

US EPA ARCHIVE DOCUMENT

US EPA's Green servicing workshop, June 23rd-24th
*Green Business Model Innovation -
A shortcut to green growth & competitiveness*

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Background

- First initial investigation on green business models – the green paper (2010).
- Initiated by the Danish chairmanship of the Nordic Council of Ministers 2010 as part of the “Green Valley of Europe”-vision.
- Green Business Models is now part of the Nordic Common Co-operation Programme 2011-13 and of the Prime Minister’s task force in the Nordic Globalization Forum (f. e. public procurement).
- FORA is starting a new project on **Green Business Models Innovation** in collaboration with the OECD, Nordic innovation agencies, international experts and Nordic Innovation Center.



What is green business model innovation?

Definition

No common definition – but in the Green Paper we use:

“Green business models are business models which support the development of products and services (systems) with environmental benefits, which reduce resource use/waste and which are economic viable. These business models have a lower environmental impact than traditional business models”.

- In the green paper we focus on business models such as
 - product service systems / functional sales models

 - but also touches on:
 - Industrial symbiosis
 - Green supply chain management
 - Cradle to cradle

What is green business model innovation?

Example

- Instead of selling refrigerators the producer sells a number of cubic feet of space with a lowered temperature for a certain period of time (the customer need) and the producer owns the refrigerator.
- => The producer thus has **incentives** to minimize total **life-cycle-costs** including energy consumption, maintenance and disposal/waste. This spurs innovation to think in new and other competitive solutions.

Key points

- **Key points:**
- GBMI gives companies a **competitive advantage** due to four main reasons:
 - Resource efficiency equals higher resource productivity (long run)
 - GBMI spurs innovation which gives companies an edge
 - Creates a customer loyalty (allegiance)
 - Fewer players on market (blue ocean ctr. red ocean)
- GBMI is a **shortcut to green growth**. *Everybody* focuses on technology driven (green) growth, but few - so far - focus on non-technological (green) growth (innovation).
 - Technological innovation = incremental product changes
 - Non-technological innovation = systemic/radical changes
- Non technological innovation may occur across **all sectors**
- Focus is on **value of use**, minimizing costs and maximizing innovation (growth)

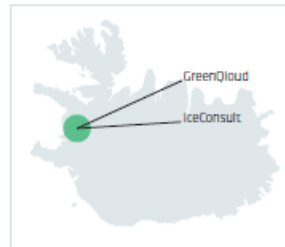
Untapped potential!

- International experts, public and private actors and Nordic companies agree that green business models constitutes a very promising **platform for innovation** which can
 - Create **new business opportunities** and **new jobs** in a growing international market
 - **Lower environmental impacts** significantly
 - Improve company **branding** - both for suppliers and customers
 - **Increase motivation** amongst workers, and thereby attract and sustain the brightest minds
 - Create an **international stronghold** for the Nordic region

Prevalent green business models in the Nordic region with common characteristics



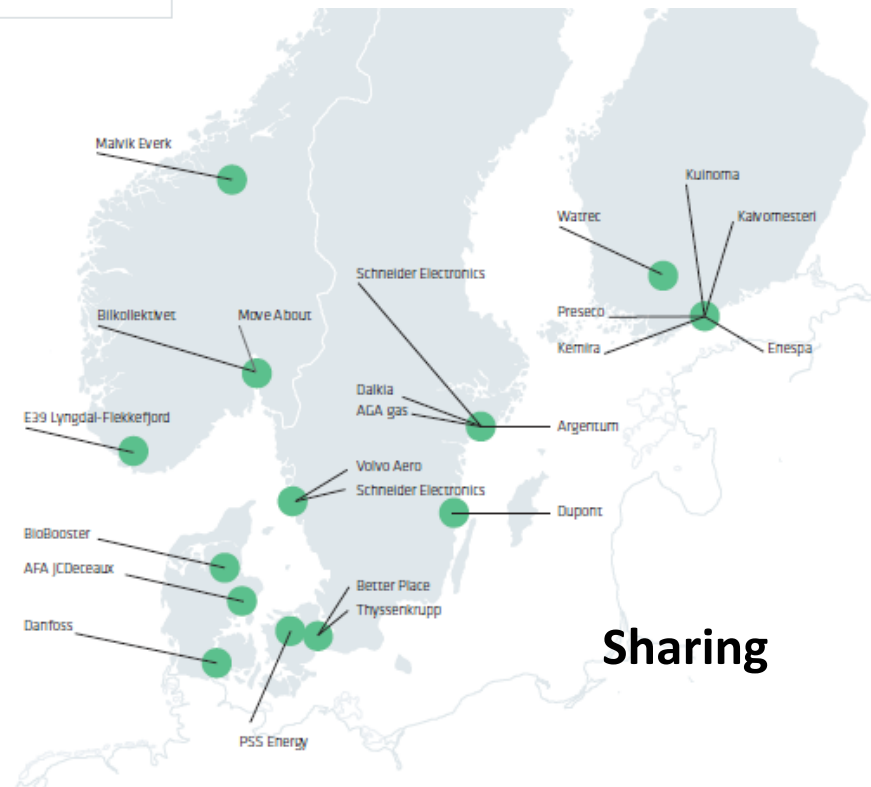
ESCO – Energy Saving Companies



CMS – Chemical Management Systems

Functional sales - generic model for all green business models

DBFO - Design, Build, Finance and Operate



What are the challenges (from green paper)?

- Green business models are so far **not very disseminated** in the Nordic region.
- **Knowledge gap** about the real benefits and costs among customers, suppliers, finance institutions, and public authorities
- Policy efforts needs to be **coordinated**
- Need for a **change of mindsets** for both **companies and public institutions** to be more open to create new solutions in partnerships their clients and through public-private partnerships
- Public institutions need to promote green business models through **public procurement and regulation**

Next steps

Deliverables of new project:

- 1) *Definition report* - **internationally acknowledged definition** regarding Green Business Model Innovation (September 2011)
- 2) *Effect report* - **economical, environmental and innovative benefits** involved for suppliers, customers and society - benchmarking with traditional business models (end of 2011)
- 3) *Case report* - **best** (next) international **practice** (beginning of 2012)
- 4) *Policy report* - **best policy practices** and coordinate Nordic policy makers efforts to design strategic policies (beginning of 2012)
- 5) *Practical tools* - **help Nordic companies to benefit** from the new market opportunities and spur the 'green transition' (bottom up) (mid 2012)

Thanks!

- The Green Paper on green business models in the Nordic region can be downloaded at:

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