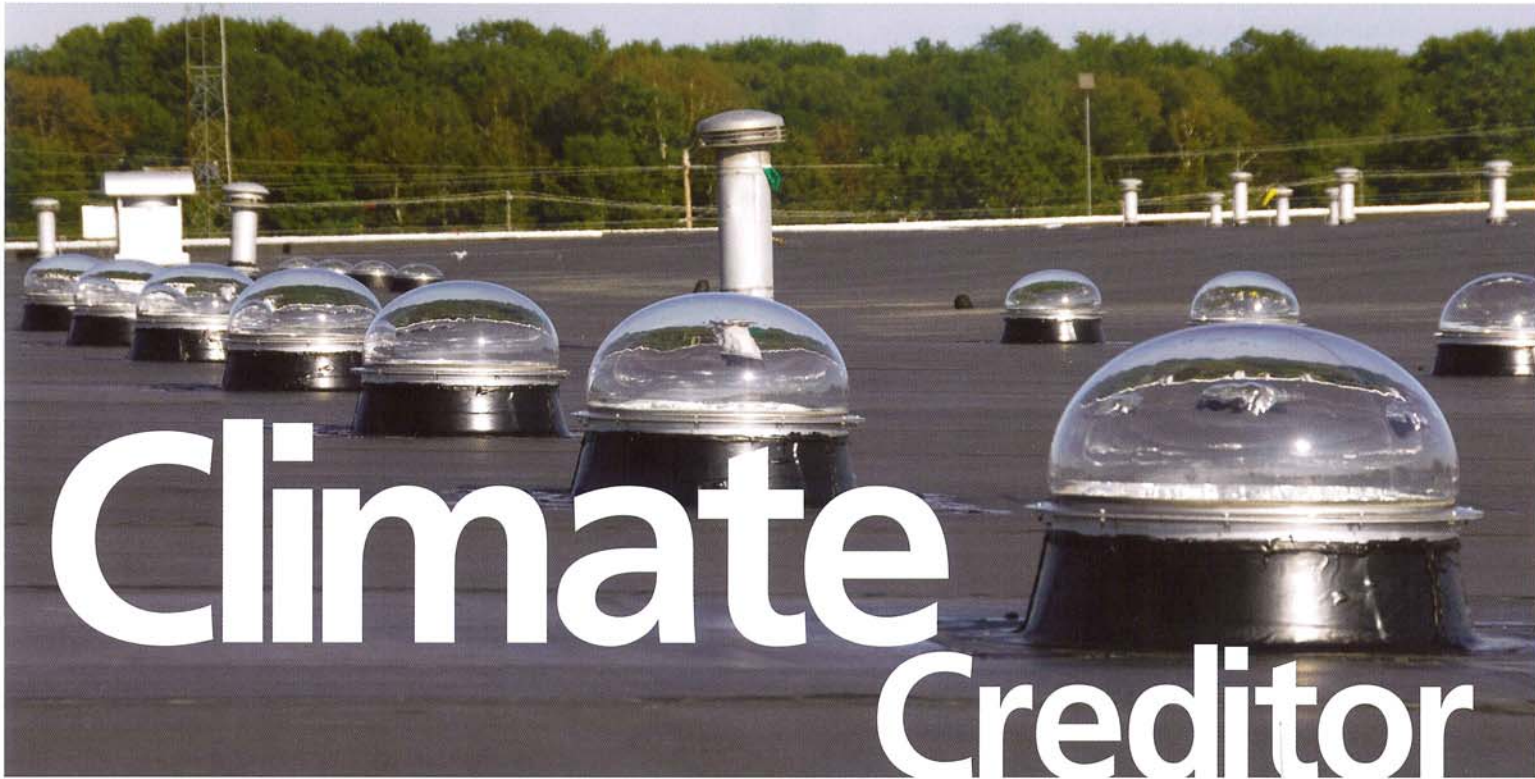




## Orion Energy Systems

Neal Verfuert describes how he is positioning his company to solve customers' energy efficiency needs through innovative technology and energy trading.



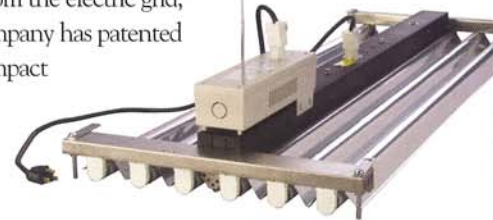
# Climate Creditor

**G**reen energy is not a fad—it's a burgeoning industry. Neal Verfuert, president and CEO of Wis.-based Orion Energy Systems, came to the industry as a "tinkerer and inventor," founding his company in 1996 and selling energy efficient lighting systems of his company's design. Now Verfuert is tapping into energy trading and emissions markets to provide customers with bundled energy solutions with the capacity to reduce energy demand and costs.

Orion went public in December 2007, raising \$78.6 million in capital to support the company's rapid growth. The company has grown at faster than 50% for each of the past five years, and Verfuert projected greater than 50% growth again next year. As energy costs have skyrocketed in the past year, the need for Orion's products has soared as well, and Orion has sold its lighting systems to 90 of the *Fortune* 500, including Toyota, PepsiCo, and Sysco Foods.

"We position ourselves as a power technology enterprise, to assist our customers in being more energy efficient and displacing a

large amount of load from the electric grid," Verfuert said. The company has patented a technology called compact modular lighting that cuts electricity consumption by 25% to 40% over traditional fluorescent lighting. And packaged with other Orion solutions, such as wireless controls of lighting, and energy trading of excess load capacity, Orion has saved clients more than \$304 million and reduced carbon dioxide emissions by 3.8 million tons.



Orion's energy management systems reduce energy consumption for lighting by 50% while increasing light levels by 50%, what Verfuert calls energy savings without compromise. That is the basis of the company's philosophy and business strategy, he said. "In this country, we have always innovated and gotten more for less," Verfuert said. "That is how Orion views things."

The IPO provided the financial backing necessary to expand the company's sales force and ramp up production. "We've come a long way in this company with minimal resources, a lot of sweat equity, and some private investors," Verfuert said. "This is the last piece of the puzzle, to get the financial backstop to really accelerate our growth plans."

Verfuert said the company has the manufacturing capabilities, management team, and now an extensive training curriculum for salespeople to boost the company's sales. And the company's relationships with groups promoting energy efficiency solutions, including a foundation set up by Orion called E4, are helping the company create awareness of energy efficiency issues and the Orion brand.

"What we didn't have even a year ago is the whole green movement, which is starting to put some real wind at our back," Verfuert said. "We're putting a lot more people in the street now, and we've developed a systemized sales process to quickly build out our national footprint. Even though we've had our success with the who's who of the *Fortune* 500, we're still a pretty well-kept secret in commercial and industrial circles."

#### Extra credit

Orion's lighting systems have been so successful at cutting energy use that the company expanded its offerings to include energy trading. By bundling excess capacity saved by its lighting solutions, Orion can sell that capacity on the spot market. "Because our lighting systems and wireless technology can be managed through the Internet, we can aggregate our customers and on a hot summer day send a command over the Internet to power down lights that are not critical and then sell the resulting energy savings at market prices," Verfuert said.

Last month, Orion made its first carbon trade on the Chicago Climate Exchange (CCX), and last year, it initiated a trade in nitrous oxide emissions. Verfuert is excited about the possibilities of emissions trading, which has blossomed in Europe. "It's not a matter of if this is coming; it's when," Verfuert said. "Our first carbon trade was probably \$2 a ton—in Europe, it's \$30 a ton."

Each one of Orion's light fixtures will save a ton of carbon or more per year. "There could be a day that we are giving away the product just for the emissions offset rates," Verfuert said. And although the emissions trading markets in the US have been slower to develop than in Europe, Verfuert said the business climate is just right for these efforts to take off.

"The US has been a little slow to act here, but part of our heritage is to let free enterprise take over," Verfuert said. "That



market is emerging and evolving. The discussion now has changed from if this is going to happen to when."

The mission statement of E4, the foundation arm of Orion, is "bridging the gap between environmental stewardship and capitalism." Now that Wall Street commodity traders are involved, it is the economics that makes the greatest pitch for adopting green energy solutions, including emissions credit trading.

"The environment is one of the biggest megatrends we'll ever see in any of our lifetimes," Verfuert said. "At first it was just the let's-do-the-right-thing crowd. Now the investors are getting involved." ☰

—John Zorabedian

