



GENERAL SECTION

Greenhouse Gases – A Bargaining Tool

INTRODUCTION

As greenhouse gases (GHG) become a greater issue, corporations will start to use GHG emissions and reductions as a bargaining tool in mergers and acquisitions. The following six steps can help you manage your GHG emissions and reductions for any situation.

Step One - Collect and Analyze GHG Information - This step will require learning what GHGs are all about, including regulatory requirements, significant activities which produce and reduce GHGs, voluntary initiatives to reduce emissions, and actions that your competitors are taking.

Step Two – Conduct A Preliminary GHG Audit - Using information gained from Step One, determine what and where GHG issues are present at your facilities. This will include issues such as where your facilities are located, energy consumption and processes known to be significant sources. Also, determine what regulatory requirements apply to each facility with significant emissions.

Step Three – Inventory your GHG Emissions - After Step Two, develop quantitative GHG emission inventories for your high priority facilities. This can be accomplished by using emission factors, which are rates expressed as mass units of emissions per unit of time per unit of energy input or industrial activity. By multiplying the emission factor and your industrial activity, an emission estimate can be generated. Emission factors are available from many regulatory sources, including the Intergovernmental Panel on Climate Change's (IPCC) Database on GHG Emission Factors (EFDB). To develop an inventory, follow any one of the available guidelines, such as the GHG Protocol Initiative developed by the World Resource Institute and the World Business Council for Sustainable Development. Keep in mind, some inventory guidelines will require third party verification.

Step Four – Determine Emission Reduction Actions and Costs – Determine which facilities have the potential for emission reductions. For each facility and process unit, determine where a potential to reduce emissions by control or innovative technology exists. This will include determining the engineering feasibility of the process, capital and operational investments, potential governmental rebates, and potential long-term cost savings.

Step Five – Assess the Value of Your GHG Emissions - Step Five will involve many factors, including determining what the market value of your reductions and emissions are. Values will vary from market to market and country to country. It can be more difficult to determine values in countries with no set GHG regulations (such as the United States). You may also want to determine if your reductions will have any value in future markets.

Step Six – Generate A Corporate Strategy - Your corporate strategy should be developed with several things in mind, including your short and long-term goals, emission reduction targets, third party verification, alternative energy sources to be implemented, trading, and a method to monitor performance. Due to the ever-changing GHG environment, your corporate policy should be updated two to three times a year, if needed.

CLOSING

Due diligence requirements during mergers and acquisitions may bring up GHG emission and reduction issues in the future. It is important to be prepared for such an important and complex issue. If you have any questions please contact Jessica Lundy or David Strayer at 513-489-2255 or via e-mail at jl@paynefirm.com or dcs@paynefirm.com. This and other Environmental Edge topics are available on our website at www.paynefirm.com.

(Reference: Environ International Corp., "Profit from Effective Greenhouse Gas Management – A Six Step Plan," Chemical Engineering Progress, May 2003.)