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### Green Goal Of 'Carbon Neutrality' Hits Limit

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ROUND ROCK, Texas -- Computer giant Dell Inc. said this summer that it has become "carbon neutral," the latest step in its quest to be "the greenest technology **company** on the planet."

What that means, and what it doesn't, may surprise Dell customers and other consumers who have been bombarded with bold environmental promises from major corporations.

In the two years since Al Gore's movie, "An Inconvenient Truth," helped make climate change a marquee issue, companies from Timberland Co., the shoe maker, to News Corp., the owner of The Wall Street Journal, have promised to become "carbon neutral."

The term may suggest a **company** has reengineered itself so that it's no longer adding to the carbon dioxide and other greenhouse gases scientists say are contributing to climate change. The experience of Dell, one of the few multinational corporations to claim it already has achieved carbon neutrality, shows the reality often falls short of that ideal.

The amount of emissions Dell has committed to neutralize is known in the environmental industry as the **company's "carbon footprint."** But there is no universally accepted standard for what a footprint should include, and so every **company** calculates its differently. Dell counts the emissions produced by its boilers and **company-owned** cars, its buildings' electricity use, and its employees' business air travel.

In fact, that's only a small fraction of all the emissions associated with Dell. The footprint doesn't include the oil used by Dell's suppliers to make its computer parts, the diesel and jet fuel used to ship those computers around the world, or the coal-fired electricity used to run them.

Dell's announcement that it had achieved carbon neutrality didn't go into these details. But in an interview, Dell officials estimate that the emissions produced by its suppliers and consumers each amount to about 10 times the footprint Dell has defined for itself. That means the **company** is only neutralizing about 5% of the greenhouse gases that go into the making and use of its products.

Moreover, while Dell is improving its energy efficiency, it is claiming carbon neutrality mostly by purchasing environmental "credits." These are financial instruments that bankroll environmental improvements made by others, such as running wind turbines or planting forests. Dell reasons that these credits cancel out the bulk of its **carbon footprint.**

Yet some of those improvements would have occurred whether or not Dell invested in them, according to some of the companies involved. That suggests Dell isn't ridding the atmosphere of as much pollution as it claims.

Dell says it's trying to set an example by reducing its environmental impact as responsibly and aggressively as it can.

"There are skeptics of carbon neutrality who will say, 'That's kind of bogus,'" says Dane Parker, Dell's director of environment, health and safety. "Instead of using that as an excuse for inaction, we've said, 'There's a lot you can do.'"

Mr. Parker says it wouldn't be feasible to include more emissions in the **company's carbon footprint.** He says many of Dell's suppliers haven't yet calculated their own emissions, and customers' contributions to the overall pie vary depending on how and where they use their computers. For now, Mr. Parker says, the best Dell can do is design computers that are as energy efficient as possible, and persuade its suppliers to

reduce their own emissions. Dell has told its major suppliers that it plans to take their emission levels into account when deciding whether to continue doing business with them.

Regarding the environmental credits Dell has bought, Mr. Parker says they "meet the highest standards" that currently exist.

Indeed, Dell's program is widely praised by environmental groups as one of the most comprehensive attempts by a major corporation to combat climate change. The strategy mirrors the one that scientists and politicians are now prescribing: boosting energy-efficiency, funding renewable energy and buying carbon credits.

Dell's drive offers an early road map of the thorny questions companies will face as they attempt the massive emission reductions scientists say are needed to curb global warming. In a global economy with so many interconnected players, figuring out who should be responsible for cutting which emissions -- and how to ensure those cuts happen -- is dizzyingly complicated. Amid that confusion, Dell's story illustrates the fuzziness of some of today's corporate environmental claims.

Some observers say companies pledging carbon neutrality at this point could be jumping the gun. There's not yet uniform agreement on what should be counted in such programs, says Pankaj Bhatia, a policy expert at the World Resources Institute, a Washington-based environmental group that is working with many corporations, including Dell, to develop a standard for carbon neutrality.

Dell is "going farther than most corporations" in trying to minimize its environmental impact, says Bill Burtis, spokesman for Clean Air-Cool Planet, a Portsmouth, N.H.-based nonprofit group that advises companies on how to reduce their greenhouse-gas emissions. But he says Dell's public descriptions of its pledge could lead consumers to the mistaken assumption that buying a Dell computer means they're not contributing to climate change at all. "If you're going to use the terminology of neutrality, you've got to be upfront about what that means," says Mr. Burtis.

Other companies pledging to become carbon neutral include Google Inc. and Yahoo Inc., both of which say they are working to become more energy-efficient and are also buying offsets. Both companies include in their footprints such things as their facilities' electricity use and their employees' commuting and business air travel. Google also includes the emissions produced in the manufacturing of the servers that its data centers use, a Google official says. Yahoo doesn't include those emissions, a Yahoo spokeswoman says.

Timberland and News Corp. have said they'll become carbon-neutral by 2010. They include in their footprints essentially the same things Dell does: boilers and vehicles, electricity use and employee business air travel. And both companies say they're trying to get suppliers to curb their emissions, too.

For Timberland, its own **carbon footprint** represents a slice that "probably wouldn't even register in the pie chart" of all the emissions associated with the **company** and its products, but it's a first step, says Betsy Blaisdell, Timberland's manager for environmental stewardship. It doesn't count emissions produced by the **company's** suppliers, including the prodigious emissions that come from the production of leather. Cows, as they digest their food, burp out methane, a potent global-warming gas.

Ms. Blaisdell estimates Timberland will satisfy about half of its carbon-neutral pledge by using energy more efficiently and buying renewable energy. For the other half, Timberland plans to buy credits, or offsets, which it says it's vetting for legitimacy.

News Corp. hasn't computed how much of the total emissions associated with the **company** will be covered by the **carbon footprint** it has drawn. But that percentage is probably small, says Hugh Strange, a director of the **company's** energy initiatives. When News Corp. calculated the annual **carbon footprint** of its Dow Jones & Co. unit, which publishes The Wall Street Journal, for instance, it counted largely the emissions from the electricity the newspaper's offices and printing plants use and from employee business flights. It didn't include the emissions from making the newsprint or from delivering the newspapers. Its reasoning is much the same as Dell's and Timberland's: News Corp. doesn't control those parts of its supply chain.

News Corp. was initially "kind of wary" of publicly setting a carbon-neutral goal, says Rachel Webber, another director of the **company's** energy initiatives. But, she says, it decided that making that kind of high-profile statement "was the single most dynamic way we could inspire people" to cut emissions.

Dell's push dates to 2002, when environmentalists launched public protests against the **company**, saying Dell wasn't doing enough to encourage the recycling of its computers. In response, Dell launched extensive recycling programs.

By late 2006, the **company** began discussing a climate-change program. Dell hired Mr. Parker, who at the time was Intel Corp.'s environmental director. It also set up an internal group of executives, called the

Environment 2.0 Team, to deliver quarterly updates to Dell CEO Michael Dell.

Dell first put the onus on its customers. It launched "Plant a Tree for Me," a program in which Dell's U.S. consumers can donate a few dollars to environmental groups that plant trees. Trees can compensate for emissions because they consume carbon dioxide as they grow. In 2007, the program offset about 4% of the expected emissions from the computers Dell sold to U.S. consumers, according to Wall Street Journal calculations using figures provided by Dell and technology research firm IDC. Dell declined to comment on that figure.

In September 2007, Mr. Dell announced that the **company** was "going carbon-neutral." It installed more-efficient light bulbs and air conditioners in its buildings, and timers that turn off lights and computers at night and on weekends. It is also trying to cut down on employee air travel. These moves have reduced Dell's stated carbon-dioxide emissions by about 4%, or 20,000 metric tons, leaving an overall **carbon footprint** of 490,085 tons.

Dell is neutralizing the entirety of that footprint by purchasing renewable energy and environmental credits. The bulk of those are composed of so-called renewable-energy certificates, or RECs, from wind-power projects in the U.S.

Wind power typically costs more to produce than conventional coal- or natural-gas-fired electricity. To help defray that premium and spur wind power's growth, a market has sprung up in the U.S. in which wind-power developers can sell certificates to companies that want to offset their emissions. This works much like the broader market for "carbon credits," in which companies offset their emissions by buying credits that go toward a range of projects from renewable energy to forest preservation.

The renewable-energy-certificate market in the U.S. has soared as corporate environmental claims have proliferated. One certificate typically represents one megawatt-hour of electricity from renewable sources such as wind turbines or solar panels. By that definition, the number of certificates bought voluntarily by companies in the U.S. rose to about 10.6 million in 2007 from about 660,000 in 2003, according to the U.S. government's National Renewable Energy Laboratory. Prices vary, but these certificates typically trade for a few dollars apiece.

The carbon-credit market has also grown, especially in Europe, where governments limit emissions. It has softened somewhat since July, with the price of a permit dropping nearly 50%, to about \$23 today. That's in part because of speculation that the economic downturn will prompt some European countries to loosen their environmental rules.

For companies like Dell, credits are crucial to meeting their environmental promises. But even as the credit market grows, it's coming under increasing scrutiny by regulators, including the Federal Trade Commission. A main concern is that some of the projects selling credits would have been built regardless.

In such cases, the revenue from credits might help a renewable-energy **company's** financial performance, but it's not really funding new cuts in emissions. And that means the companies buying the credits to neutralize their own continued pollution aren't achieving the environmental gains they're claiming.

Aware of this pitfall, Dell hired a consultant this summer to review some of its planned REC purchases and confirm their legitimacy.

"They wanted to make sure that when they came out and said, 'Here's our **carbon footprint**,' there were no surprises," says Craig Ebert, U.S. director for ICF International, the Fairfax, Va.-based consultant Dell hired.

Neither ICF nor Dell will release the report ICF prepared. Mr. Ebert says the three-page memo was a "basic assessment" of the projects. "It wasn't a deep dive down into every nook and cranny of the projects," he says, because that "really wasn't necessary, and we weren't asked to do that by Dell." He says the report concluded that the wind-power projects Dell asked ICF to vet wouldn't have been economically feasible without the revenue from the certificate sales.

The companies involved in several of Dell's wind projects say otherwise. The smallest project -- one not reviewed by ICF -- is a single wind turbine at the University of Minnesota's West Central Research and Outreach Center in Morris, Minn. The turbine, installed in 2005, was entirely funded through a \$2 million grant from a Minnesota state program designed to promote renewable energy, said Michael Reese, the research center's renewable-energy director.

The university "absolutely" would have built the turbine even if it hadn't been able to sell certificates, Mr. Reese says. The approximately \$15,000 in annual revenue the university gets from the certificate sales "adds up," he says, "but it's not a main component of the funding" for the project.

The situation is similar with the Elk River Wind Project, in Beaumont, Kan., from which Dell has bought a larger number of certificates. They are sold through Empire District Electric Co., a power **company** based in Joplin, Mo., that buys Elk River's wind energy. Julie Maus, an Empire spokeswoman, says it's able to afford the wind power because the project gets tax credits from the federal government.

The additional revenue Empire gets from selling RECs is "just sort of icing on the cake," she says. "We would have entered into the project regardless of whether we had the ability to sell these RECs or not."

The single biggest contributor to Dell's carbon-neutral claim is a trio of wind projects in Iowa owned by Mid American Energy Co., a Des Moines-based power producer.

Mid American "certainly" would have built the wind farms regardless of whether it had been able to sell RECs, says Tom Budler, the **company's** general manager of wind development. The wind farms are profitable as a result of the federal tax credit, he says, so the credit profits are "just additional value."

Both Empire and Mid American say the REC revenue also helps keep down electricity rates for their customers.

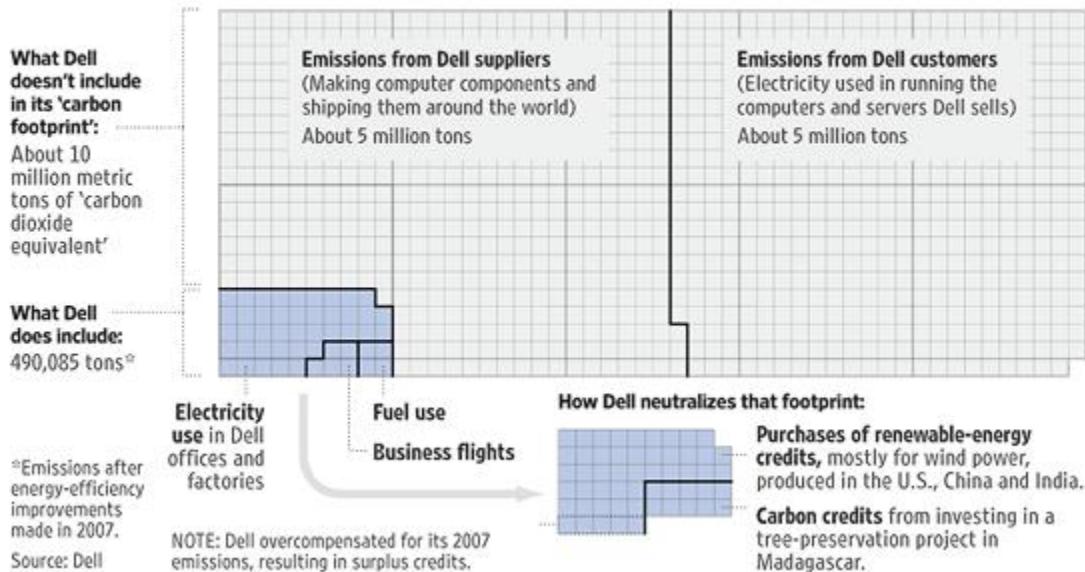
ICF, the consultant Dell hired to vet several of the wind projects, stands by its study, the **company's** Mr. Ebert says. Dell's Mr. Parker said in an email that the computer maker has "made a conscious decision to partner with the world's most reputable providers" of environmental credits.

Representatives of other projects from which Dell is buying offsets say the **company's** money is critical. A project to protect a threatened forest in Madagascar, for example, wouldn't have happened without Dell's investment, says Toby Janson-Smith, an official at Conservation International, the environmental group coordinating that program. Dell is offsetting about 100,000 tons of carbon dioxide annually through the Madagascar project.

The carbon-neutral pledges show no sign of abating. In about two years, the University of Minnesota's contract to sell RECs from its wind turbine will expire. But the turbine will continue producing certificates. At that point, the university plans to keep the certificates for itself, the school's Mr. Reese says. The reason: The university, too, plans to use the chits to claim that it's going carbon-neutral.

## Counting Clouds

Emissions associated with Dell for fiscal year ended Feb. 1, 2008



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