Green Business Model Innovation

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Green Paper: Green Business Models in the Nordic region

- First initial investigation on green business models as a general concept in the Nordic region

- 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 Program 2011-13 and of the Prime Minister’s task force in the Nordic Globalization Forum.

- FORA is in progress of starting a new project on **Green Business Models Innovation** in collaboration with OECD, Nordic innovation agencies, international experts and Nordic Innovation Center.
What is green business model innovation?

No common definition – but in the Green Paper we use

- A **new business design** which support the development of product service systems **reducing resource use/waste**.

- **Non technological** innovation **across all sector**

- Focus is on value of use and minimizing costs which gives a **competitive advantage**

One example of a green business model

- Instead of selling refrigerators the producer sells a number of cubic meters space with a lowered temperature (the actual need of the costumer!). The producer thus has the **incentives** to minimize total life-cycle-costs like energy consumption, maintenance and waste, which spurs innovation.
There is an 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

Functional sales - generic model for all green business models

DBFO - Design, Build, Finance and Operate

CMS – Chemical Management Systems

Sharing
The ESCO model (Energy Saving Companies)

- The most widely disseminated green business model in the Nordic region.
- The provider optimizes the energy use of companies and public buildings and in return gets paid by part of the savings achieved. The customer has no up-front payment.

- Case: Danfoss Solutions in Denmark guarantees energy savings for industrial companies and is paid according to performance. The customers are compensated if savings are less than guaranteed.

- In an average project, the customer saves 10-25 pct. of total utility costs with less than 3 years return of investment.
What are the challenges?

- Green business models are **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 need 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 with their clients and through public-private partnerships.

- Public institutions need to promote green business models through **public procurement** and **regulation**.
Next steps

The aim of FORAs new project*) is to

- Take a general approach towards green business models
- Collaborate with OECD on a common internationally acknowledged definition regarding Green Business Model Innovation
- Generate more knowledge on the economical, environmental and innovative benefits involved
- Coordinate policy makers efforts to design strategic policies
- Help Nordic companies to benefit from the new market opportunities and spur the ‘green transition’ through the development of practical tools for implementation

*) The project is still in progress to be funded
Thanks!

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

  www.foranet.dk

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