



The Smart Economy Revolution

For Oregon Business Magazine's 100 Best Green Companies Luncheon

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Thank you Geoff and to Linda and the other organizers of this wonderful gathering that celebrates and inspires green business. It is wonderful to be in this room and with so many leaders who are committed to building great businesses that are great for the world.

Today, as we celebrate the work and leadership of specific companies, and to some degree, of our whole community – I do not plan to speak of the Green Business co-benefits. Everyone in this room knows that sustainability vs. profits and environment vs. economy are false dichotomies. We all know that green business practices can be:

- innovation drivers
- market builders
- cost reducers
- human capital attractors and
- customer and brand builders

So today, I want to focus on the opportunity we can and must seize next.

I have the pleasure of working at the intersection of sectors and issues. Our clients are all social impact organizations but come from the private, public and nonprofit sectors and are often coalitions drawn from all three. The issues my firm works on are primarily environmental sustainability, public health and community development, where again, there are most often crossovers of all three. From the standpoint of addressing any of our society's most critical issues, and achieving our most desired goals – a healthy and resilient environment, a thriving economy, and healthy and happy people – we cannot think in silos. Health, environment and economy all impact each other, and lasting solutions are only feasible with the involvement of and change in all sectors.

For example, if we are concerned about childhood obesity – the increased risks of chronic disease are a health issue; the costs of treatment and reduction in workforce productivity are an economic issue; and the lack of safe places to walk and access healthy food are environmental issues. The solutions will require innovation and programs that drive community support – a nonprofit-led function; policies that support active transportation infrastructure and open spaces for play, and many other systemic supports – a public sector-led function; and development of walkable places and

distribution systems for healthy food – a private sector function. So, admittedly, the silos are permeable and must become much more so, and solutions to problems and seizing opportunity must come from all sectors. But since we are at the green business lunch, let's delve into the incredible power and potential of business to drive solutions to our society's greatest problems and highlight green business as the cohort that can lead this charge.

We are gathered in Portland, Oregon, a place with a long history of environmental and business innovation. This is a place that by 1863 (when most of the West's communities only had the Three Bs – The Bank, The Brothel and The Bar) had founded a library, an art museum and a college, and had set aside acres of land for parks that are still our legacy. This is a place that, when the rest of America was saying, "just dump it in the river," had a young journalist become Governor by declaring war on polluters and then passing the bottle bill, innovative land-use planning, and holding an epic publicity stunt to keep 100% of the beaches for the people. This is a place that fostered innovators who changed the world, from Linus Pauling, whose activism helped save the world from nuclear proliferation, to James Beard, whose activism helped save the world from TV dinners. It was in a garage here that two young hobbyists created the transistors that helped launch Oregon's silicon forest, and here that a coach and a runner poured rubber into a waffle iron and changed athletics forever.

And more recently, it is here that pioneers said the food business can be different. It can restore our relationship with the land, bridge the urban/rural divide and empower people to improve their health and the health of our land. It is here that pioneers said we can lead the world in green building design and development and expand that thinking from buildings to eco-districts. It is here that pioneers said we can headquarter the design and thinking that harnesses the wind, the sun and the waves to power communities across the country without emissions. It is here where pioneers established equity funds to build portfolios of companies that deliver better returns by seizing the opportunity of green solutions. And it is here where community leaders created the nation's first environmental bank to lend to and grow the companies that are investing in sustainability. We are a place of pioneers and, as such, we must be asking, what is next?

At this point, I need to take a brief context-setting detour on the power of business.

While I have already acknowledged the critical importance of all sectors, I argue that business is the dominant institution in most of our lives. That the impact of the private sector dwarfs the influence of public, nonprofit, religious and other institutions. From the portion of our day we spend in private sector places (at work, in the store, in the hotel, on the airplane), and the portion of our time and mindshare we spend consuming private sector content (movies, TV, Internet, advertising), to the degree to which what we eat and drink is determined by and produced by the private sector, and the quality

of the air we breathe, the water we drink and the soil we rely upon is impacted by the private sector – business has immense power. That power can be and has often been used in ways that are damaging to people and the planet. That same power can be, and to a much greater degree must be, used to deliver incredible good to people and the planet. And doing so can be the business, environmental and social opportunity of our time.

At the core of most environmental degradation (and often also at the core of degrading impacts on human health and economic equity) are the economic incentives that drive business models and that drive consumer and investor expectations. We develop land, energy, food systems, transport and many other industries in the way we do because the economic incentives reward it. For just over 50 years, we have developed car-centric, single-use zoned communities that reduce active transport (you cannot walk to the store or to school), increase impervious surface and increase single occupant auto trips – contributing to inactivity and its health consequences, water quality degradation and increased carbon emissions. In Portland and in many other places, green business innovated and developed differently, creating livable neighborhoods that are healthier for people and the planet and are providing healthy economic returns. But this is not the norm nationwide (where far more land is developed in conventional ways than developed to restore water quality, air quality and human health) and it is still not feasible in many places without density, transport, or in many lower income communities. This is not a problem statement, but rather, a business opportunity. Who will innovate different financing mechanisms and development methods that garner the economic benefits of meeting this need? Companies right here like Gerding Edlen Development, Brightworks, Green Building Services and Alta Planning are all leading the way.

We have a food system that in many places delivers cheap but empty calories, again, creating negative human health impacts and environmental impacts from its production, shipping and packaging. This is another place for solutions. Who will seize the opportunities to take to scale the experiments in affordable organic products, like Plum Organics, New Seasons' Private Label and Better Bean Company are starting to do?

Vast portions of the world's population live without food security or access to electricity, and the dominant current solutions involve chemical fertilizers and fossil fuel generators and lamps. What businesses will innovate and take to scale the financing and distribution mechanisms for dispersed solar, drip irrigation and alternatives to refrigeration? Companies like Enclude, Fenugreen and Powerhive are just at the tip of this iceberg.

We can have the same economic opportunity discussions about clean drinking water (if we can scale dispersed treatment with income streams), no-emissions energy (if we can

solve storage and transmission challenges), regional transport (if we can solve the financing for high speed rail and in so doing also address our region's massive and looming infrastructure crisis), and the opportunity list goes on and on.

To more rapidly realize these opportunities, I believe we need to embrace what I like to call the four I's of the smart economy: Introspection, Innovation, Integration and Instigation.

Introspection.

Walking the talk is critical. The firms in this room are among the best of the best. One thing our firm and many others in Oregon and around the world have craved and now have is a shared set of rigorous standards and an assessment tool to dig deep and learn where we can improve. The B Corp certification helps companies not only compete to be the best in the world, but also to be the best for the world. It measures companies on their environmental, community, workplace and governance quality. The most important thing about the B Certification is actually not the "walk-the-talk" cred it bestows or the ability to append anything with the letter B (like: b the change or the b impact assessment – cool as they may be), but is the data it provides your company on how you measure against about 17,000 other firms worldwide and the inspiration it provides to consider ways you can improve the impact of your company. Here in Oregon, we already have the second highest density of B Corps in the U.S. with companies that employ over 3,000 people and represent over \$300 million in annual revenues. And we are rapidly adding certified B Corps (companies like New Seasons Market, Neil Kelly, Capital Pacific Bank, Sustainable Harvest and many others). I encourage every company here to at least take the B Impact Assessment. It is free (at bcorporation.net) and will give you great data. And whether you decide to take the assessment, become a B Corp or pursue other certifications or not, by making each of our companies places that examine our own practices and policies to find ways to improve, we will run better companies and have better impacts.

Second, Innovation.

Ask what social and environmental challenge needs a market-driven solution that your company can be the one that innovates to solve. What issues are you and your team passionate about? What populations cannot access your product as it is currently produced but have the need?

Can you figure out a different approach to meeting the need?

Like d.light solar – creating a solar light that replaces kerosene lamps and the need for batteries in rural Africa, Southeast Asia and other places where four billion people need light. Their invention is affordable, holds a crazy-long charge, sheds better light and is healthier for people and the planet than the technologies it replaces.

Can you create a variation on a core product?

Like Indow Windows, that brings the efficiency of double pane windows at a fraction of the price point and without requiring serious skills to install.

Can you find a way to monetize eco-services?

Like Equilibrium Capital's Wastewater Opportunity Fund, which invests in decentralized wastewater infrastructure co-located with industrial food and beverage sites, agricultural operations, municipal wastewater plants and other large organic wastewater sources.

Or can you envision a completely different model?

Like Powerhive, that has a technology platform that facilitates financing of microgrids. Their system enables customers in high poverty rural areas (like sub-Saharan Africa) to prepay for small time blocks of electricity from their mobile phones. At the same time, it also can help aggregate customers to make financing village-scale solar installations feasible.

Third, Integration.

We must ask: how can we leverage diversity and gain efficiency and impact from the integration of uses? We can apply systems thinking to industries like:

- **sustainable agriculture** that creates markets and greater value for rotation crops that increase farm income and increase the fertility and value of the soil.
- **industrial development** that can capture waste streams from one use as energy for another.
- or **comprehensive master development** that integrates creation of products, services and utilities with living and work environments so the outputs of each are inputs for the others, while regenerating natural systems. (Imagine community-scale development where farm products provide raw materials for co-located product processors, while using natural techniques to build better soil; wastes provide energy for homes and businesses; conservation easements provide recreation, habitat and water filtration; and reforestation and dew collection recharge the aquifers.)

And integration isn't just utopian thinking; smart companies like Bio-Logical Capital and Farmland LP are taking integration to scale and demonstrating positive deltas for investors, communities and the environment.

And, Instigation.

Finally, we must ask about how we can change the ground rules so they support the opportunities and impacts of green innovation. What are the structures that drive our current way of doing things and what could they be? I said I was going to focus on the power of the private sector to advance a prosperous and sustainable future, and part of that power is the power to influence the public sector and to shift the field of play. Just

as the change in emissions standards in California sparked dramatic shifts in automobile technology (it is no longer a novelty to see a hybrid and Oregon is on track to be the first state with electric car charge stations along our most popular tourism corridors), changes in the standards and regulatory environment can spark or stymie other innovations. For example, if we keep and expand renewable energy standards nationally, it will drive innovation, expansion and jobs for a sector that has many of the world's largest companies' North American headquarters in Oregon. If we make changes in the Farm Bill to level the playing field for natural and organic foods, northwest ranchers, dairy and produce farmers will see increased markets for their high quality products. And if we raise the floor for wages and benefits so everyone who works full time makes a living wage, we will not only increase equity but also increase the stability, health, educational achievement and imagination of our workforce and customers. Business has always been an influencer in policy and politics. And it is time for green business to grow our market and increase opportunity. It is time to flex our collective muscle to increase economic equity, incentivize innovation and put a real price on pollution.

We are in a time of opportunity.

We are living in a time where core human needs, like good food, clean air, clean water and reliable energy will all have increased demand and the old ways of providing them will have increased constraints. We are living in a time where community demand for quality of life, and connection with the outdoors and with each other, offers incredible opportunity to those who re-think our connection to nature and how we design and build our communities. We are living in a time where addressing and reversing our increased economic inequity, and fully engaging the ideas, energy and contributions of one of the world's most diverse populations can unlock the next century of American innovation and prosperity. And, we are living in a time where this region, built by pioneers, connected to the Pacific Rim, and with an ethos of sustainability and business innovation can lead the smart economy revolution. The people in this room are the leaders of this movement, and I hope you will join with me in celebrating the advances and achievements we make (like we are doing today), making each of our companies even better in how we operate and how we innovate, seeking to integrate every aspect of our production/service delivery chains, and in using the power of our voices to make this smart approach to business the norm. Together, lets seize this opportunity and the real dividends it returns to our shareholders, workforce, communities and the environment.

Thank you.