

BusinessWeek

# Small Biz

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AUG/SEPT 2007

**WEBSMART**  
Marketing  
That Works

**SHAPE UP YOUR  
HEALTH PLAN**

**PRIVATE EQUITY  
WANTS YOU**

FRONT LINE

FRONT  
LINE

# LINE

ANALYSIS

**Q1 Carbon Trading**

Small companies  
start buying and selling  
carbon credits

## STATS

37%

of small  
businesses plan  
to hire staff  
during the next  
12 months.

28%

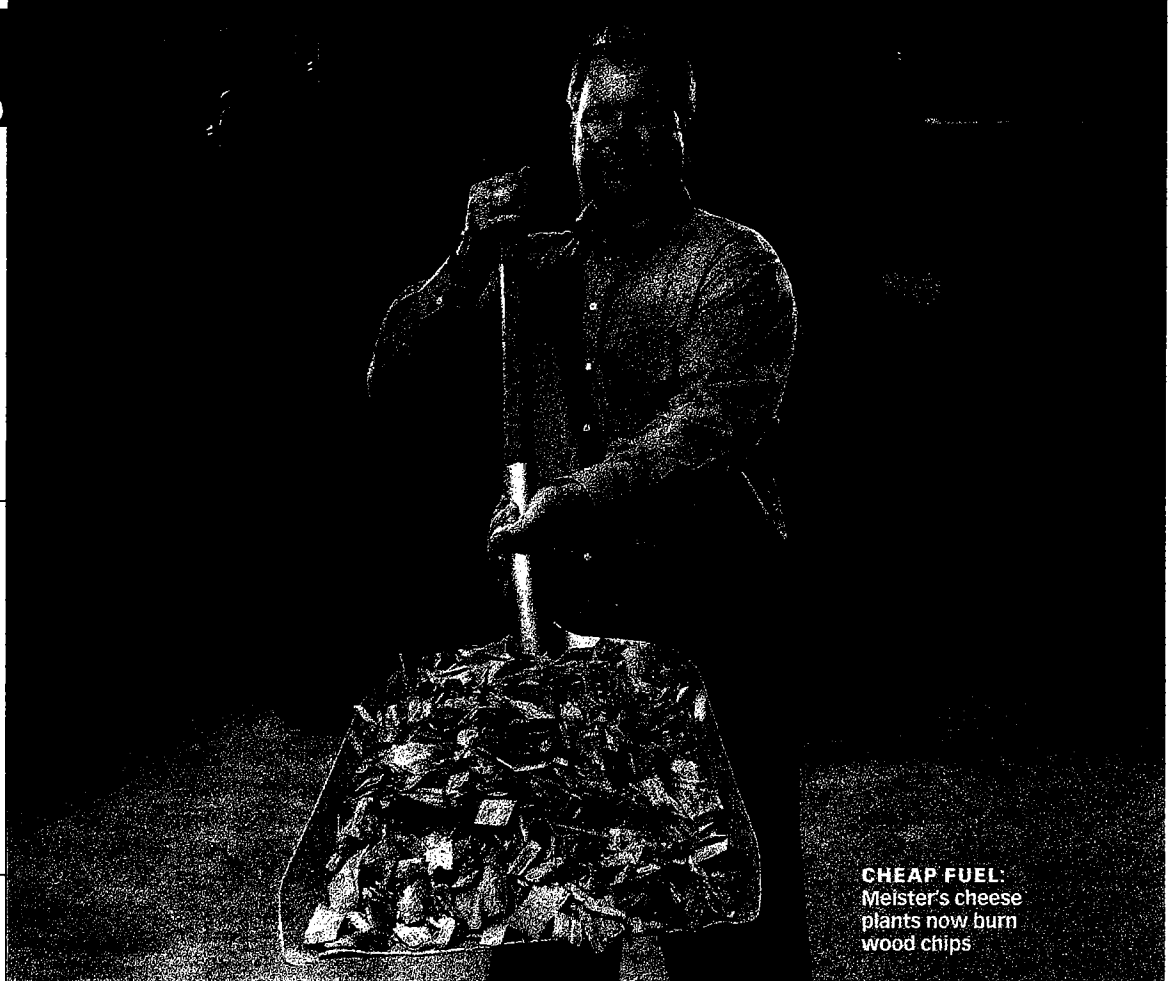
of entrepreneurs  
plan to increase  
their capital  
outlays over the  
next six months.

49%

of small  
companies  
expect to have  
a change in  
ownership  
within the next  
three years.

Data: IPA Small Business Research Board, National Federation of Independent Business, Grant Thornton

MATTHEW GILSON



**CHEAP FUEL:**  
Meister's cheese  
plants now burn  
wood chips

ENERGY

## Carbon Trading

HOW COMPANIES ARE CLEANING UP THEIR ACTS **BY JEREMY QUITTNER**

**SCOTT MEISTER WAS** spending too much on natural gas. In 2005, Meister Cheese, the Muscoda (Wis.) company he co-owns, paid about \$500,000 for gas, thanks to spikes in the price of energy following Hurricane Ka-

trina. Meister needed the fuel for the furnaces used to make his all-natural cheddar, Colby, and jack cheeses, but it was getting too expensive for his \$20 million business.

Near Meister's manufacturing facility.

however, is a family-run sawmill that produces wood-chip waste. Meister and the sawmill owner had a bright idea: Why not reengineer Meister's boilers to efficiently burn wood chip waste instead of natural gas? They did, and two years later Meister is getting ready to sell fuel savings, in the form of carbon credits, of about \$400,000 per year on the Chicago Climate Exchange. "The driving factors were social responsibility and economics," says Meister.

Meister, like an increasing number of entrepreneurs, wants to shrink his carbon footprint, or the amount of greenhouse gases his company produces. To do that, a business must

## Boosting your company's eco-cred can be a mixed bag

its to become more environmentally responsible or because they realize that doing so can burnish their image, allowing them to claim their business has reduced its negative effects on the environment. A smaller number of companies sell offsets—the results of environmental "good deeds" such as Meister's switch away from natural gas—for financial reasons.

Buying and selling carbon credits or offsets is an involved process, partly because the market is nascent and fragmented. For most entrepreneurs, the best option is to find an intermediary that matches requests from participating businesses, public utilities, and energy concerns. Among those specializing in smaller trades are Blue Source in Holladay, Utah, and TerraPass in Menlo Park, Calif., as well as Conservation Services. They charge about \$300 to trade the smallest offsets of about two megawatts of energy per month. If you are trying to buy tens of thousands of tons of credits, you may be better served by a broker such as Cantor Fitzgerald, Evolution Markets, or ICAP Energy. They generally work on commission, charging up to 7% of the value of the trade.

A third option is for a company to buy or sell offsets as a member of an exchange such as CCX, which currently has about 320 members. The exchange charges a one-time fee of \$1,000 in addition to annual membership charges of between \$1,000 and \$5,000, depending on the size of the member company.

The mechanics of trading are simple compared with the effort required to analyze a company's energy use. It took Michael Stajer, CEO of J.J. Buckley Fine Wines in Oakland, Calif., two months to calculate the energy consumption and carbon output of his online wine store, which has 23 employees and \$15 million in yearly sales. Stajer wanted to buy enough credits to negate his company's entire production of greenhouse gases. With help from FedEx and United Parcel Service, he calculated the amount of petroleum needed to ship each bottle of wine. He then determined the emissions of his 12,000-square-foot headquarters and warehouse, which use lots of energy for cooling wine and lighting. He persuaded some workers to use public transit rather than drive to work and installed energy-efficient lightbulbs. "We have cut as much as we can," says Stajer, "but our carbon emissions will go up as we ship more wine." Stajer has managed to pare back about 40 metric tons a year, but he's still paying Carbonfund.org \$2,000 per quarter for offsets on the 400 metric tons he can't get rid of. He says this is money well spent because it sets him apart from rivals. He will audit his energy use annually, with some help from Carbonfund.org, which has templates to convert business processes to carbon consumption.

Still, as Lobster.com found, buying carbon credits doesn't always boost a company's reputation. The Providence company employs three people to ship about \$300,000 of fresh lobster every year. In 2006, Lobster.com joined CCX so it could buy carbon credits, then duly noted its new environmental credibility on its Web site. Says CEO Andrew Rock: "We had customers who called and complained, questioning whether we were associating with far-left liberal causes." ■

SHAWN G. HENRY

**BIT FISHY?**  
Rock's clients  
saw a carbon  
plan as leftist

reduce its carbon dioxide and other emissions. Or it must buy carbon credits—which are supposed to denote the conservation of damaging gases by another business—or both. Conservation Services Group, a Westborough (Mass.) aggregator that helps small businesses buy and sell credits, says it has received 50% more requests for proposals from small companies this year than it did last year.

Most companies buy carbon cred-

