, tinkering with thermostats, and improving insulation.

But calling these initiatives "simple" might be misleading.

Coordinating them across hundreds of branch and offices locations is no easy feat for a company with 45,000 employees spread across great distances. In 2000, Royal Bank signed a facilities management agreement with property manager Brookfield LePage Johnson Controls and the two organizations put together a game plan that reduced electricity, gas and oil consumption by 4.8, 5.4 and 10.2 per cent, respectively.

This amounted to $600,000 in savings for the year, and also saved the lives of hundreds of birds that tend to crash into office towers at night if the lights are kept on.

The company now has a "building energy performance index" that helps identify branches that are environmental laggards.

"The bank's senior executives view it as our responsibility to manage this a diligently as possible," said Ruth Weiner, in charge of Royal Bank's real estate environmental operations.

And for the second year in a row, Royal Bank has purchased 1,000 megawatts of green power from Ontario Power Generation. Rival CIBC announced its first purchase of 2,000 megawatts of green power in September, while HBC is close to making its own purchase.

Green power is electricity drawn from renewable sources, such as wind turbines, solar panels, and biomass facilities and, in limited circumstances, hydroelectric generators. Electricity from these sources contributes to the power grid. Theoretically, they offset the need for high-polluting facilities, such as coal-burning plants.

Bruce Bowland, vice-president of customer solutions at OPG, said the opportunity to sell green power began when the Ontario market was opened to competition.

"It's a developing market," he said. "We've been the biggest booster of it on the sales side. It's all about making companies aware of the choice they have, and we've been encouraged by the response among commercial and industrial customers."

Customers pay a slight premium for green power. Bowland said renewable resources represent about 3 per cent of the province's total power demands. The new Liberal government has pledged to increase that amount to 5 per cent in 2007 and 10 per cent by 2010.

"Generally, the percentages (purchased) wouldn't be huge, but we're not really out there saying to someone you should be buying 100 per cent of your power from renewables," said Bowland. "It's just not realistic at this point."

Mike Crawley, president of Toronto-based AIM PowerGen Corp., a wind-power development company, said the purchase of green power by large corporations has been relatively small and, with the exception of a few deals.

Most purchases, he said, are designed around public relations strategies aimed at improving corporate images.

"You get the same press release whether you buy 1 megawatt or 50 megawatts," said Crawley. "Nobody knows the difference."

Still, Crawley is encouraged by recent government actions and the Liberal mandate, both of which create certainty in the market for investors and buyers of green power. AIM PowerGen is planning to develop three large-scale wind turbine projects along the north shore of Lake Erie, mostly on farmland but also offshore.

The projects are designed for the creation of up to 150 megawatts of power, meaning wind farms of about 100 turbines. Crawley said wind is a clean, graceful and increasingly economic way to reduce dependence on power sources that harm the environment.

The goal, eventually, is for green power to not be described as green or as some sort of novel purchase to support a PR campaign. It would just be power.

"Think 10 or 15 years ago in Toronto, when there would never be smog warnings in the summer, and when your kids couldn't run around and play," said Crawley. "Now everybody just accepts it as normal. It's absolutely abnormal, and it shouldn't happen."

Additional articles by Tyler Hamilton