

Dell Should Focus on Cutting Supply Chain CO2 and Energy

Simon Mingay

Stakeholders interested in Dell's environmental performance should ignore its carbon neutral status, and focus instead on the energy requirements and CO2 footprint of both Dell and its supply chain.

NEWS ANALYSIS

Event

On 26 September 2007, Dell announced that it is committed to neutralizing the carbon impact of its worldwide operations through a program of energy efficiency enhancements, renewable power purchases and the use of carbon offsets.

Analysis

The announcement refers to a request Dell made in June 2007 that all of its suppliers divulge their CO2 footprint. By far the most interesting aspect of the announcement, this is a significant step forward in gaining greater transparency of the CO2 and energy footprint of the IT equipment supply chain. Like all IT equipment vendors', Dell's CO2 footprint is a small part of the total supply chain footprint. Using a PC accounts for only about one-quarter of its life cycle energy consumption; the bulk is used in manufacturing and distributing it. If the complete supply chain carbon footprint can be accurately assessed, targets for significant reductions can be set — which, to Dell's credit, it intends to do. Programs by IT equipment vendors to reduce energy and carbon emissions should focus on the supply chain as well as on products.

Customers talking to Dell about their environmental concerns will find the vendor very responsive and well-informed. However, to put this announcement in context, the CO2 footprint from Dell's operations in 2006 was 385,000 metric tons. Offsetting that will cost \$2 million to \$3 million, depending on the offset scheme used. Though this is not a small amount, it's also fairly inexpensive in relation to the public relations (PR) benefit. Dell's energy consumption continues to grow, and the company doesn't anticipate that changing while the business is growing, despite its energy efficiency measures. The very limited data available from Dell does indicate that those measures are having a positive impact.

There is nothing wrong with carbon offsetting as such, but it is important to understand its limitations. The problem with offsetting is the difficulty of being sure that each ton of offset purchased permanently removes a ton of CO2 that would not have been removed, had the offset purchase not been made. Dell has not yet decided which offsetting schemes to use, but has indicated it will not be solely based on reforestation schemes, which tend to be among the weaker schemes. Rather, Dell will favor schemes increasing renewable energy sources (see www.carbontrust.co.uk/publications/publicationdetail.htm?productid=CTC621 for guidance on offsetting schemes).

Gartner's view is that companies that are serious about the environment should focus on energy efficiency and reducing CO2 emissions, rather than on carbon offsets. Given that Dell's total energy consumption continues to grow, this announcement is good PR, but Dell still has a great deal of work to do to improve its energy efficiency and reduce its CO2 emissions.

RECOMMENDATIONS

Buyers concerned about the environmental impact of IT equipment should not change their vendor-selection criteria in the light of Dell's announcement about going carbon neutral. But they should monitor Dell's progress in managing the CO2 of its supply chain, and score it highly if it provides evidence of significant improvements. Dell's initiative is just the start of a very long and painful journey to reduce energy and carbon emissions throughout the world's entire supply chain.

RECOMMENDED READING

- "The IT Industry Is Part of the Climate Change and Sustainability Problem" — The IT industry and IT organizations must understand the changing sociopolitical views of climate change and take action to ensure that they're part of the solution, not the problem. **By Simon Mingay**
- "Look Beyond Google's Plan to Become Carbon Neutral" — Google's impressive plans to become carbon neutral by the end of 2007 rely heavily on carbon offsets, and can easily be replicated by other IT service providers and vendors. **By Simon Mingay**

(You may need to sign in or be a Gartner client to access the documents referenced in this First Take.)

This research is part of a set of related research pieces. See "Green IT: The New Industry Shock Wave" for an overview.

REGIONAL HEADQUARTERS

Corporate Headquarters

56 Top Gallant Road
Stamford, CT 06902-7700
U.S.A.
+1 203 964 0096

European Headquarters

Tamesis
The Glanty
Egham
Surrey, TW20 9AW
UNITED KINGDOM
+44 1784 431611

Asia/Pacific Headquarters

Gartner Australasia Pty. Ltd.
Level 9, 141 Walker Street
North Sydney
New South Wales 2060
AUSTRALIA
+61 2 9459 4600

Japan Headquarters

Gartner Japan Ltd.
Aobadai Hills, 6F
7-7, Aobadai, 4-chome
Meguro-ku, Tokyo 153-0042
JAPAN
+81 3 3481 3670

Latin America Headquarters

Gartner do Brazil
Av. das Nações Unidas, 12551
9º andar—World Trade Center
04578-903—São Paulo SP
BRAZIL
+55 11 3443 1509