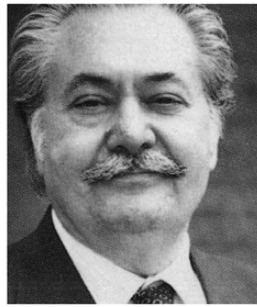


As told by
PASQUALE PISTORIO
to Mary Hager



Global Warming: Business' Biggest Economic Threat

I admit I am a fanatic when it comes to the environment. Having been a vocal supporter of energy conservation and other environmentally conscious initiatives over the years, I have encountered my share of skeptics on the issue.

But, perhaps now more than ever, it's critical that CEOs, particularly those of U.S. companies, start to understand that protection of the environment is not incompatible with economic growth. If it's true that the United States—which has rejected the Kyoto Protocol—is responsible for nearly one quarter of the world's greenhouse gas emissions, then the country must clean up its act.

Personally, I learned a great deal about environmental responsibility from my children. Years ago, they began questioning society's values. Was it acceptable from an ethical point of view, they asked, for a corporation to create wealth but, at the same time, damage the environment?

In the early 1990s, I concluded that if a company wanted to be in line with social goals and attract people who are essential, that firm must clean up its act, so to speak. The more I thought about it, the ecologists' creed, which says that industrial processes that use less energy and materials are more efficient, and therefore more competitive and less costly, made a lot of sense.

We decided to do our part at STMicroelectronics, not only because of the ethical mandate, but because it made economic sense. If what we do is sustainable in terms of the environment,

we are convinced we'll be healthier financially. So in 1995, we launched a large-scale program of sustainable development and outlined our commitment to that program in the "Environmental Decalogue," which outlined detailed and measurable objectives. That year, we began committing 2 percent of our annual capital investment to improving our environmental performance.

Greenhouse gas emissions are now accepted by the scientific community as a major cause of environmental damage.

Today we are using 28 percent less electricity and 45 percent less water than we did in 1994. Electricity is one of our single largest costs, but now we spend \$50 million a year less on energy, so we have cut down on pollution and also saved on our own bottom line.

In 2000, we published an updated decalogue in which we stated our new goal of zero-equivalent carbon dioxide emissions by 2010. By working toward that, we expect to save \$900 million by the end of the decade.

We are also exploring the use of renewable energy, including wind and solar power. We are setting a minimum usage goal of 5 percent and a maximum of 10 percent of total energy from renewable sources. Because we still will have carbon dioxide emissions, we are starting a reforestation program. By planting enough trees capable of sequestering the amount of carbon dioxide that we still emit, we expect to be able to bring our total

emissions to zero.

And we're trying to educate others. While we're not alone in our quest for energy reduction, few are working as aggressively as we are. In general, the vast majority of corporations' environmental philosophies tend to be more qualitative. But the effort must be quantified to be significant. Sometimes we miss our goal—and that's fine, as long as the goal is aggressive.

Global warming is probably the most important social and economic issue we'll face in the next 30 years, and it is already having a dramatic impact. Greenhouse gas emissions are now accepted by the scientific community as a major cause of environmental damage. If carbon dioxide emissions are not controlled, we're going to have a deterioration of already critical problems, creating overwhelming social and economic damage for hundreds of millions of people.

This makes the costs to relieve the problem seem comparatively marginal. It becomes a question of our determination and desire to change our ways. Individuals and enterprises must therefore be educated. Governments must take leadership positions. The Kyoto Protocol is just a small beginning; much more needs to be done. Otherwise we will only succeed in slowing down the rate of damage. We won't be able to stop it. ▲

Pasquale Pistorio is president and CEO of STMicroelectronics, a Geneva-based \$7.8 billion semiconductor manufacturer. Mary Hager, a former science, health, and environmental correspondent for *Newsweek*, is now a freelance writer in northern Virginia.