

# ESG in Industrial Site Selection

by **Elijah Moore**, on Jun 16, 2023 9:17:37 AM

Environmental, Social and Governance factors (ESG), have become a crucial consideration in site selection decisions for companies around the world. It is a topic generating significant excitement as manufacturing companies increasingly recognize the importance of integrating green practices into their operations — particularly concerning the environmental aspect of ESG. Notably, the use of the Inflation Reduction Act (IRA) investment incentives to expand operations further highlights the growing significance of ESG in industrial site selection.

Within the realm of ESG, ambitious goals are being set, particularly in terms of renewable energy sourcing. Companies aspire to power their operations exclusively with clean energy while maintaining reliability and competitive prices, reflecting their commitment to reducing carbon emissions and embracing environmental sustainability. While other sustainability initiatives like resource recovery and reuse, water recycling and emissions reduction are key for companies looking to step up their ESG practices, none of these are quite as tied to the site selection process as intimately as energy seems to be.

## Ambitions of ESG in industrial site selection are lofty

However, lofty ambitions often encounter challenges and fall short of expectations. From the perspective of energy providers, guaranteeing that the supplied energy is entirely sourced from renewables presents difficulties. While companies may sometimes have the opportunity to claim a certain percentage of clean energy, the demand for sustainable power often surpasses

its availability — making it physically impossible to satisfy such demand, especially within the typical escalated timelines of site selection projects.

And despite prevailing aspirations for the renewable energy market, it is important to recognize that fulfilling the imminent demand for energy without the utilization of fossil fuels poses significant challenges. Even by 2050, the global industry mix is projected to be dominated by fossil fuels, particularly oil and gas.

## Constraining resources in industrial site selection

This adds complexity to existing issues seen across the market of site selection; the industrial real estate market continues to get tighter and tighter. Available sites with the infrastructure to support the energy needs of recent projects are becoming limited — add in the consideration of an energy generation portfolio, and the real estate options make it a much smaller world.

A potential bridging solution to the shortage involves figuring out how ESG can continue to be implemented in other energy production methods, such as the oil & gas industry. While technology that increases efficiencies in fossil fuel production is potentially less attractive than other ESG efforts, many believe they clearly have a place, according to projected demands for energy. By embracing these measures, companies can contribute to a more sustainable future.

## Is nuclear power on the table?

Continuing technological advancement in ESG for nuclear power is also another pathway, especially with nuclear plants supporting nearly a third of the global energy production mix. Adding efficiencies to plants also could help bridge the gap in this particular mode of energy production, given that only two nuclear power plants in the U.S. are to be added [by 2030](#).

Yet, when it comes to short-term actions, how can we effectively tackle ESG considerations in industrial site selection decisions? Rather than resorting to drawing arbitrary lines in the sand, Site Selection Group's approach is to practice common sense while remaining committed to our clients' values. One way to begin is by attentively engaging with state and local officials as well as energy providers to understand their approaches toward ESG initiatives. This initial step

allows us to explore the possibilities and make a reasonable effort to minimize a carbon footprint.

As site selection projects continue to involve high rates of energy consumption, the conversation will continue to revolve around how location consultants and companies marry ESG considerations with efforts to find a site with the right infrastructure, capacities and costs. By seeking innovative solutions and exploring ESG initiatives even within traditional industries, companies can make significant progress toward achieving their sustainability goals and strike the right balance between ambition and practicality in site selection decisions.

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