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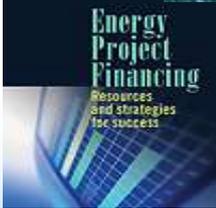
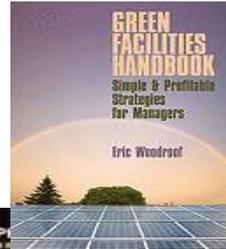
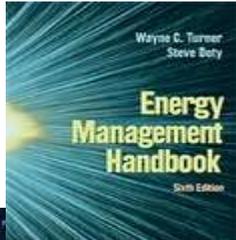
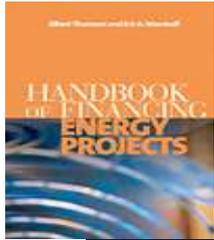
Who is this Guy?

Eric Woodroof, Ph.D.

“Woody”

2011 President of AEE

Board Member for CEM & CRM



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WHEN FIRMS PUBLICIZE ENERGY MANAGEMENT PROJECTS THEIR STOCK PRICES GO UP: How High? – As much as 21.33% within 150 days of an Announcement!

ABSTRACT

When selecting projects under a limited budget, a firm should implement the project that will return the most value. Ultimately, firm value is measured by stock price, which can be impacted when the firm makes a major announcement. This paper shows that announcements of energy management projects correlate with a 21.33% increase in stock price within 150 days of the announcement. This increase is in addition to the risk-adjusted return the firm would normally experience. For example, during a "bull market" a firm's expected return was 10%. After the announcement, the return would increase by 21.33%, for a net return of 31.33%. These results suggest that investors react positively to energy management projects. This outcome demonstrates one more strategic incentive for firms to implement energy management projects.

INTRODUCTION

The potential for increased profits via *cost-reducing* Energy Management Projects (EMPs) exists in nearly all firms. However, when allocating capital, priority is often given to *revenue-enhancing* projects, such as starting new product lines or joint ventures. Frequently, these projects are perceived to be superior to EMPs, even though they may yield the same increased profit and present value. A justification is that *revenue-enhancing* projects are more likely to attract publicity and investor attention. Investor speculation and reaction to announcements can increase the firm's stock price. Most EMPs do not

generate as much publicity as joint ventures or new product lines.

If "publicity-gaining" potential is a decision factor during project selection, then a new product line or joint venture would usually be selected over an EMP. But is this a fair comparison? There has not been any research to determine if an EMP announcement increases a firm's stock price. In theory, it should because most EMPs increase profits (via *cost reduction* instead of *increased revenues*). From a cash flow perspective, an EMP is equivalent to any other profit-enhancing project.

This paper seeks to determine whether an EMP announcement correlates with an abnormal increase in a firm's stock price. If such announcements positively impact stock price, then the firm has one more incentive to implement EMPs.

LITERATURE REVIEW

The purpose of this literature review is three-fold:

1. To demonstrate that EMPs are credible investments, with relatively low risk;
2. To present some background on stock price reaction to announcements of typical capital investments; and
3. To show that abnormal increases in stock prices from EMP announcements have not been measured.

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Energy Conservation Also Yields: Capital, Operations, Recognition and Environmental Benefits

“CORE” Benefits are Highly Probable and Worth a Double-Digit Improvement to Energy Savings

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A Peer Reviewed Publication

ABSTRACT

Previous research indicates there are additional (often unreported) benefits from saving energy.^{1,2} This paper identifies these “additional benefits” and describes how to calculate their value.^{3,4} In addition, we found a high percentage of facility managers experienced some of these benefits. For example, in a recent survey, 92% of facility managers experienced reduced maintenance material costs as a result of energy conservation (primarily because lights, filters and other equipment lasted longer when operated less hours per year). Due to site-specific factors, not all facility managers will experience every benefit, however a high percentage of respondents (92%, 71% and 63%) did experience three of the six “additional benefits” surveyed. Because facility managers do receive some of these “additional benefits”, we developed two approaches to quantify their value. When applicable, these benefits should yield a direct and verifiable dollar savings a majority of the time. Via a simple example, we calculated these benefits to be worth approximately 31% of additional value beyond the direct energy dollar savings (and that was only applying half of the possible benefits). There are other benefits that defy quantification, some of which we list at the end of the paper for use in future research and when evaluating energy conservation projects and programs.

Survey Results

Additional Benefits of Energy Conservation	% of Facility Managers that Experienced this Benefit
1. Reduced Maintenance Material Costs	92%
2. Reduced Maintenance Labor Costs	71%
3. Permanently Avoided Capital Investment	33%
4. Avoided Procurement Costs	63%
5. Avoided Purchases of Carbon Offsets	10%
6. Enhanced Image, Public Relations or Recognition	44%
7. Reduced Sales Taxes/Environmental Penalties	Not Surveyed
8. Improved Building Value	Not Surveyed

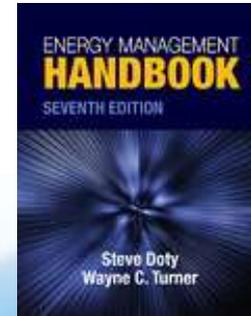
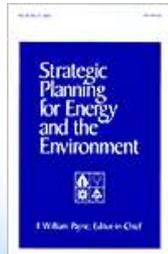
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To promote the scientific and educational interests of those engaged in the energy industry and to foster action for sustainable development

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