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## Ask the Experts

by Steve Rice & Richard MacLean  
January 2003

## Second Annual 'Tough Enough' Awards

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### Announcing our Second Annual 'Tough Enough' Awards!

**Steve:** Last year at this time we presented several '[Tough Enough](#)' awards to recognize companies and organizations that tried to push the boundaries of strategic environmental management and sustainability in spite of obstacles and common convention. Eventual success was certainly a factor in granting the awards, though the intent and effort were significantly more important.

Based on the significant positive feedback we received after last year's awards, we decided to present our Second Annual 'Tough Enough' Awards. We called dozens of experts for their opinions and entered the data into our special 'Tough Enough' supercomputers.

Despite a rather disappointing number of companies and organizations to choose from in 2002, I am proud to announce this year's winners:

- **[Whole Foods Market](#)** -- Even in a down economy, Whole Foods has increased overall sales by 20%, same store sales by 10.5% and average per customer sales by 2.5%. It has also seen its stock price increase 17% in the past year (86% in the past two years) and announced plans for a new combination headquarters and 80,000 sq.ft. store in Austin, Texas. Combine this with its recent inclusion in the NASDAQ 100 (the basis for the QQQ stock index), and 2002 has shaped up to be quite a year for the natural foods and products retailer. They are quickly leaving Wild Oats a distant second. The company may want to keep an eye on its inventory management and distribution system, though. On a recent business trip to Austin, I stopped in at one of its stores and overheard that the juice bar was unable to make the daily special because of insufficient supplies of some necessary ingredients. "That's why we're not making our sales numbers," I heard one employee tell another.
- **[BASF](#)** -- The chemical industry is in the midst of its deepest and longest down cycle, yet BASF continues to conduct research into potentially market-shaking products that provide more unique value and service with less material. Their research into polymers that simulate lotus leaves' water repellency could be used to create 'self-cleaning' windows. Research into metal-organic nanocubes includes being able to store and release hydrogen to power fuel cells for laptop computers and other electronic devices; one gram of nanocubes has a surface area of 3,000 square meters. Another potential use would be for catalyst substrates. Other research includes the development of synthetic tooth enamel (for sealing and whitening) and nanocrystals that use light refraction instead of dyes to produce colors. These efforts combine with their Geismar, Louisiana site's recent [energy conservation award](#) and the company's adoption of the [UN Global Compact](#) to make for quite a notable 2002.
- **[BP](#)** -- Jackie Ottman, President of [J. Ottman Consulting](#), nominated BP for an award for its Beyond Petroleum campaign. "While the company has gotten its share of backlash" she tells me, "it should be recognized for its attempt to take a stand in a very tough industry – and provide an inspirational tone for its employees – and a challenge to its competitors. What with their announcement that they are pulling out of oil drilling in ANWR, the real test of their toughness will be their ability to balance their inspirational efforts with their need to continue to find oil – in an environmentally responsible way and convince their critics of their ability to do that." Like Whole Foods, though, BP needs to remain diligent. Its participation in a proposed oil pipeline from Azerbaijan to the Turkish Mediterranean coast is beginning to attract significant international opposition. The pipeline is said to be threatening to wipe out several Kurdish villages in Turkey and an environmentally sensitive site in Georgia. Apparently, for the project to be economically viable it will also require interest-free money supplied by the public through the International Finance Corporation, a unit of the World Bank. Any of these aspects could result in a huge thorn in BP's paw.

We would have liked to have given out more awards but, as we noted earlier, there were precious few to choose from this year.

*(Disclosure: While I am a former BASF employee and certain BASF businesses are current*

*and former clients, I have no relationships regarding the research mentioned. BP is not a client of Ms. Ottman.)*

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### **More and more companies are producing corporate social responsibility reports, but are these reports also getting any better?**

**Richard:** Yes and No. Yes, because first time reporters are benefiting from the templates created by industry leaders and the numerous reporting guidelines that have emerged over the past ten years. The recently revised [Global Reporting Initiative](#) guidelines (GRI) will, no doubt, accelerate progress for new reporters and there are a lot of them. The [KPMG International Survey of Corporate Sustainability Reporting](#) reveals that 45% of the Global Fortune 500 top 250 companies in 2002 produced reports compared to 35% in 1999.

No, because the top-tier reports have reached a quality plateau. [SustainAbility](#) in Trust Us, The Global Reporters 2002 Survey published in November 2002 found that the reporting scores have stagnated since the 2000 Global Reporters survey. Top-tier reporters using the earlier GRI guideline scored only 8% higher compared to other non-GRI top reports, while those at the bottom gained 17% relative to non-GRI reports.

One of the leading experts in the world on reporting, Folkert van der Molen, who runs the [International Corporate Environmental Reporting Site](#), states, "I recently was a judge for the best Dutch reports. There was general agreement among the judges that there has been not much progress in the quality of the reports since last year. Many reports do say that they use GRI, but it's hard to see it. I think the top of the developments is a bit over now."

My opinion of the current situation is that corporations are nearing the point where they have mastered the art of social responsibility disclosure, but they are far from integrating the principles of social responsibility into business practice. Thus, Scottish Power produces a report with mind numbing detail, but one wonders how this has been factored into the business strategy.

In many respects, my assessment is supported by what the 2002 SustainAbility scoring reflects: few companies reach even 50% on the scoring scale. A high score can only be obtained by demonstrating "how reporting is linked to general business decision-making and core processes to improve sustainable development effectiveness." Progress beyond this point will not be through fine tuning existing reports, but by demonstrating that the reporting process is just an element of a more important activity: an intensive management strategy to improve sustainable development performance.

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### **Will the announced changes to the federal New Source Review Program increase or decrease air pollution emissions from industrial facilities?**

**Steve:** Within days after the November elections, the current federal administration announced proposed changes to the federal New Source Review (NSR) program. While government officials stressed increased facility flexibility to implement new investment and reduce emissions, others provided specific examples of how emissions would increase.

To get a better understanding of the confusion surrounding the issue, I asked [David Novello](#), an environmental lawyer with offices in Washington D.C. and former senior attorney in the U.S. EPA Office of General Counsel.

“EPA’s recent actions to change its NSR program are as complicated as they are controversial” states Mr. Novello. “The changes, which EPA issued December 31st in the [Federal Register](#) (pages 80185-80289 and 80290-80314), actually comprise both a) final rule amendments and b) a proposal to clarify EPA’s contentious ‘routine maintenance, repair and replacement’ exclusion from NSR. “

“In general, NSR applies to the construction and significant modification of certain facilities. The most contentious aspects of NSR concern the modification of older facilities that had been given exemptions from emission standards issued after their construction so long as no ‘significant’ changes were made to the equipment.

“The most important final rule changes include:

- **Determining Emissions Increase.** Certain modifications trigger NSR only if they result in a “significant” emissions increase. Previously, EPA compared past actual emissions with projected post-modification *potential* emissions. The new rules call for an *actuals-to-projected actuals* comparison. EPA says there will be a net environmental benefit because the downside of significant modifications to ‘grandfathered’ equipment, the imposition of stricter unit emission controls, would be eliminated.
- **Baseline Date.** Under the current rules, sources usually compare future emissions with actual emissions from the two years before modification. Now sources will be able to look back ten years to choose the highest utilization baseline. Sources must account for new emission limits since that baseline date.
- **Plantwide applicability Limits (PALs).** PALs will allow facilities to avoid NSR even if they increase emissions at a unit by significant amounts if ‘plantwide’ emissions stay below an actual emissions “cap”; i.e., emissions are reduced elsewhere.

“The proposal to clarify the ‘routine maintenance, repair and replacement’ exclusion would provide a ‘safe harbor’ if a facility’s annual expenditures were under a specified amount. EPA says this and other proposed changes should encourage upgrades that increase efficiency, and thus lower emissions. But environmentalists charge the proposal amounts to a ‘routine maintenance loophole’ that will remove many modifications from NSR and thereby eliminate reductions the program would provide.”

As promised, on New Year’s Eve nine Northeastern states filed a lawsuit challenging the rules

EPA issued earlier that day.

The key to resolving this confusion is the recognition that while EPA's focus is on its estimation of an overall 'no net increase' – that some facilities may decrease while others, especially coal-fired utility boilers, may increase, others' focus is on specific facilities or types of facilities. Thus, as with many other issues this column has addressed in the past, the truth is probably somewhere between the two positions.

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### **Do the environmental non-governmental organizations ever fight amongst themselves?**

**Richard:** There have been a number of highly publicized *internal* battles within individual environmental non-governmental organizations (NGOs). Population control, immigration laws and, more recently, the "War on Terrorism" have sparked a number of these internal debates. But, high profile disputes among environmental groups remain relatively rare. This is not to say that they have distinctly different positions on how to go about "saving the plant." It is just that they seem to respect each other's right to their own opinions and methods.

Indeed, compared to the legendary battles between the Republican and Democratic parties, the environmental NGOs are just plain civil to one another. With the downturn in the economy and once flush foundations becoming increasingly judicious on who gets their money, the financial pressures have intensified and maybe we will see some spats erupt in the future.

For example, one very recent wrangle between the International Organization for Standardization (ISO) and a consortium of NGOs caught my attention. ISO has never been considered an environmental organization, however, it controls the very influential environmental management standard (ISO 14000 series). Recently ISO touched a raw nerve by moving forward to create standards in four areas: climate change, water management, corporate social responsibility, and environmental communication.

This movement by ISO ruffled the feathers of the Pacific Institute in Oakland, CA which formed the [International NGO Network on ISO](#) (INNI) in response. According to the INNI, "ISO's headlong rush into new areas of standardization can only be addressed by a more informed and coordinated response from members of the environmental community. With funding support from the Rockefeller Brothers Fund, the Pacific Institute is creating and will lead an international network of NGOs that will track, and work to influence, the activities of ISO."

ISO 14001 has been around since 1996 but environmentalists are only now voicing concern. The American Society for Testing and Materials (ASTM) has also issued environmental standards in areas such as property investigations (E1527) disclosure of environmental liabilities (E2173). It seems that as long as these influential organizations stick to the technical stuff and stay away from the policy realm, all is calm. But as the saying goes, "Who elected any of these organizations?" Why can't all of the NGOs play the policy game?

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**What business and the environment networking opportunities are available in the New Jersey area?**

**Steve:** There are two primary broad-based business networking organizations in New Jersey, the [Environmental Quality Network](#) of the New Jersey Business and Industry Association (NJBIA), the Environmental Business Council of the [Commerce and Industry Association of New Jersey](#) (CIANJ), along with a host of groups specific to the pharmaceutical and chemical industries. The NJBIA group is primarily comprised of large and mid-sized companies while the CIANJ group is primarily comprised of contractors and consultants. With the exception of perhaps waste minimization, all of these groups deal predominately with traditional regulatory and legislative issues than the issues of interest to you, like sustainability, eco-efficiency, environmental management accounting and corporate social responsibility.

The only group in the New Jersey area that might fit the niche you seek is the [New Jersey Sustainable Business Alliance](#) (NJSBA). Your company would not be a solid fit, however, as the group focuses on the sustainable buildings market and the annual dues may be rather high for individual membership.

That leaves you with the opportunity of creating your own group. A successful model appears to be that of the [Northeast Business Environmental Network](#) (NBEN), based in Massachusetts. I recall that a few years ago a group attempted to establish a similar organization in the eastern Pennsylvania, New Jersey and southern New York region, perhaps with assistance from NBEN, though it appears that it either never got started or didn't last very long. I brought your inquiry to the attention of NBEN's new executive director, [Amy Stillings](#), at 978-521-1020, who indicated that she would be willing to discuss with you the possibility of starting a new regional group.

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