There will be life after the election and one of the now "old" problems we will have to think about is still carbon emissions. I say old, as apparently it has been around since the industrial revolution. If you are tired of reading about who said what and when, and then changed or didn't change his or her mind, I have a reading list for you. Tucked into odd corners of the New York Times and the Wall Street Journal, I found a series of articles concerned with a more comfortable topic—the environment. Our posting this month is commentary on five of the thirteen listed below. Take a look and see what you think.

The Messy Business of Clean Power – NY Times, 7/14/16
Creating Their Own Green Sources – NY Times, 8/24/16
Carbon Goal in California is ‘Milestone’ on Climate – NY Times, 8/26/16
Big Oil Changes Its Focus; Wall Street Journal, 9/14/16
The Growing Power of Managing Energy Demand, Wall Street Journal, 9/14/16
Japan's Shift to Renewable Energy Loses Spark Wall Street Journal, 9/14/16
In Fukushima, A Determination to move Past Nuclear Power, Wall Street Journal, 9/14/16
New Life for Projects to Reduce Emissions, Wall Street Journal, 9/14/16
How Well Do You Know Energy Policies? Wall Street Journal, 9/14/16
Paris Climate Deal Gains Momentum, Wall Street Journal, 9/22/16
OPEC Gains Consensus for Cuts, Wall Street Journal, 9/29/16
A Carbon Tax That Won’t Hurt Growth, Wall Street Journal, 9/29/16
Commentary: Energy, The Ongoing Discussion

Posted By NAEP, Thursday, October 13, 2016

By: Neil Markee
Editor in Chief-Purchasing Link

Despite the contentious, maybe depressing, presidential campaign that has dominated the pages of both the New York Times (NYT) and the Wall Street Journal (WSJ) for months, issues related to the electrical power generation has found its way into print frequently. Since our last posting, I clipped thirteen articles on that subject, which I thought should be of interest to college and university business leaders who are tracking climate change issues. Below, I have briefly reviewed five articles. If you are interested in the topic, you probably should read the entire articles, as they all provide much more detail.

“The Messy Business of Clean Power” (NYT 7/14/16) is clearly all about money. David Gelles’ tale is about the tug-of-war between the desire to clean up the production of power and the need to cover costs and deliver the ROI demanded by investors at NRG, a company that is a major producer of energy on a national scale. David Crane was NRG’s CEO, with previous experience in conventional sources of electrical energy and, according to the article, with enough interest and a record of action in clean energy to have become known as an environmentalist. From what little we learn about him, he seemed to have close to ideal credentials for the job.

NRG owned some of the most advanced coal-burning plants in the industry, and solar-power plants as well. The modern conventional Segundo Energy Center on the ocean near Los Angeles is capable of serving the needs of something like 450,000 homes. However, it was used only “occasionally,” when needed to back up large solar-farms in California. The article suggests that Crane was happy with the mix, direction and pace but his stockholders were not, when the stock price fell 63 percent over a year and Crane was replaced by Mauricio Gutierrez, who also had previous experience with conventional power generation.

Interestingly, Gutierrez had been Crane’s Chief Operating Officer before replacing him. Promoting an executive, from within, who is committed to the goals of his ousted processor suggests that the board may not have been as unhappy with the goals as they were with the process and timetable. Reportedly, Gutierrez has scaled back some of the projects and streamlined the transition and the stock price has responded by increasing 40 percent since he took over. Maybe a clear message has been delivered. Stockholders will support investment in cleaning up the environment so long as those who manage the process keep in mind the basic absolute need to deliver the ROI needed to support the corporation. As I read it, stockholders were in favor of aiding the national effort to reduce carbon in the atmosphere by doing their share, but not at Crane’s price and pace. The message sent by firing the CEO and anointing his second in command was probably, “Slow down and think bottom line.”

“Creating Their Own Green Sources” (NYT 8/24/16) describes an effort to reduce power costs while enhancing what management probably sees as the bottom-line value in Apple’s reputation for using brain power to overcome challenges and lead the pack. The article discusses the effort by Apple to produce the power needed to run its operations, both industrial and retail. Apple’s
Goal is to become a green utility whose major customer would be Apple. According to the article by Diane Cardwell, “The motives may be as much economic as they are environmental. As a wholesaler, Apple could reduce the cost of its electricity load, which reached 831 million kilowatt-hours in the last fiscal year – enough to power 76,000 homes for a year. But like a growing number of corporations, Apple is intent on reducing carbon dioxide emissions from electricity production, one of the biggest sources of greenhouse gasses that contribute to global warming.”

Apple has established a long-term contract with a commercial source of solar power, but was not prepared to disclose what it had agreed to pay for power. However, Lisa Jackson, the former administrator of the Environmental Protection Agency and now Apple’s executive responsible for global environmental policy and social issues, had previously disclosed the cost was less than previous commercial rates and the company expected to, “…save hundreds of millions of dollars over the life of the contract.” Apparently, corporate generation of green power primarily for their own is growing in the U.S. The article noted that production had doubled annually since 2013 and pointed to shareholder and customer pressure. In practice, recorded amounts of solar power or other power from renewable sources is fed into the national grid at the point of generation, joining power generated by other means such as coal, oil and gas, and the amount is credited when power is drawn from the grid as needed. The actual power withdrawn might have come from any source, but the company gets credit for the green power they contributed to the system.

Depending on a host of variables, their investment in green power may pay off in both dollars and corporate image. The effort this could prove to be a very cost effective way to offset their inevitable negative impact on climate change. Clearly, Apple is responding to shareholder/customer pressure.

“Big Oil Changes Its Focus” (WSJ 9/14/16) is an account of how large, well-managed oil companies are adjusting to deal with changing market-conditions long-term. They have found themselves with a glut of natural gas, an obviously useful product, and are working to find ways to profitably service the pent-up demand, immediate or potential.

Sarah Kent’s article focuses on the economics of Liquid Natural Gas (LNG). “Natural gas now accounts for about half of the production of most of the world’s biggest oil companies and is expected to dominate new output in coming years.” The major oil companies are focused on finding new power generation markets for LNG in third-world companies and seeking to become a more important player in the transportation area at sea and ashore. They seem more than willing to invest in infrastructure to provide the opportunity. If they are successful, and developing countries increase their natural gas consumption and their standards of living, many would see that as a good outcome.

As ever, there may be a downside. More industrial activity and a rising standard of living in developing countries fueled by a shift to natural gas might net more carbon emissions globally, even as it replaces energy sources that are less efficient. But there is no mention of the net positive or negative outcome resulting from a substantial increase in the consumption of natural gas.

Growing Power of Managing Energy Demand” (WSJ 9/14/16) by Bill Spindle is about matching the ups and downs of power demand with the ups and downs of power generation by actively managing production and consumption. Within limits, power output from traditional sources has been controllable enough to accommodate minor variations in demand and operators can bring on line or drop a turbine locally or elsewhere in the system to accommodate larger changes in demand. But increased reliance on clean, green power generated by wind turbines or solar farms, has changed the game. The operators involved can’t dial up more power if the wind drops or the sun is obscured. They could, of course, switch to another wind or solar farm in another area, if one with enough reserve capacity were available. Generally, wind and solar energy only provide 1% of the world’s power, so the need for an overall increase in production is unlikely to arise.
"Japan's Shift to Renewable Energy Loses Spark" (WSJ: 9/14/16) discusses the options available when nuclear power was swept off the table in Japan by an accident and how they opted to produce the power they must have when push came to shove. Author Mayumi Negishi reminds us of the meltdown at the Fukushima Daiichi nuclear power plant five years ago, which shut down nearly all of the fifty nuclear plants that had provided roughly 30 percent of the country's electrical power. Nuclear now accounts for only 1 percent of the power generated. You might reasonably think given the timing and the financial and technological resources available in Japan that clean low-emission power would be a major component in whatever was to succeed nuclear. That has not been the case.

Cost is, as always, one important factor and fossil fuels are plentiful and relatively cheap at the moment. Safety is another. The conventional technology involved is relatively mature and seen as reliable and safe options and they have long been the dominant sources of power in resource-poor Japan.

There are many suitable thermal sites in volcanically active Japan. But when a geothermal plant was proposed in one area, enough opposition was generated by concerns about safety to shelve the suggestion, until an exploratory well was agreed upon. When and if a project proves successful, the article estimates it would take a decade for the plant to become operational.

The construction of several other geothermal plants is under consideration. Just about all large-scale, viable hydro sites have already been exploited in Japan, but not all, and that is a viable but limited new source. Biomass production of fuels has been declared inefficient and harnessing wave and tidal energy is too costly, along with environmental concerns. A reduction in the subsidy provided to customers has resulted in a 25 percent reduction in new panels on homes in the last year or so. "Japanese companies now plan to increase the number of coal-burning stations in the country by almost 50% in the next twelve years, even as the U.S. and Europe shun the emission-heavy fuel."

The bottom line seems to be that Japan must eventually return to nuclear power. "Even with huge investments and strong commitments to renewable, a heavy reliance on nuclear power is the best way to ensure Japan's energy security for the near future," says Nobuo Tanaka, former executive director of the International Energy Agency and president of the Sasakawa Peace Foundation, "because it would reduce the country's reliance on fossil-fuel imports while renewable power sources are being developed." "Expanding renewable is important, but it needs to be twinned with a nuclear-power solution that is acceptable to the public," he says.

A devastating accident forced Japan to find other sources to provide the 30 percent of their power previously generated by nuclear plants. What has been their reaction? According to the Federation of Electrical Power Companies of Japan quoted in the article, before 2011 Fukushima, 29.3 percent of the kilowatt hours generated in Japan came from natural gas. Currently it is 44.0 percent. Coal consumption went up from 25.0 percent to 31.6 percent. Oil, propane other gasses, hydroelectric solar, wind and other renewable stayed about the same and nuclear power decreased from 28.6 percent to 1.1 percent.

The U.S. is about as dependent on coal as Japan was on nuclear power. Other than gas, what might happen could be similar to the U.S. consideration of depowering nuclear and other renewable sources.
Available options would be available to the U.S. to provide the needed energy in the same five-year time frame as Japan, if on short notice we could not depend on coal-fired generation for more than 1 percent of our electrical power.

I suspect many Americans take much the same view as the stockholders of the NRG Corporation. They are interested in climate change and the scientific side of the discussion, but the level of their concern and their willingness to support the effort financially depends on how much is required, when, and their sense of urgency. Despite dire predictions, I don’t detect any pressing level of urgency in the U.S. or among the usual list of potential donor nations. Self-interest, hopefully of the enlightened variety, will determine what is done and when. Scientific and economic are separate issues and I think they would be best served by separate spokespersons. Selling the scientific side of climate change is a relatively easy proposition when compared to selling the economic side.

What’s happening on your campus?

From the President: The Best Laid Plans... Have a Good Roadmap

Posted By NAEP, Thursday, October 13, 2016

Kelly Kozisek - NAEP President
Chief Procurement Officer
Oregon State University

At Oregon State University, our Division of Finance and Administration (DFA) leadership team is finalizing a new three-year strategic plan. This plan was recently unveiled at our annual DFA awards brunch. It focuses on three primary goals: service, safety and health, and stewardship, and these goals tie directly to our University’s strategic plan. Supporting these goals are a variety of strategies, from creating and implementing shared and integrated systems and resources to developing programs that support the student experience outside the classroom. I am very fortunate to be a member of the strategic-planning leadership committee and am actively involved in the subcommittee on stewardship. As we solidify the strategies and objectives for this strategic plan, we are carefully planning how our Procurement, Contracts and Materials Management department will play an important and active role. Our thoughtful approach to implementing a new source-to-settle system certainly falls under the service and stewardship goals. Our Materials Management and Procurement sustainability effort is advancing social and environmental responsibility at all levels throughout the OSU community, and that objective falls under stewardship. These are just a couple of examples.

As I review our departmental goals and objectives for the next several years, it’s clear that our strategic initiatives are integral to each of the plan’s three goals and their related strategies. The DFA roadmap will help our department remain focused on developing and accomplishing key supporting objectives through our own departmental strategic plan. It’s clear that we’ll be held accountable for achieving these objectives, which is important, as the daily work competes for our time and resources. Excuses such as being too busy won’t cut it, which is great. After all, how can we make progress on our strategic initiatives and demonstrate our relevance if we are “too busy” with the daily work?
NAEP 2017 Annual Meeting Registration Open

Posted By NAEP, Thursday, October 13, 2016


Registration for the NAEP 2017 Annual Meeting is now open. Plan to be in Reno from March 26 – 29, 2017. In fact, plan to come early and/or stay late. Reno is a jumping off point for Lake Tahoe, Virginia City and so much more.

But there is more than sightseeing going on in Reno this March. NAEP is in the process of lining up dynamic keynote speakers and top-notch educational sessions on the procurement hot topics of the day. Our full educational session schedule will be published shortly but you can see a brief day-at-a-glance here to begin making your plans.

To launch the start of our meeting, our Monday keynote speaker will ask us “Who Needs a Runway? Take Off from Where You Are”. Vernice “FlyGirl” Armour went from beat cop to combat pilot in 3 years. As featured on Oprah Winfrey, CNN, Tavis Smiley, NPR and others, Vernice “FlyGirl” Armour’s fresh style and presentation methods have inspired hundreds of organizations and individuals. Vernice ultimately impacts organizations and individuals with an understanding of the passion and leadership required to excel. Through her keynotes, executive and group coaching, seminars and executive retreats, Vernice conveys her message of Zero to Breakthrough™ utilizing her unique insight and life strategy. “You HAVE permission to Engage... CLEARED HOTI”

And that’s just our opening keynote session! Register today to save with early-bird pricing and save your spot in Reno. Hotel reservations can also be made at our headquarters hotel, the Peppermill Resort & Casino. There are several styles of rooms to choose from but reserve soon as some room styles will sell out very quickly.

For full details, please visit the NAEP 2017 Annual Meeting Website.

The Right Tools in Your Toolbox

Posted By NAEP, Thursday, October 13, 2016

A painter needs a paint brush. A carpenter needs a hammer. A tennis player needs a racket. With the right tools, a professional can do great things. Higher education procurement professionals have a toolbox at their disposal, too. As a NAEP member, you have access to a wealth of resources from the RFP Library to the discussion threads in the Forums of our website. But one set of tools that are invaluable to the growth of your department as well as your career are the Innovators Forum White Papers. These research papers take very deep dives into specific procurement topics and challenges like talent management, the role of technology in procurement, how to brand procurement at your institution, supplier relationship management and more.

Each paper has specific takeaways, many of which you can implement immediately in your own situations. These publications will stimulate your thinking and will be very useful in your procurement career.
**2016 Women's Leadership Forum**

*Posted By NAEP, Thursday, October 13, 2016*

**December 6 – 9, 2016**

**Dana Point, Calif.**

If you can participate in only one educational program this year, this is the one!

Be a part of a special program for women seeking to become leaders in higher education administration and student affairs. Coproduced by several higher education associations, this unique program will bring together administrators from across campus functions to help you:

- Hone your leadership skills for working in a rapidly changing environment
- Develop a better understanding of the campus as a workplace and culture
- Share experiences with others about how campuses are adapting and adjusting to the new reality
- Create new personal networks and networking skills to better tap the higher education community

Through presentations, small-group exercises, and discussion, you will gain a practical understanding of what it takes to be a leader on a college or university campus—both the challenges and the rewards. Examine the unique roles, skills, and relationships needed to lead as higher education faces and deals with the most challenging period in 50 years.

Register now!

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**Upcoming Events**

*Posted By NAEP, Thursday, October 13, 2016*

Thank you to everyone who as attended a regional meeting so far this fall. NAEP staff has had the opportunity to meet many of you over the past few weeks! As you reflect on your meeting experience, if there are educational topics or specific sessions you’d like to see included for next year, let us know!

- Carolinas | Asheville, NC
Florida | Sanford, FL
January 25-27, 2017
Registration

Michigan | Mt. Pleasant, MI
October 13-14
Event Page

New England | Springfield, MA
October 16-19
Registration

TAGM | Biloxi, MS
October 23-26
Registration

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Quote of the Month
Posted By NAEP, Thursday, October 13, 2016

“If you don’t build your dream, someone else will hire you to help them build theirs”

— Dhirubhai Ambani

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