ECONOMIST IMPACT

EVENT SUMMARY

From burden to benefit: keeping data sustainable as the world heats up

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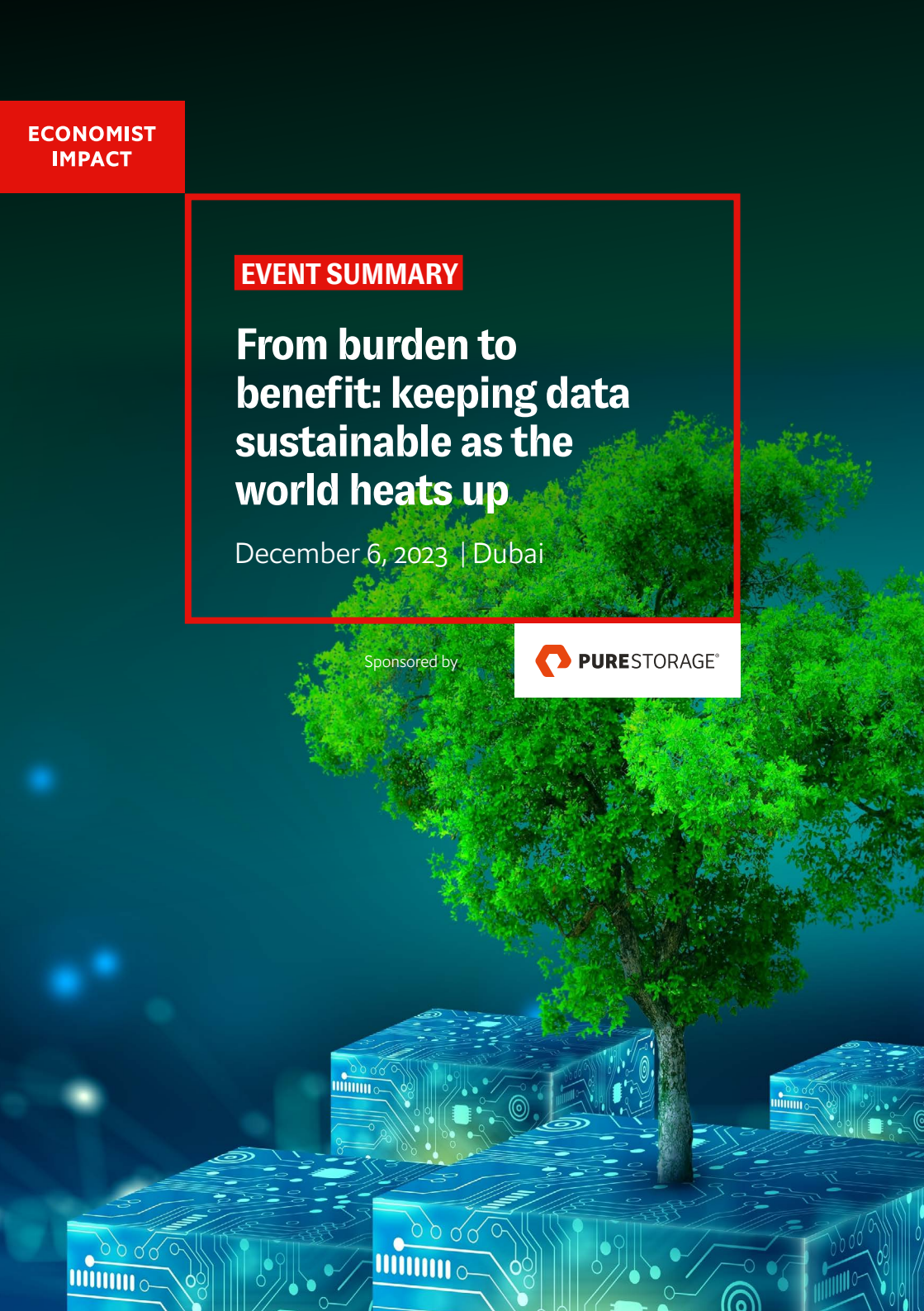

Event summary

In December 2023, business leaders, climate scientists, sustainability experts and political influencers gathered in Dubai for the United Nations' annual Climate Change Conference, more commonly referred to as COP, with the intention of ramping up ambition and action around climate-related commitments made over the past 27 conferences. On December 6th, Economist Impact convened technology, business and sustainability experts for the roundtable discussion "From burden to benefit: keeping data sustainable as the world heats up", sponsored by Pure Storage, an enterprise-grade data storage provider. Robert Willock, director MENA and regional general manager at the Economist Intelligence Corporate Network, prompted the roundtable participants to tackle pressing issues on the environmental effects data sustainability has on businesses.

Elevating Sustainability onto the C-Suite Agenda

Among the key takeaways from the roundtable discussion was that the highest tier of a company must be strategically committed to their data centres being both financially and environmentally sustainable. Chief executives, chief operating officers, and chief finance officers (CFOs) must undergo a transformative shift to integrate sustainability into their roles. A considerable emphasis was placed on the pivotal role that CFOs play in ensuring sustainability becomes a primary objective for a company.

CFO as Value Creation Officer

CFOs are facing escalating pressure to employ chief sustainability officers (CSOs) and partner with existing sustainability advocates within the company to achieve sustainability goals. This level of collaboration includes joint efforts in fulfilling reporting requirements and compliance standards, propelling the need to adopt modern, more efficient technologies, including in the data centre. Thus, the synergy between CFOs and CSOs has become increasingly critical as companies navigate the complex landscape of sustainable practices.

As sustainability continues to gain prominence on the business agenda, one participant noted that CFOs are no longer merely confined to their traditional role, they have assumed the mantle of value creation officers. Sustainability now falls within their purview, shaping investor relations, stakeholder management, and ultimately the company's share price.

It is vital that CFOs understand the value that investment in sustainable infrastructure plays in the future success of a business, aside from simply the environmental impact. There are economic advantages from energy efficient practices, potential for long-term savings, plus a positive reputation and attraction from consumers. As CFOs grow their understanding of the economic benefits of greater sustainability, they are far more likely to create meaningful decisions on internal policies and purchasing decisions.

Rising Environmental Challenges of Data Growth

Among the areas where the C-suite can find opportunities for greater sustainability is within the data centre. According to the International Energy Agency, data centres and data transmission networks are responsible for approximately 1% of energy-related greenhouse gas emissions. Strong growth in demand for data services is expected to continue and will likely outpace current data centre energy efficiency efforts. With many data intensive companies committing to transitioning to net zero CO_2 emissions by 2050, significant changes need to be considered by providers, industry and governments.

Data storage providers are poised to help companies achieve specific sustainability goals, yet their success hinges on collaboration with business leaders. While data itself may seem limitless, the computational power and budgets available for acquiring new data sources are not infinite. It has become imperative for businesses to recognise data as a valuable resource that requires an increasing amount of natural resources to support its growth.

The Impact of AI

As AI adoption continues to increase, the energy consumption and environmental footprint of graphics processing unit (GPU)-based technology are proving to have a more substantial impact than traditional compute-based technologies.

To address the rising sustainability challenge of AI-related data growth, CFOs must actively engage in identifying clear goals, fostering a collaborative dialogue with data storage vendors. To enhance their effectiveness, vendors must understand where to strategically invest to deliver the most significant impact for their customers, ensuring a meaningful and mutually beneficial partnership.

Will Scope 3 Reporting Shift Priorities?

Mitigating greenhouse gas (GHG) emissions begins with tracking and measuring them across the business. This includes direct emissions from sources owned or controlled by a company, as well as all other emissions associated with a company's activities. Emissions have been categorised into three scopes (1,2,3) by the Greenhouse Gas Protocol—the world's most widely used GHG accounting standard.

Data centre emissions commonly fall under Scope 3 emissions for businesses using their products and services. Scope 3 emissions are not produced by a company itself but are emitted by others that are indirectly responsible for up and down a company's value chain. Calculating Scope 3 emissions can undeniably be challenging to identify, quantify and mitigate. Yet, with impending mandatory requirements for Scope 3 emission reporting, particularly in Europe where companies will be obligated to report indirect emissions across their value chain by 2025, the focus on indirect influencers is increasingly critical.

Meeting Climate Regulations

Recognising the complexities of data collection and analysis, one roundtable participant offered some pragmatic advice for the C-suite and other leaders—to start with what is readily available. Companies must first strive to comprehend the current data landscape, and then as regulatory frameworks emerge, align the analysis accordingly. The dynamic nature of regulatory requirements, coupled with a lack of consistency across regions, contributes to a challenge in reporting focus.

While there is no single standard, the fundamentals of regulatory frameworks share notable similarities. Addressing Scope 3 data reporting, another participant emphasised that achieving perfection in analysis is not essential; rather, the key is to identify core focus areas and pain points, even if the analysis is not flawless.

Despite these challenges, identifying what changes are required and establishing transformative action plans is a more intricate and complex task. Yet, how companies bring meaning to data will ultimately shape their sustainability plans and business strategies for the future.

Looking to the Future

The rapid adoption of emerging technologies and innovations, such as cloud computing, AI, big data, data analytics, blockchain, and 5G, underscores the significance of modernising and greening data centres in the pursuit of net zero targets. Despite the availability of more efficient data centre technologies which can help achieve sustainability goals, not all businesses are prioritising them in product and service selection, overlooking the potential they could bring in economic benefits, as well as reducing Scope 3 emissions.

Roundtable participants agreed that even greater strides in sustainability will emerge as the next generation of the workforce places a larger focus on corporate citizenship. The adoption of environmentally conscious behaviours around data consumption and storage will become table stakes for companies to contribute meaningfully to the global agenda of achieving net zero emissions.

However, action is also needed now, and companies are already being required to shift the way they view the impact of investing in more sustainable data technologies from purely an environmental perspective to understanding the economic advantages. As the responsibility of the C-suite broadens to include environmental, as well as financial planning, it is essential that they have a greater understanding of the impacts that data innovations will have. Greater emphasis must be given to the role that data usage and data centres will play in the future, as data continues to be treated as an infinite resource and data-intensive technologies continue to advance.

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