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## Top Green Business Stories of 2006

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It's that time again -- a time of "bests," "worsts," and "top tens" from the year just passed. I'm happy to jump into the fray, having just reviewed more than 500 [news](#) and [feature](#) stories we ran on [GreenBiz.com](#) and its sister sites during 2006. That little trip down Memory Lane presented an opportunity to see shapes as well as details -- to observe the trends that emerged or accelerated during the year in the area of business and the environment.

In choosing the year's Top Ten, it would have been easy to home in on the headline-grabbers: our [addiction to oil](#), [An Inconvenient Truth](#), the [Stern Review](#) -- oh, and that U.S. election in November. All critical developments, to be sure. But I prefer to focus on how companies are responding to these and other developments -- and leveraging them to derive business benefit and leadership status.

The quick summary: While a couple of new issues or companies gained traction last year, 2006 did not offer any sea change in how companies are addressing environmental challenges. Rather, the year saw a continuation of existing trends: big companies moving in the right direction, but most having a long, long way to go.

I supposed that's all one can expect from the mainstream business community: a gradual, incremental transition to more sustainable policies, products, and practices -- not breakthrough, disruptive change. A boy can dream, though.

Herewith, in no particular order, are my picks for oh-six:

### 1. Wal-Mart Goes from Zero to Hero

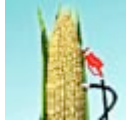


If you've been reading these pages lately, you've seen a succession of stories about Wal-Mart's environmental commitments: its efforts to [reduce the toxic ingredients](#) of the products it sells; its [five-year plan](#) to reduce packaging; its commitment to [green its textile supply chain](#); its [pledge to sell 100 million compact fluorescent light bulbs](#) in 2007; its potentially ravenous [appetite for solar](#); and more.

I'll be honest: I didn't see it coming. The green utterings ([PDF](#)) of the company's CEO, Lee Scott, notwithstanding, it was hard to imagine that this much-maligned, seemingly intransigent company could change much, if at all. But I'll be the first to give credit where it's due. Wal-Mart -- like Nike, Starbucks, McDonald's, and several other corporations prodded toward sustainability by activists -- seems hellbent to be a leader, and appears to be putting its considerable heft behind that notion. And there's much more to come, I've been told by several of the consultants, enviros, and others that have been [spending more time than they ever imagined](#) in Bentonville, Arkansas.

To be sure, Wal-Mart is far from green, and it has other issues -- labor, community, etc. -- to clean up before it can be considered a truly "good" company. But over the past year, I've found myself fascinated with the conversations taking place in Bentonville. And if Wal-Mart can embrace green, it feels like anything is possible.

## 2. Alt-Fuel Vehicles Get in Gear



Just one year ago, it didn't feel like there was much hope for alternatively fueled vehicles, notwithstanding a handful of hybrids and a few bold but hopelessly miniscule companies seeking to create a market for small commuter cars and other niche products.

But seemingly out of nowhere, alt-fuel vehicles have gotten traction. And while it may not yet have hit the fast lane, it's at least moving in the right direction. General Motors began the year with its [Live Green, Go Yellow](#) campaign, along with a [larger effort](#) to help grow a "flex-fuel" infrastructure. It seemed to garner a measure of eco-cred that the company hadn't seen in quite a while. Of course, many people [are asking tough questions](#) about the viability and sustainability of a corn-based fuel supply -- and debating when alternatives to corn could be ready for market. Still, the quest for the "[flex-fuel freeway](#)" is in forward gear.

But a funny thing happened on the way to the pump: without a lot of fanfare or hype -- indeed, with some initial resistance from Big Auto -- the notion of the electric vehicle, which some had famously considered to have been [killed](#), started [showing signs of life](#). Starting with hobbyists and tech-geeks, then spreading to venture-backed companies like [Tesla Motors](#), plug-in electric vehicles became the talk of Detroit, Tokyo and beyond. By year's end, Toyota and [GM](#) had both announced plans to introduce plug-in hybrid-electric vehicles, and the electric car seemed like it might be on the road to recovery.

## 3. Carbon Neutral Brings Hope and Hype



In the be-careful-what-you-wish-for category, "climate neutral" became the [word of the year](#) for 2006. That's good news, of course: the notion of offsetting or zeroing out one's climate footprint has long been a dream of environmentalists. But the word gained such popularity, with no clear guidance over its use, that it became -- well, not exactly full of hot air, but close.

Everyone and everything, it seems, went climate neutral last year: [cars](#), [fuels](#), [vacations](#), [corporate headquarters](#), [flowers](#), [musical acts](#), [major sporting events](#), even [large multinational institutions](#).

But what does it all mean? The onset of offsets has led to growing scrutiny by climate experts, activists, and others about how to define "carbon neutral" (or what to even call it) and what standards companies and others seeking that lofty status should meet. It's [controversial stuff](#), to be sure, and the debates will only become more heated as more companies offering carbon-neutral services enter the field -- and more of their customers hype their carbon-neutral achievements. With offsets [expected to become big business](#), this will be one hot topic for the foreseeable future.

## 4. Financial Sector Takes on Climate



"Follow the money," goes the [classic movie line](#), and if you want to see who's driving corporate action on climate change, that's exactly what you need to do.

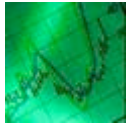
With climate change increasingly [seen as a serious risk](#) to insurers, that industry last year ramped up its efforts to fully understand and address those risks, along with the inherent opportunities. The U.S. association of state insurance commissioners [launched a task force](#) to examine how climate change may affect the availability and

affordability of insurance. A few companies began to [introduce innovative products and services](#), such as carbon emissions credit guarantees, or rate credits and other incentives for commercial building owners who re-build damaged properties to [LEED-certified](#) standards. A Japanese insurer, Tokio Marine & Nichido Life, took it upon itself to reforest more than 7,500 acres of mangroves in Asia to minimize losses from rising cyclone-related risks.

It wasn't just the insurers. The smart money on climate seems to be moving in the direction of large investment firms, which are beginning to see climate as a driver of risk and opportunity for publicly traded companies. Barclays, [Citigroup](#), Credit Suisse, Goldman Sachs, HSBC, and Swiss Re -- financial giants all -- stepped up efforts to integrate climate change into their lending policies, investment portfolios, or overall strategy.

And where the money goes, as Deep Throat taught us, politicians are sure to follow.

## 5. Investors Flex Their Muscle on Climate

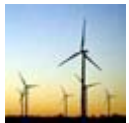


In some ways, banks and insurers are the least of it. Shareholders -- specifically, large institutional investors like pension funds and university endowments -- are emerging as the real power brokers in the climate arena. Last year, the Carbon Disclosure Project, a coalition of institutional investors with more than \$31.5 trillion in assets, [pressed big business](#) to disclose corporate risks and opportunities associated with climate change. Much of this was done under the leadership of the nonprofit group [Ceres](#), which began [ranking the top 100 global companies](#) on how climate change will impact them -- whether from expanding greenhouse gas regulations, direct physical impacts, or surging demand for climate-friendly technologies.

The leading investment firms are jumping in, too. Merrill Lynch, for one, [issued a report](#) profiling seven companies it believes are best positioned to capitalize on what it calls the "clean car revolution." Citigroup, JP Morgan Chase, and Morgan Stanley also published research reports analyzing the financial performance of the carbon markets, sometimes identifying who's naughty and nice -- that is, the leaders and laggards in their various sectors.

That kind of involuntary disclosure from the investment community may be exactly what slower-moving companies need to get off the dime.

## 6. Renewables Become the New Recycled



Remember way back in the early 1990s, when "recycled" was the cutting edge of corporate environmental practice? Companies competed over the use and percentage of recycled materials in their products -- mostly because it was a marketable claim that the public readily understood.

Now, "green power" is the alluring buzzword du jour, and companies are jumping on board, leapfrogging one another to be seen as the leader, at least for the moment. From [Walgreens](#) to [Whole Foods](#), the race is on. Who will build the biggest solar installation? (It's [Google's claim](#) for now.) Who will claim the largest purchase of renewable power? (The bragging rights were handed to [Wells Fargo](#) in recent months.)

But even the Bush administration's Environmental Protection Agency knows that all these efforts [aren't enough](#). Making a dent in climate change will require tackling some big hairy audacious goals, or at least doing more than buying a few megawatt-hours of wind power. As the stark reality of [climate stabilization wedges](#) has demonstrated, big companies need to be doing much more, and doing it much more quickly.

Still, corporate leapfrogging on green power: As the [folks at BP say](#), "It's a start."

## 7. Water Rises as a Business Issue -- and Opportunity



The issue of water scarcity is hardly new. Neither is the potential risks to businesses from insufficient water quality and quantity; I've written about this on [several occasions](#). Indeed, I wrote about "water as a business issue" in my [top stories rundown of 2004](#).

But the call for change is moving from a trickle to a steady stream. A team of international scientists [called for radical action](#), predicting that water shortages will be happening sooner than previously estimated. Another sobering assessment concluded that water crises increasingly are [affecting some of the world's wealthiest nations](#), suggesting that companies in developed countries could be facing shortages even before some of their Third World brethren.

But amid the challenges are opportunities. Dow, for one, saw fit to [launch a business unit](#) to advance the science of desalination, water purification, contaminant removal, and water recycling. It joined GE, Dupont, and other old-line companies eyeing the potential to bring to market new water technologies with the potential to create massive new revenue streams.

## 8. Computer Industry Plugs in to Green



Two critical environmental issues came to a head for computer makers in 2006: energy use and waste disposal. Both had been low-level concerns for years, but took on new urgency over the past twelve months.

Electronic waste, or e-waste, became a focus for several activist groups, which pressed major computer manufacturers to provide the ways and means to take back used machines for decommissioning, reuse, recycling, or other disposition. Largely as the result of boycotts, protests, and shareholder actions, [Apple](#), [Dell](#), [HP](#), and other companies made significant commitments. Greenpeace shook things up with its [ratings](#) of companies' efforts on toxics and recycling, the first such ranking ever made.

Things are even more heated on the energy front. Millions of computer servers operating 24/7 -- processing e-mail, operating Web sites, and managing just about everything else in our digital and wireless world -- have become gluttonous energy users. One factoid: A single high-powered rack of computer servers consumes enough energy each year to power a hybrid car across the United States 337 times. And with customers of server and chip manufacturers paying those growing monthly energy bills, computer hardware manufacturers have found themselves in a [race to the top](#), competing on who can be most efficient.

Both energy and waste issues were factored into a new green-computing standard, called [EPEAT](#), introduced mid-year. Within months, more than [300 computers had met the standard](#). Talk about computer upgrades.

## 9. Green Chemicals Become Supercritical



The notions of "green chemistry" and "sustainable chemistry" may seem odd, if not oxymoronic, but both are becoming part of the industry's vernacular, thanks in large part to increased pressures to reduce toxic substances in both chemical processes and products.

The European Union [proposed an "action plan"](#) to boost chemistry innovation on the continent by focusing R&D on what it dubbed "SusChem," shorthand for sustainable chemistry. On the U.S. side of the pond, pressure came from shareholder groups, which [began pressing companies](#) as varied as DuPont and Whole Foods to better disclose the risks of toxic chemicals in products, and to push for greener alternatives. Even the normally taciturn U.S. EPA [called on Corporate America](#) to cut chemical use.

Some companies, like [S.C. Johnson](#), were acknowledged as leaders, along with [others](#) that

have made strides in green chemistry. It's only a handful of innovators so far, but with the right catalysts it could turn into a chain reaction.

## 10. Green Becomes an Engine of Growth



Two thousand six may be the year that green business crossed the line from a movement to a market. It was long in coming, of course, with several watershed moments, not the least of which was the [launch of GE's Ecomagination campaign](#) in 2005. But in 2006, company initiatives to harness "green" as an engine for topline growth hit their stride. GE, for one, [announced](#) that it was ahead of its plan to reach \$20 billion in annual sales of Ecomagination products by 2010.

GE wasn't alone. Dupont [launched its own initiative](#), committing to \$6 billion in new revenue from "business offerings addressing safety, environment, energy, and climate challenges." Dow came on board with the aforementioned water initiative. Carpet maker Interface [introduced a consulting service](#) to help organizations as diverse as Sara Lee and NASA get their sustainability programs off the ground. Caterpillar launched an ambitious business unit to develop a remanufacturing industry in China. And a wide range of innovators developed new, clean technologies for everything from [bottles](#) to [buildings](#) to [boats](#) -- part of the year's [overall boom](#) in clean-tech activity.

It's all part of the Big Green Opportunity -- in theory, at least. It's not yet clear that companies are ready to seize the moment. A [sobering study by the Conference Board](#) found that a majority of big companies concerned with corporate responsibility issues lack an active strategy to develop new business opportunities based on those concerns.

Will sustainability truly become an engine for business opportunity and growth? That's a story for another year.

Maybe 2007?

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*Joel Makower is Founder and Executive Editor of GreenBiz.com. A version of this article originally ran in his blog, [Two Steps Forward](#).*

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