Lessons Learned from the Private Sector

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Lessons Learned from the Private Sector

Feds are from Mars, Private Sector from Venus

“Lessons learned” implies someone did something “wrong”

- Private Sector vs. Federal Sector
  - Different objectives, metrics, financial resources, etc.
- Payback & ROI
- Risk Tolerance or Aversion
- Speed to Adopt New Technologies or “Cultures”
- PR & Goodwill

Note: though “Federal sector” broadly includes DOD, in many of the following, DOD has their own set of characteristics – sometimes more like private, other times like feds, other times like DOD.
PRIVATE SECTOR

Objectives for existence:
Make a profit ==> make a product or serve a need that people want to pay for

Metrics for success:
Profits ($$), ROI (+%) ==> happy shareholders (😊)

Resources:
Capital reserves, current profits, financing

FEDERAL SECTOR

Objectives for existence:
Non-profit ==> provide a product or service that government says is needed

Metrics for success:
Happy public, agency leads, and/or congress (funders) ==> continued funding

Resources:
Agency budgets, ESPC/UESC financing, congressional line item
PRIVATE SECTOR - Payback & ROI Views

• Private sector wants to see:
  – ROI in 8-15% range
  – Payback in 2-5 years

• Most private sector companies have their own ROI criteria
  – Some are purely ROI%
  – Some weight “green messaging” to clients or public

• Some companies have their own capital – but still expect very short paybacks -- > compared to ROI of 5-8% that “could” be considered worthwhile for bottom line & “green” impacts
Government sector follow:

- 10 CFR 436
  - Require energy efficiency

- Feds must use:
  - NIST – energy escalation rates and discount factors
    (20 yr projections – not very realistic)

- Feds want to see:
  - SIR* > 1
  - Payback within financing terms (~20-30 years can be ok)

*SIR = Savings to Investment Ratio
Private sector – largely follow “new technology has to work” credo – consequences of not working are immediate and high – mostly due to expected loss of “competitive edge” with perceived project failure
• Federal sector – it “has to work” but delays in full implementation are more common
• Negative press and PR can hurt more than lost or sunk investment $$ -- > next year’s budget
• Culture can change abruptly with:
  – New CEO
  – Merger or acquisition
• When management says “GO!” they usually mean “GO!”
• Timeline - start next week, finish next quarter or this year
• Elections ==> change of administration, change of agency lead ==> cultural shift – but with agency/cultural inertia

• When they say “GO!” feds usually mean “we will begin looking for the starting line, garnering support, making the case, funding cycles,
  – Worst case - wait for a “change of administration”

• Timeline – start the planning process, get project into 1-5 year planning cycle
PRIVATE SECTOR – Successful Energy Projects

- Lower energy expenses
- Increase bottom line profits
- Provide great PR and improve corporate image (as “green”)
- Provide competitive edge even though it is a ‘non-product related’ energy project (Jiminy Peak – wind)
Generally do not impact “bottom line”- savings don’t lower the price of services/products; don’t go back to the ‘saver’

Often “no gain” on ‘competitors’ within agency – if your project got funded this year and were successful, someone else’s will next year
PRIVATE SECTOR – Motivation - Keeping Up with the Jones’

• Private sector - very conscious of competitors and competitive edge
  – If “ABC” is doing it, “XYZ” will do it to show they are an equal player - be green, be fast, be reliable

• For international companies, going into a new country as “green” helps to open doors
Federal sector agencies do not really compete against each other, but internally
- Limited funds – get into the planning cycle
- Gain recognition, promotions

International agencies have greater sensitivity to energy sources and uses in host country while trying to meet energy goals – understanding “green” helps
PR & Goodwill - When the Private Sector Does It:

• Their “products” become more ‘green’
• It can be a demonstration of their innovativeness & creative problem-solving
• Often there is positive press or buzz – may take an initial press release, but replay/repeat is usually free
• Multiple outlets for ‘positive press’:
  – Trade shows
  – TV, radio, internet, newspapers (as news or ads)
PR & Goodwill - When the Private Sector Does It:

- Businesses are searching for “bottom-line impact”
  - Real cost savings => lower product cost; higher profits
  - More positive press => higher sales
- Buy-in often becomes “corporate mantra”
  - Used internally – corporate culture
  - Used externally – corporate identity
- Large corporate players can replicate at many facilities (Starbucks on every corner)
• Better use of taxpayer $$ *(loaded phrase)*
• Long-term economics are viable
• Strong “on-the-ground champion” is KEY
• Sometimes project wanes when champion leaves or retires (one horse show)
• On occasion agency-wide endorsement/adoption, but more frequently, impact is site-by-site (with resident champion)
PR & Goodwill - When the Federal Sector Does It:

• Publicize success but:
  – Within tighter circles (agency or sub-group)
  – Tighter arenas than private
    – feds more often “answer” to the press, less
      promotion of how “efficient” or “green” they are
• Telling or sharing what you have accomplished can be better & more frequently shared – most just do a press release
  – If you have an exemplary building – LEED (any rating)
    – host periodic tours for the public, local universities, local building/housing authorities & feds
  – If you have a solar PV, solar thermal, wind, geothermal system – host periodic tours for the public, local universities & feds

Jiminy Peak - > 15,000 direct contacts with wind !
They are a “ski” company
Improved company “brand” & “provided a new/needed service” – educating the public
Lessons Learned that can Apply: Private → Federal

• Feds – avoid saying using ‘taxpayers dollars’
  – It is for the greater benefit of how your agency serves the public; enhances the work of people working for the public

Google never says –‘using shareholders dollars’
Shareholders know they will benefit IF/WHEN Google delivers

Public should know they will benefit when the Fed sector delivers – with leadership in energy efficiency or renewable energy
Silver Spring Metro Center & New Carrollton Fed. Bldg. (GSA)
- Payback Period: 22 years with 2-year construction period
- M/BTUs/year: 94,588
- Energy Reduction: 60%
- Water Reduction: 56%

Presidio of Monterey AG Barracks Building (DOD)
- Current energy use: Site 131.4 kBTU/ft²/yr (427 kWh/m²/yr)
- Energy targets: Site 26 KBTU/ft²/yr (84kWh/m²/yr); Source 60 KBTU/ft²/yr (220 kWh/m²/yr)
- Planned site energy use reduction: 80%

Lessons Learned that can Apply: Examples

These are GREAT OPPORTUNITIES to “tell your story” And tell it, and re-tell it every year – find new audiences Rotary Club, City Council, High Schools, Colleges,...
Lessons Learned that can Apply: Federal ➔ Private

- Take “long-term view” - educate upward – re-educate – give people chance for “improved thinking”
- Triple Bottom Line – introduced in 1994 (Elkington) – common today
- Deep Energy Retrofits – actively pursued in Federal sector today

- Sustainability – not everything worthwhile has a 2-5 yr payback
Questions?

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