

Environmental Risk

The Hidden Danger to Business[®]

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BUSINESS ALERT

In today's volatile world, the word "risk" has become ingrained in virtually every business situation and frankly many of our everyday personal situations as well.

We are all trying to fathom the challenges to success, the uncertainty in our future and the unending obstacles that life throws at us.

Included in this plethora of business challenges is a hidden land mine that could be larger than them all—environmental risk—beware!

BP has helped bring the subject of environmental risk to center stage. Tragedies of this magnitude tend to do so, just like the prior Exxon Valdez spill or the Bhopal chemical release before that. But while most people understand the risks inherent in a tragedy of this magnitude, there are in fact many, many small pieces of a business' operations that can create your own perfect storm of environmental distress.

There are many types of risk inherent in any business in today's volatile world. Most companies wouldn't dream of going without an accounting team (even of one), a production team, or a personnel team. Yet environmental risks are somehow considered discretionary. So what about environmental risk? Every company—large or small—has some degree of exposure. Whether it is the potential for environmental incidents, damages, health-related risks to staff and customers, or product liability, companies today need to have a plan to manage such risks and deal with any consequences that arise in order to preserve a company's well-being overall.

Now, you may say, "this can't happen to us" or "but we're in compliance," or "we don't really have environmental problems." These are common refrains, but remember that the consequences of not planning for this risk can be enormous. The takeaway here is that the risk can be potential, perceived, or real. BP has deep pockets to cover the billions and billions we hear they are paying to affected groups, but even they could be toppled by the claims yet to emerge. In our litigious society and with the general population (think customers) —not just environmental groups—demanding accountability and transparency from companies, it's smart to put a plan in place ahead of time to review and manage any environmental risks, as well as a plan for how to deal with the potential problems or issues that may arise associated with the risks. Lawsuits these days are often about finding the money, not necessarily the cause or blame. Reputational risk has put many a company out of business where the facts were ignored or misunderstood. Don't leave you and your company at risk of something that can be avoided if planned for properly.

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Stephen J. Myers, has over 30 years of engineering, environmental management and business expertise in industry and consulting specializing in providing strategic and operational expertise to clients regarding the convergence of environmental performance and business success. Steve is a Certified Environmental Professional, a Certified Professional Environmental Auditor and a licensed property & casualty insurance broker. He holds a B.S. degree in Chemical Engineering from Lehigh University and a M.S. degree in Environmental Engineering from Rensselaer Polytechnic Institute.

If you haven't done so already, elevate environmental risk into the critical tier of business strategy and implement a sound environmental risk management program. This program should systematically identify, assess, quantify, and prioritize the respective environmental risks to the business. Develop a risk reduction plan that should follow an "eliminate, manage, or transfer" hierarchy. Think about all aspects of your business, too—staff, operations, supply chain, customers, and products. By evaluating each risk based on its significance and probability a ranking of priority can be established. The outcome of this effort will be to reduce uncertainty and exposure to loss, quantify potential liabilities, improve allocation of resources, and reduce and manage the probability of significant threats. In so doing, your business can improve your environmental stewardship with a reduced environmental footprint while at the same time gaining an elevated reputation in the marketplace.

Here's a list of some considerations to take into account when developing your plan:

- Lack of operational regulatory environmental permits due to non-compliance with environmental rules,
- Construction delays from discovery of unknown site contamination,
- Disruption of the supply chain through lack of availability of critical natural resources (e.g. certain wood, metals, or chemicals);
- Volatility/reliability and cost of energy based on its type (e.g. fossil fuels or renewables), its source (utility, on-site generation), the method of distribution, and emission potential (air pollutants);
- A shutdown due to an unanticipated release or spill (again, two letters—BP);
- Lack of availability of adequate process water;
- Weather-related impacts to facilities (severe storms, floods, drought, climate change);
- The financial risks related to changes to accounting rules, disclosure of environmental liabilities, governance and transparency; and
- The legal risks from third-party toxic tort lawsuits.

Superior environmental performance and business success are not mutually exclusive. By getting your arms around your company's environmental risks and getting out ahead of this issue, you could be avoiding a fatal threat while positioning your firm to be the best-in-breed.

So what have you done about the environmental risks to your business?