

*GE Canada*  
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## **“Embracing the Environment”**

### **Speaking Notes for**

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**at**

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### **Introduction**

Good afternoon. I want to thank the Business Council of British Columbia for inviting me to speak and I applaud all of you for attending this summit. The work that you're doing to promote trade and investment between B.C. and California, particularly in the area of clean technology, promises to do much for both environmental and economic progress.

That gets at the heart of what I want to discuss. Now is the time to embrace the environment. It is critical for the sake of our planet, and it presents a valuable opportunity for our economic prosperity.

Being stewards of the environment and being competitive – as businesses, as provinces, as states and as countries – go hand in hand. They are not mutually exclusive – in fact they are complimentary.

Many analysts dwell on the cost of meeting greenhouse gas and other environmentally responsible objectives. Instead we should consider the many opportunities that come with a focus on green. By developing efficient, clean products and services, we have the opportunity to create new markets with these solutions, to evolve our research and technical capabilities, to improve workforce skills, and to contribute to more livable communities.

That's how we need to view environmental care and protection – not as problems, and not just as challenges, but as opportunities.

Why is now the time to embrace the environment? Yes it's the right thing to do – by all accounts we see the dramatic impact we have made on the environment. But we are also at a place in our history where significant alignment is occurring around climate change and going green → alignment in public opinion, technology, and business objectives.

Embracing the environment can drive business revenues and earnings, build stronger and more competitive economies, and engage a broad cross section of our citizenry. I will take a few minutes to look into each of these areas – business financials, government economies and citizen engagement.

B.C. and California are certainly two places that get it. Under Premier Campbell and Governor Schwarzenegger, both are true environmental leaders. I commend them both for setting high standards that have driven changes in behaviour, and opened up important dialogues about the kind of environment *and* economy we want. It's not an either-or proposition.

As head of GE in Canada, I am proud to say that my company gets it. Our Ecomagination initiative is one that has every one of our businesses thinking green – and that's earning a lot of green too. Embracing the environment at GE is good for business.

### **The First “E” – Earnings**

Globally, our customers are facing challenges such as climate change, high energy prices, tighter environmental regulations, and water scarcity. Ecomagination is GE's response – a business and investment strategy that is driving the development of innovative products and services to benefit our customers and society.

These are solutions that will protect and clean our environment, promote energy efficiency, lower greenhouse gas emissions, reduce our use of fossil fuels, and increase the supply of usable water, as examples.

We launched Ecomagination two years ago, the result of sessions with energy and heavy-industry customers. They generated a wish list that included everything from cleaner ways to burn coal, to more efficient wastewater treatment systems. And we've delivered.

What is Ecomagination?

Let me give you an example from right here in B.C. Just last week, we announced that GE Energy Financial Services will make its first equity investment in Canada, in a run-of-river hydroelectric project in B.C. developed by Plutonic Power. This investment will help Plutonic to realize its 196-megawatt project on East Toba River and Montrose Creek, about 190 kilometers northwest of here.

This project will produce enough energy to power an estimated 75,000 homes, and avoid 455,000 metric tons a year in greenhouse gas emissions, compared to equivalent fossil fuel generation.

What is Ecomagination?

It's high performance traction motors made by GE in Peterborough, Ontario for the GE Evolution locomotives. Compared to locomotives built 20 years ago, these new engines produce 83% fewer particulates and 60% fewer nitrogen oxide emissions, while delivering higher fuel efficiency. CN and CP Rail are among those using GE's environmentally advanced locomotives. And just last week GE unveiled the world's first hybrid locomotive that is capable of recycling thermal energy as stored power in on-board batteries.

What is Ecomagination?

It's GE's LMS100 gas turbine, offering superior performance and efficiency, with substantially lower CO<sub>2</sub> emissions compared to traditional turbines. In California, the Panoche Energy Center, outside Fresno, acquired four of our turbines, which will produce enough electricity during peak hours to illuminate the entire city of Santa Ana.

With nine LMS100 units going into California by 2010, the state stands to reduce CO<sub>2</sub> emissions by more than 270,000 tons over other similar gas turbines – the equivalent of eliminating the emissions from 45,000 cars.

What is Ecomagination? It's a commitment to invest in and deliver innovative technologies that help our customers address their tough environmental challenges while also providing improved operating performance.

It's high-efficiency household appliances.

Or cleaner coal technologies that could reduce key air pollutants by as much as 50%.

Or an investment in offshore wind turbines, fuel cells, and solar power – including the world's largest solar plant.

How important is Ecomagination to GE? Let me share three numbers.

First, \$1.5 billion. That would be impressive if it's what we expected to earn from Ecomagination. It's not. That's how much we plan to *invest* annually

in R&D by 2010 to deliver innovative eco solutions. That's twice what we spent in 2005. In 2006, we were already up to \$900 million.

The second number – \$12 billion. *That* was our Ecomagination revenues in 2006.

Third – \$50 billion. That represents the orders and commitments for our eco-certified products.

I mention these numbers not to be self-congratulatory, but to underscore how going green can not only greatly benefit the environment, but also financial performance.

Our success and commitment will continue to lead to more advanced research, additional products each year, and more technology big bets and demonstrations.

Ecomagination is also a commitment to improve energy efficiency and reduce GHG emissions in our own operations.

Measured against a 2004 baseline, we've set goals of reducing GHG intensity by 30% by the end of 2008, becoming 30% more energy efficient by 2012, and reducing our GHG by 1% by 2012, when they would have grown by 25% if left unabated. We're on track to meet those targets.

Just one success story – a re-lamping project across our Consumer and Industrial plants, using high-efficiency GE bulbs, is saving 11 million

kilowatt hours, and reducing 7,000 tons of CO<sub>2</sub>. That's equivalent to removing more than 1,300 cars from the road.

Two years since announcing Ecomagination, GE now has 5,000 eco projects taking place across the company. We have saved \$70M so far, and our employees are attacking waste with unprecedented zeal!

So we're showing environmental stewardship, improving the competitiveness of our products, increasing our revenues, and reducing our costs all through the one endeavour of Ecomagination.

Eileen Claussen, President of the Pew Centre on Global Climate Change, writes that "The real success of Ecomagination should be measured not in dollar signs but in the change it has led in the wider corporate world...GE understands that we can spark the transition to a low-carbon economy that is good for the company, good for the economy, and good for the planet."

Every day we see the market shifting into this space – Walmart is driving it by working with suppliers on improving efficiency and by bringing environmentally friendly products to the consuming public. This week's news highlights investment firms, hedge funds and many others all shifting attention and capital into a market they see emerging into a global industry.

There is a growing, global opportunity both to bring innovation to the market, and to help create the market with your own internal practices.

By embracing the environment, there is an opportunity for business to be green while earning green, to find its own way to make the link between environmental performance and operating performance.

### **The Second “E” – Economy**

Just as companies are doing so, jurisdictions are also finding how they can embrace the environment to build their competitiveness. That’s the second “E” – economy.

By focusing on emission reductions and other environmental priorities, we will not only get our own house in order, we can position our provincial or state or national economies for opportunities and growth.

Think about it. We have the resource base, the scientific and human talent, and the financial and entrepreneurial skill to be leaders in the development of next generation technologies.

With that kind of technology and talent, we can be a source of cleaner energy and environmentally preferable products and services that can be put to use both here and abroad. We can drive our economies and create a point of differentiation from other global suppliers with our design, our manufacturing, our technology.

That’s a pretty unique opportunity. It’s time to think about how we maximize it.

B.C. had it right in its Speech from the Throne, in February, which declared that “Climate action must be pursued as an economic opportunity as well as an environmental imperative.”

B.C. has the second lowest per capita greenhouse gas emissions in Canada, and has set aggressive targets to reduce emissions by at least 33% below current levels by 2020. B.C. is the first jurisdiction in North America, if not the world, to require 100% carbon sequestration for any coal-fired project. And a new energy plan will require that at least 90% of B.C.’s electricity comes from clean, renewable sources.

Then there’s Vancouver’s 2010 Winter Olympics, which promise to be the Green Games in everything from building design, to wastewater treatment, to transportation.

As an Olympic partner and supplier, GE is proud to be part of these efforts. Moreover, I applaud how the province sees the potential for the environment to be an economic engine. In outlining its environmental goals, the province made clear that its actions would lead to not only a cleaner and more sustainable B.C., but also to more jobs and investments. California is another jurisdiction that is showing the way. It has passed landmark legislation to cut greenhouse gas emissions – by 25% by the year 2020, back to the 1990 level, then to 80% below that by 2050. The state has introduced many other visionary environmental initiatives, from water management, to the hydrogen highway, to the world’s first low-carbon standard for transportation fuels.

Governor Schwarzenegger has been passionate in talking about the interdependence of the economy and environment, and about launching a “greenrush” in the state. California clearly recognizes how its environmental leadership will spawn new products, new jobs, and new opportunities.

Just how much of an impact will California’s moves make? Last August, the University of California, Berkeley, published a study stating that California's global warming action will add US\$60 billion to the US\$1.5 trillion economy and 17,000 jobs annually by the year 2020. By offering innovation incentives to business, the report found, the boost to the economy could be far greater – US\$74 billion and 89,000 new jobs annually. It’s a starting point.

Here in Canada, the new Task Force on Environmental Leadership, from the Canadian Council of Chief Executives, talks about how this country can be an environmental superpower, in terms of leadership in cleaner energy and advanced technologies.

We can be a country where we’ve slashed GHG emissions.

Where electricity is made by a much more diverse set of generators.

Where there are greatly expanded roles for local co-generation and micro-turbine systems, wind power, and other renewable power sources.

Where solar heating and power systems are the norm.

Where companies and governments continuously invest in clean technology and innovation.

Where the ecology and economy go together, with cleaner air, reduced health care costs, an improved quality of urban life.

And where we're renowned for both our natural resources and our intellectual resources, both of which will be in high demand in an increasingly carbon-conscious global economy.

Does this sound like a country that will be the envy of the world? Does this sound like a country that will increase its prosperity and be positioned well in the new global economy? It is possible.

### **The Third “E” – Engagement**

One of the reasons why it's possible is the third “E” – engagement.

It's interesting to review media coverage of the first Earth Day in April 1970. Back then, the *New York Times* reported, the world's ecological woes mainly concerned students and environmental activists – so-called “tree huggers”. One column suggested that attention from legislators was merely a “fad”.

Today, we have unprecedented consensus that it is time for action – well past time.

Last year, GlobeScan Incorporated conducted a survey of 33,000 people in 30 countries around the world. It was one of the most comprehensive studies ever done on the views towards climate change.

On average, 90% of respondents called global warming due to carbon emissions a serious problem. That's an unprecedented global consensus. I think we'd be hard pressed to find any other subject on which 90% of the world's population would agree.

Perhaps most encouraging is the views of the younger generation. In school, students are still learning the three "R's" – except these days, that stands for reduce, reuse and recycle.

And surveys show that, compared to the public at large, young adults are *twice* as concerned about the environment than they are about economy.

We hear this message during recruiting. Maybe you do too. That's not a surprise when engineers are trained in school to design for sustainability, and business programs have mandatory environmental curricula.

An article in March's *Financial Post Business* magazine reported a survey of 2,000 business students. Over 80% agreed that business should work towards the betterment of society, and 90% said executives should factor social and environmental impacts into corporate decision-making.

It's not just public opinion that's on the side of action, but government and market forces. *More stringent environmental regulations are changing how we do business, and the markets are demanding more sustainable investment options.*

Thomas Freidman recently wrote a fascinating piece in the NY Times Magazine on the Power of Green. In this piece, he talks about how Green has gone Main Street. There is tremendous momentum to embrace the environment.

## **Conclusion**

So how can we, as businesses, play our part?

Let me refer back to Friedman article again. While he acknowledges that Green has gone down Main Street – he goes on to say that is has not gone very far down Main Street. As he says, 'The dirty little secret is that we're fooling ourselves...and he goes on...Here's the really inconvenient truth: we have not even begun to be serious about the costs, the effort and the scale of change that will be required to shift our country and eventually the world to a largely emission-free infrastructure'

I recently served on Canada's national roundtable for the Environment and Economy. Last year we released an important report that used the concept of Socolow's wedge theory, which he developed in Princeton, to Canada. Simply put, the report models the gap between the assumed future state and the desired state of emissions. At the roundtable, we then took all

known technology and said how could you close the gap – ie get to your desired state of emission reductions, what technologies need to be applied and how broadly. The good news is – with the technology today – there is a means to reducing our emission by as much as 60%. The challenge is driving the wide spread adoption of new technologies.

Quite simply, we know that embracing the environment is the right thing to do and we know its good for earnings and our economy. The business of environmental solutions is good business. Whether through your practices, products or services, you will find big benefits in terms of top line growth, cost savings, [recruitment](#), public image and the environment.

However – to realize those benefits we need to be proactive in ensuring informed public policy – policies that are not only good for the environment, but that keep our businesses and economy strong and competitive.

Our Chairman Jeff Immelt often talks about the need for us, and all business to take these big bets. But to make these long term plays, we all need to know that carbon has a value, and longer term policy commitments.

In the U.S., GE is part of the United States Climate Action Partnership. USCAP, comprising leading corporations and environmental organizations, is calling for federal legislation to create a cap-and-trade system. Here's a perfect example of how we can be involved in promoting public policy that's beneficial for both business and the environment.

We as businesses also need to call for policies and standards that stimulate investment in the full range of energy options and advanced clean technologies. Some will have more impact than others, but all can contribute to emission reduction and other environmental objectives. Every company of any size can have its own influence.

The business community has already made significant investments in making its operations and products more energy-efficient, in developing cleaner technologies, and in creating sustainable business models. We have the responsibility to act – for ourselves and our customers, and to contribute to a national plan and a global solution. We need to work with government to ensure that the legislation is pro-active while also being pragmatic.

Real solutions and real progress is possible. And inevitable. It is if we, business and government, continue to show the kind of leadership that's evident at today's summit.

Times have changed. I talked about Earth Day before, and that first one was filled with dramatic demonstrations. In one, a protestor disguised as the grim reaper interrupted a stockholder's meeting of a major multinational. That company? GE.

Today, says the Pew Centre on Global Climate Change, GE's Ecomagination is at the forward edge of a new business movement, with the biggest and most ambitious climate strategy.

I am proud to be part of a company that invests in technological innovation and advances policy solutions. There are many other businesses that are doing the same today, and we need more

We're living in an exciting time. A time when public opinion, political will, business interests, and practical technological solutions are all converging. It's vital that we keep up the momentum.

As companies and as countries, we must embrace the environment. By doing so we will chart a new course in our development. One that realizes the benefit of the 3 E's – earnings, economy and engagement.

James Lovelock, a British scientist and environmentalist, has written passionately about how environmental degradation has brought the planet to the brink. He's not without hope, however, "If," as he says, "we see the world as a superorganism *of which we are a part* – not the owner, nor the tenant, not even a passenger...It all depends on you and me."

And it all depends on the choices that we make and the leadership roles we play today, as businesses, citizens and governments.

Thank you.