World Resources Institute

Sustainable Enterprise Program
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For more than a decade, WRI's Sustainable Enterprise Program (SEP) has harnessed the power of business to create profitable solutions to environment and development challenges. BELL, a project of SEP, is focused on working with managers and academics to make companies more competitive by approaching social and environmental challenges as unmet market needs that provide business growth opportunities through entrepreneurship, innovation, and organizational change.

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The AES Corporation (A)

(Abstract)

On an afternoon in mid-1987, Roger W. Sant was in a rush to get back to his office. As Chairman of the Board and CEO of the AES Corporation, and a board member of several environmental organizations, Sant felt the company ought to assume more accountability for its contribution to the build-up of greenhouse gases in the atmosphere. He had just spent another day as a member of a World Resources Institute global warming panel where he had become more convinced than ever that excessive carbon dioxide in the lower layer of the earth's atmosphere would be one of the main causes of global warming, should global warming occur.

As one of the nation's leading independent power producers, AES had a commitment to meeting the energy needs of its customers at the lowest possible costs, a strategy which Sant and his colleagues had developed and written about while with the Mellon Institute ten years previously. Although they had successfully operationalized their mission on "least-cost," they felt a competing responsibility to minimize the company's impact on the environment. This accountability for social costs was integral to AES's value system, which put social responsibility as the first, and conditional order of business. Unfortunately, the least cost option for power generation in the U.S. does not have the lowest environmental impact. Coal-fired co-generation plants are significant emitters of carbon dioxide, a gas which is not regulated by law, but which is the key greenhouse gas. As soon as he arrived at the office, Sant called Roger Naill, Vice President of Planning Services, and Sheryl Sturges, Director of Strategic Planning, to discuss the problem of how to offset these carbon dioxide emissions so that AES could bring its cost strategy in line with its value system.

This case was prepared by Marcy Trent of the Sustainable Enterprise Program and reviewed by James E. Post, Professor of Boston University School of Management; Forest Reinhardt, assistant Professor of Harvard Business School; and Walter D. Scott, Professor of Kellogg School at Northwestern University to stimulate class discussion rather than to document effective or ineffective management strategies.