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Carbon considerations need a new way of thinking

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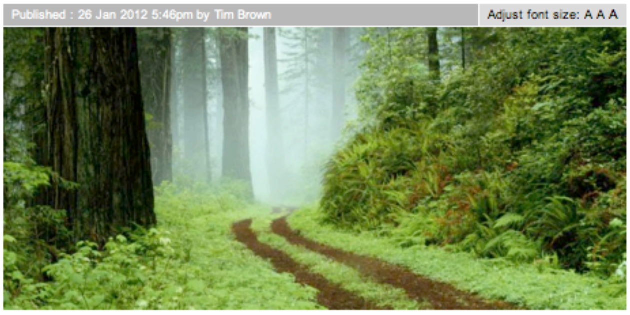

As we move to a more carbon-constrained world, and environmental considerations increasingly become part of the public psyche, companies ultimately have to find a way to meet customer needs in a way that generates lower carbon emissions. Kirsty Braines, Partner at business improvement specialist, Oliver Wight, says this can best be achieved by focusing on improving processes throughout the extended supply chain.

Carbon footprint reduction is by no means a new initiative – organisations have been faced with the challenge of reducing emissions levels and sticking to their carbon allowance for many years. Being 'green' however, has been elevated in status in recent times through increased publicity, and through worldwide and national initiatives to reduce carbon emissions – for example, the UK government proposal to reduce carbon emissions in the UK by 60% from 1990 levels by 2050. A widespread genuine care for the environment combined with increasingly stringent government legislation and the need to be cost effective in the current market, means reducing carbon footprint has to be high on the agenda for organisations throughout Europe.

According to the Carbon Trust, there are three stages of carbon emission reduction: direct emissions reduction, indirect emissions reduction and offsetting. Buying credits associated with environmental projects that reduce emissions of carbon dioxide or other greenhouse gases, as a way of offsetting your own carbon emissions can be a useful exercise. But where organisations may previously have thought 'buying' a greater carbon allowance was sufficient, nowadays serious action to reduce emissions must be taken too. That doesn't just mean token gestures for publicity purposes – planting trees or installing a few solar panels may make a nice PR story but, certainly from a manufacturing perspective, that isn't enough to offset hard generated emissions. To do this, much more fundamental action is required.

Traditionally businesses have been very internally focused when looking at carbon emissions, focusing on direct reductions in their own site or company; but far greater opportunity lies in the extended supply chain. Successful companies across the globe are increasingly looking to effective supply chain management as a way to improve their operations and product offering. By broadening their horizons and working collaboratively with suppliers and customers alike, organisations can not only further reduce emissions they will ultimately generate increased financial return.

There are three different categories of carbon saving opportunities, as defined by the Carbon Trust: correcting a market failure, supply chain reconfiguration and product change. Organisations should first look to remove any existing issues, for example where extra cost and extra carbon emissions are artificially created because of known failings within the supply chain. They can then look to optimise their supply chain, improving processes or the way processes are completed to reduce emission levels as much as possible. And finally businesses should look to adapt their existing product/s or develop new low-carbon products.

Before organisations can do any of this, however, they first need to understand the framework within which they have to operate. The direction of the business (as defined by the Executive), mandatory requirements, inherent constraints, and supply chain considerations will all tailor the boundaries you have to work in when designing your supply chain.

In order to realise how your supply chain can be optimised to reduce carbon emissions, you have to understand where the emissions are produced throughout the supply chain. This means looking not just at manufacturing or distribution, but at all steps within the supply chain; from production, through to use and finally disposal (or recycling) of the product. There are a lot of considerations from a product perspective, not just in the components that make it up, but being waste effective. What do you do with the bits that come off; what happens to the excess metal, plastic or liquid? A pharmaceutical company that I work with, for example, puts a tremendous amount of effort in to disposing of its waste liquid in an environmentally-friendly way; retrieving it so it can be treated and sterilised, and safely disposed of down the drains. This may not be the most cost-effective way of operating, but it is the sort of action required to truly offset carbon emissions.

Once the carbon footprint of a product throughout its lifecycle is identified, the largest emissions sources can be ascertained, both within your operation and in other companies throughout the supply chain too. For many, this approach will involve considering emissions created overseas. This is more problematic than looking at just those occurring in the UK, but partnerships can be developed to facilitate change. After all, climate change is a global problem. It can also be useful in raising awareness in organisations, which have less incentive from their governments to reduce carbon emissions.

Businesses need to adopt a new way of thinking; reducing your carbon footprint is no longer just a half-hearted task to keep the government and pressure groups happy. 'Green' is now a business strategy, one required to develop a sustainable business, reduce costs and fundamentally gain competitive advantage. And to do that you need to look at not just improving your own organisation, but your whole supply chain.

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