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Going green

Louis Tang, Noble's accounting chief, tells *Reggie Rathour* and *Helen Luk* why protecting the environment is vital to a business' sustainability

Photography by Brian Ching

Looking out of his 15th floor office in Wanchai bordering Admiralty, Louis Tang points to the thick blanket of haze across Victoria Harbour that has completely obscured the view of Kowloon beyond Jordan district.

"I can remember when I first started with KPMG Peat Marwick as an audit assistant in 1980, we could clearly see all of Kowloon peninsula and the Lion Rock peak from our offices in Prince's Building. I think the pollution in Hong Kong today is disgusting. Look at the harbour, it's getting smaller and smaller," says Tang, glancing down at the controversial Central-Wanchai reclamation project.

As the chief accounting officer of Noble Group Ltd., a Hong Kong-headquartered supply chain manager voted one of Asia's greenest companies by *FinanceAsia* magazine last year, Tang is *au fait* with environmental issues.

Last year, Noble, which manages the flow of agricultural, industrial and energy products from source to destination, kick-started a carbon-neutral project. It involves tracking the company's "carbon footprint," or calculating the total greenhouse gas

emissions of its business activities, and offsetting them by buying "carbon credits," which are used to finance projects in underdeveloped countries that generate an equivalent amount of power through cleaner methods. The project will cost the company US\$10 million over the next three years, but it's a financial undertaking it is willing to shoulder as it goes down the greener route.

"We are mindful of green initiatives as a group. We do believe that in the world, green consideration is a driving force for the growth of a company and this really has an impact on the sustainability of an enterprise," Tang tells *A Plus*.

According to Tang, the company's five vessels were its biggest polluters last year, accounting for 90 percent of its total greenhouse gas emissions, which stands at more than 100,000 tonnes.

Some of the carbon credits bought by the company have come from two power plant projects in India. One is a five-megawatt wind power plant in Gujarat province, providing a renewable, green power source to replace fossil fuel power plants in

the area. The other project is a six-megawatt plant in Andhra Pradesh province, which uses rice husks and other biomass waste products as its fuel source – providing clean power from common agricultural leftovers. The company says the credits from these projects balanced out about 120,000 tonnes of carbon dioxide emissions generated by the company's ships, its headquarters in Hong Kong and its main trading centres around the world in 2007, including 7,742 tonnes of emissions arising from employees on business trips.

"The whole Kyoto Protocol is to drive people to pay for their pollution. In the past, nobody had to pay. Whatever we do, we can't avoid carbon emissions, but we can try to reduce them," he says.

Road to Noble

Tang joined Noble in 2001, but that was not his first foray into the commodities trading business. Early on in his career, he worked at KPMG Peat Marwick as a deputy audit manager but left the firm in 1988 for Kerry Trading, part of the Kerry Group. He was transferred to Paris the year after



Profile

1980 Joined KPMG's audit department

1988 Moved to Kerry Group as financial controller of sugar division

1989 Seconded to Paris as assistant to deputy managing director of Succden Kerry, a commodity company within the Kerry Group

1991 Relocated back to Hong Kong as group financial controller of Kerry Group's South Seas Oil and Fats

1993 Transferred to SCMP Group Ltd. (previously known as South China Morning Post Holdings Ltd.) as chief financial controller

2001 Joined Noble Group Ltd.

to serve as the personal assistant to the deputy chairman of a joint-venture commodities company in which Kerry had a 30 percent interest. "I was seconded there for a year and it was an eye-opening experience for me to look at the very complicated financial transactions in the commodities business. My main job in France was to review the global accounts of this Kerry company," he says.

Tang's association with Kerry went on for another eight years as he became the chief financial officer of Hong Kong's leading English newspaper, the *South China Morning Post*, another subsidiary of Kerry. After witnessing the return of the territory to China in 1997 followed by the Asian financial crisis and arming himself with an MBA degree from the Chinese University of Hong Kong, he left Kerry and the media scene to renew his ties with the world of commodities.

"When I joined Noble, the company's revenue was US\$1.8 billion. It grew 20 times to US\$36 billion last year," Tang says. A big supporter of the company's green initiatives, he has witnessed major developments in its clean fuel business, which began at the turn of the century, including a switch from selling methyl butyl tertiary ether (MBTE), a gasoline additive, to selling ethanol, a recyclable energy.

"Ethanol is a very clean product, which does not release any pollutants," Tang says. "When they talk about reducing the consumption of petroleum by 20 percent in the U.S., they don't mean reducing petroleum consumption by that amount, but instead mixing 20 percent of ethanol with petroleum, thus not using 100 percent petroleum like before."

Noble has invested in ethanol plants in the United States. "Noble's strategy is to have some strategic investments

in very small stakes to show our faith in these ethanol factories. We actually market a lot of their products," he says.

He is also happy to see the company's more than US\$500 million investment in a sugar mill in Brazil, which processes sugar cane into sugar and ethanol. By burning the residue of sugar cane, the plant can generate power for the nearby neighbourhood. "If you look at this factory, it is very self-sustaining, environmentally friendly and doesn't cause any pollution to the world," he says. "This is something the world can develop."

Clean air business

Noble is also a leading player in the carbon credits trade market, which involves the sale of certified emission reductions, or CER, a form of emission credit allowance under the Kyoto Protocol. One allowance unit is considered the equivalent of one metric tonne of carbon dioxide emissions.

The company has a 20 percent world market share in issued CERs and eight carbon credit offices throughout the world. In addition to its head office in Dublin, it has offices in Frankfurt, London, Stamford in the United States, Lausanne in Switzerland, Calgary in Canada, Hong Kong and Beijing. It has contracted more than 115 projects in Asia and Latin America, and has already sold CERs amounting to 50 million tonnes of carbon dioxide emission reductions to customers.

On a personal level, Tang says he does his bit to help the environment.

"I reduce pollution by reducing rubbish. I don't believe in buying unnecessary things. I only have two pair of shoes for work and I only buy the third one when one is about to be worn out. I don't buy



clothes for fashion and I don't waste food. Everything you waste causes pollution," he says.

The veteran accountant says he has also cut down on driving since he moved closer to work from Tai Po to Braemar Hill in North Point. For a man in his position, Tang's lifestyle might strike many as somewhat frugal, but he is steadfast against wastage. "If other people reduce their consumption, they can reduce pollution," he stresses.

Accounting challenges

Sitting at the helm overseeing five CFOs around the world, Tang says working in a global enterprise dealing with commodities requires special



business and accounting acumen to handle the multi-dimensional aspects of the trade.

“I am not so directly involved in the business decisions, but being an accountant, my job is to serve as a support function for business evaluation and for risk and financial control to facilitate the business to move ahead as fast as possible,” he says.

And even with nearly three decades of experience under his belt, Tang says his job is still a big challenge, especially when accounting standards have become ever more complicated – there are not many in the profession who “really understand each and every word in the accounting standards,” he says.

Unlike traditional businesses, which he sees as two-dimensional, as profit and loss can be computed based on price and quantity of a single trade, his work with Noble entails handling, in some cases, up to five hedging instruments in one deal.

“You are talking about business in different countries with different tax regimes, different currencies involving risk reduction in foreign exchange, different types of deals such as buying in FOB (free on board) and selling in CIF (cost, insurance and freight), and hedging your risks in shipping.

“All these can be very complicated and if you talk about the carbon business with investments in projects

in the underdeveloped world, it can be very intricate. Therefore support function for this sort of business is very important,” he explains.

Tang says finding people with experience in the global commodities business is tricky enough, let alone finding accountants who know how to handle accounts in the carbon trading business. “So when I recruit people, my main objective is to find people who are eager to learn rather than people with hands-on experience,” he says.

A greener China

Noble has expanded its business in China and Tang says he sees great growth potential there for the company. China’s recent participation in the Kyoto Protocol illustrates its determination to clean up the environment, after rapid development in the past decade brought much damage.

“People’s desire causes pollution,” Tang says. “There is a cost they need to spend to reverse that damage.”

In the past, China focused on producing “fancy goods” to meet external demand; with that demand dwindling amid the depressed global economy, there will be a return to producing basic, less-polluting products for domestic consumption, he says.

Tang thinks the increased expenditure on infrastructure projects from China’s four trillion yuan stimulus package means more sewage systems will be built and more sophisticated, environmentally-friendly factory machinery will be purchased.

“These will actually help China to protect the environment,” he says. “China will be more prepared for the future and they can reach the benchmark western countries have in place and this will assist the world in protecting the environment.” **A+**