

Saving money - while saving the planet



By Tim Dieppe, manager of the Henderson Industries of the Future Fund

For too long, the curse of cheap oil and electricity has dictated the way we consume energy. The only consumer products for which manufacturers have been really interested in electricity consumption were portable devices where battery life was a concern. Otherwise the primary concern was functionality, to the level that TV sets and other electronic devices were granted a 'standby' mode, so that at any moment us consumer couch potatoes would only need to press a button on a remote for the picture to appear while the set continued consuming energy through the night. This example is one of many where concerns for functionality or cost competitiveness were primary and energy consumption neglected - whether in the area of consumer goods, building construction, industrial manufacturing or fuel consumption.

These days are now coming to an end. Sadly, it has taken a sharp rise in oil and electricity prices to prompt us to action, together with the looming threat of global warming. Consumers, corporations, and governments are now placing energy efficiency high on their respective agenda, and asking the tough questions that should have been asked some time ago.

A recent MEP report made the assertion that *"both the Commission and member-state governments have been guilty of a serious dereliction of duty over the implementation of energy-efficiency legislation"*. [Source Chevreux] One can be sure that regulation will follow, and indeed mount up in this area, but consumers and corporations can see the potential saving benefits of embracing efficiency today and are already making their moves.

A genuine free lunch?

The cheapest way to cut carbon emissions by far is to implement efficiency measures to reduce energy consumption. In fact, efficiency measures are so cheap that you get paid to adopt them because the expected payback is greater than the initial capital outlay.

According to the International Energy Agency (IEA), as much as 80% of the energy we produce is lost before it gets to your plug in the wall. Therefore savings from reducing energy consumption at point of use have a multiplier effect in terms of total energy consumption saved. The IEA estimates that one additional dollar spent on more efficient electrical equipment, appliances and buildings would do away with the need to spend two more dollars on electricity infrastructure. The IEA also recommends that the adoption of a dozen policies would result in a reduction of 40% in CO2 emissions by 2030. Seven of these policies involve energy efficiency.

The tipping point has been reached, with consumers and corporations examining their rising energy bills and looking for ways to start reducing them. Ever more corporations are going carbon neutral and employing consultants to advise them on how to reduce their energy consumption. Where there's money to be saved, investment will follow and the planet - as well as the investor - should reap the rewards.

Ban the Bulb

Lighting is one of the largest sources of electricity consumption on the planet, accounting for 2650 TWh annually, or almost 20% of the world's total electricity consumption, according to IEA research. A staggering 90% of this energy is wasted as heat, as the filaments of incandescent bulbs reaches 3,000°C.

The same research concludes that Light Emitting Diode (LED) bulbs use up to 90% less energy and also last up to 50 times as long. Governments around the world are waking up and have announced plans to phase out incandescent bulbs which will make a significant difference to global energy consumption.

It pays to save

The IEA states that existing buildings account for over 40% of the world's primary energy consumption, as well as nearly a quarter of global CO2 emissions. Companies that produce effective insulation materials or more efficient usage of electricity will benefit from the strong regulatory and consumer trend to cut our energy consumption. The global manufacturing industry could improve energy efficiency by 18-26% overall – at the same time reduce sector's CO2 emissions by 19-32%, according to the IEA. This trend of consumer focus and regulatory pressure will see further changes in industry practice. →

Investing in the Industries of the Future

Within the Henderson Industries of the Future Fund, Efficiency is one of our largest investment themes, accounting for around 20% of the total portfolio. We have holdings in LED manufacturers, insulating materials companies, and all sorts of providers of more efficient solutions for industrial manufacturing and consumer products.

For example, **Delta Electronics** has a sizeable global market share of power supply units for PCs and other efficiency-conscious products. The efficiency opportunity is compelling - they claim a 1% improvement in their power supply units would save the equivalent of one nuclear power plant's

production of electricity. **Itron** in the US manufactures automatic meters which help measure the usage of electricity, gas or water, and can be read without sending someone knocking on your door to crawl under the stairs. **Johnson Controls** (also based in the US) has a building efficiency business advising corporations how to reduce their energy bills. In Ireland, **Kingspan** produces insulating panels for the building and construction industry. These, and many other efficiency initiatives and products around the world, are saving money for their customers, lowering emissions for the planet and are also paying out healthy dividends for their investors. Investing in solution providers who offer to save money for their customers makes sound business sense in every way.

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