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Annex Bulletin 2007-20

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IBM Hoping for Global Warming of Its Customers to Energy Savings

The Greening of Big Blue

IBM to Spend \$1 Billion on Going Green: "It's an End to End Process"

NEW YORK, May 10, 2007 - Big Blue is going green on the back of a \$1 billion investment in energy saving hardware and software. Dubbed "Project Big Green," the IBM initiative targets corporate datacenters, including its own, with a hope of achieving a 40% or higher reduction in energy consumption (click on thumbnail image to enlarge).



"Today, we are providing clients the IBM action plan to make their datacenters fully mobilized and energy efficient," said Mike Daniels, senior vice president who runs the company's largest unit, the \$34 billion-Global Technology Services, in a release.

IBM itself expects to double its enormous computing capacity (over eight million square feet of datacenters) within the next three years without increasing the power consumption or its carbon emissions. The company hopes to save more than five billion kilowatt hours of energy per year as a result, or about \$500 million in costs. That's enough electricity to heat about 370,000 homes for a winter, IBM said.

Al Gore would be pleased with the greening of Big Blue (see "[An Inconvenient Truth](#)," a documentary on dangers of global warming), especially if IBM efforts result in a global warming of its customers to the energy-saving ideas.

The cost and availability of electrical power is becoming a critical issue for many companies whose data centers have expanded steadily. IBM formed an "information

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technology optimization" task force at the start of the year. The "green team" initiative currently includes over 850 "energy efficiency architects" in various IBM units around the world.

"We decided it was critical to mobilize the full resources of the company to attack the problem," Bill Zeitler, IBM's top hardware executive told the New York Times. "This is approaching a crisis for many of our clients."

The issue of energy efficiency is still relatively low on the list of procurement priorities of most IT customers. But IBM and others in the technology field and government are trying to raise the awareness and its importance.

The Green Grid, an industry group, for example, was created last year to work on energy consumption standards for equipment in data centers. Its members include IBM, HP, Dell, Sun Microsystems, Intel, AMD, VMWare and others. And last December, Congress passed legislation authorizing the [Environmental Protection Agency](#) to study energy use in datacenters, and to develop an Energy Star rating system for data center server computers, as it already has for personal computers.

Happy bargain hunting!

Bob Djurdjevic

IBM: "It's an End to End" Process

Benefit of "The Greening of Big Blue:" Equivalent of 3.7 Million Cars Being Removed from Nation's Highways



NEW YORK, May 10 - "We are facing one of the most important crises in history of the IT industry," Bill Zeitler, IBM's top hardware executive (right thumbnail), told some 120 reporters and analysts assembled this morning at the Helen Mills Theater in the Chelsea part of Manhattan (click on [Photo Gallery](#) to see more). "There has been an explosion in the number of servers" (and, therefore, their energy use) due to Internet's popularity and expansion.



As a result, the energy costs have been growing eight times faster than the acquisition costs, and server management expenses have been rising four times faster, Zeitler said. No wonder Mike Daniels (left thumbnail), the head of IBM Global Technology Solutions business, who spoke before Zeitler,

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promised the IBM hardware boss would share some "startling" information with the press conference attendees.

"For every dollar spent on hardware, 50 cents is spent on energy," Daniels gave the audience a bit of a start himself.

And "if we keep going the way we have been, the cost of energy will increase over 50% every two to three years," said Val Rahmani, another GTS executive who kicked off today's event (right thumbnail).



"It's not a problem that will be solved by slicker chips," Zeitler said. "It's an end to end problem that will take a comprehensive approach to solve."

Zeitler, Daniels and other Big Blue executives who spoke today said they had a solution to the crises. It starts with measuring the actual energy use in each datacenter. They outlined a five-point program that comprises "Project Big Green:"

1. DIAGNOSE: Evaluate existing facilities -- energy assessment, virtual 3-D power management and thermal analytics
2. BUILD: Plan, build or update to an energy efficient data center
3. VIRTUALIZE: Virtualize IT infrastructures and special purpose processors
4. MANAGE: Seize control with power management software
5. COOL: Exploit liquid cooling solutions -- inside and out of the data center

"The Greening of Big Blue" Equivalent of 3.7 Million Cars Being Removed from Nation's Highways



Bob Sauchelli, national director of EPA's (Environmental Protection Agency) EnergyStar program (left thumbnail), added some more startling statistics. About 70% of all electricity generated in this country comes from carbon-emitting fossil fuels, and 50% of all greenhouse as emissions that are causing the global warming, is done by industry.

The EPA's Energy Star program (see logo), that Sauchelli heads, which includes some 5,000 American companies, including most of the IT giants, saved the nation 170 billion kilowatt hours in 2006. That's equivalent of removing 25 million gas polluting cars from the road. It also saved the industry \$14 billion in energy costs.



IBM's Daniels also said that IBM owns and operates 8 million square feet of datacenter space. Due to the "Project Big Green," the company will not have to expand it in order to double its capacity. This cost avoidance will result in a 5 billion kilowatt hours of direct savings. That's equivalent of removing 735,000 gas guzzlers from the nation's highways, according to the EPA statistics.



And considering that Big Blue influences (through its customers and partners) a total of 40 million square feet of datacenter space, according to Daniels, that means "The Greening of Big Blue" will result in

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(Analysis of Fujitsu's first half FY2007 business results)

[IBM: A Slam Dunk Quarter](#)
(Analysis of IBM third quarter business results)

[Accenture's Emphatic Year-end Accents \(Analysis of Accenture's fourth quarter results\) \[Annex clients click here\]](#)

[IBM: Services in a Box](#)
(Analysis of IBM Global Services' Ground-shifting Announcements)

[Strong Comeback by IT Stocks in Third Quarter](#)
(Analysis of top 20 IT companies' market and business trends)

equivalent of 3.7 million car polluters not damaging our environment.

How startlingly green is that? Wow, you might say, isn't IBM being altruistic!

It is and it isn't. The best part about IBM's Project Big Green is that it not only good for the environment; it is also good for business. And it is the latter motive that gives the idea real traction. Big Blue stands to save a lot of money from greening its own datacenters, and to make a lot of money from selling its "green solutions" to its customers.



"The Greening of Big Blue" lifts IBM shares even though Dow drops

This point has not been lost on Wall Street today. Big Blue (...oops, Green) shares are up to a new five-year high of \$104.85 as we write this, even though the Dow Jones index, of which IBM is a part, is down more than 130 points. EPA's Sauchelli also pointed that the Energy Star members have higher stock market prices than the market as a whole.

How's that for turning a cool idea hot - with EPA cheering it all the way! :-)

Speaking of cheering, this IBM press conference was the first one this writer ever attended at which the normally blasé reporters applauded before and after the show.

A Photo Gallery from IBM Press Conference



In front of the Helen Mills Theater

[Stock Buybacks: A Fading Fad \(Dell, erstwhile "King of Fluff," suspends its stock buybacks\)](#)

[Capgemini: Growth Continues \(Revenues, net profit up in double digits, margins also improve\)](#)

[HP Firing on All Cylinders \(Stock sets new multi-year record following excellent third fiscal quarter results\) \[Annex clients click here\]](#)

[Power of Manpower \(While others move to India, Russia... AMD invests in New York, hailing "phenomenal" quality of its labor force\)](#)

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[IBM Stock Grossly Undervalued? \(Analysis of stock market valuations of IBM and its major competitors\) \[adds latest Fujitsu, Capgemini results\]](#)

[IBM vs. HP: A Tale of Two Blues \(Both companies are doing well in business, but only HP is favored by Wall Street; Big Blue trying to change that now with its new "India Opus"\) \[Annex clients click here\]](#)

[Go East, Young Man! \(A speech delivered in St. Petersburg, Russia, May 25, 2006; click here for slides\)](#)

[IBM 5-Yr Forecast: Steady As She Goes \(Emphasis on quality continued\) \[Annex clients click here\]](#)

[Octathlon 2006: Accenture Again Wins "Gold!" \(HP gets "Silver," IBM "bronze"\) \[Annex clients click here\]](#)





Val Rahmani (right)



Mike Daniels (left); Bill Zeitler (middle and right)



The panel (left), hosted by Rahmani. Participants are identified on the middle slide. IBM panel (right).



Participating IBM partners' logos (left); attentive audience at the press conference (middle); billboard at the airport already attesting as to Big Blue's greenness (right).

IBM's First "Green" Chip

The Power of Green: IBM Launches Power6 Chip, Leapfrogs Itself

SCOTTSDALE, May 21 - Can you imagine downloading five million songs in about a minute? Or holding a chip in the palm of your hand that's twice as powerful as a 1.4-ton supercomputer that defeated the chess world champion Kasparov only 10 years ago (right thumbnail)? Or doubling the performance of the world's fastest Unix processor, also a Power chip? (left thumbnail).



Now, that's Power over Power, isn't it? It's also IBM leapfrogging itself on the Unix power performance curve - another first in the industry that has often seen competitors leapfrogging over each other.

Okay, okay... we know, these are all nerdy facts and figures that few business executives lose much sleep over. But how about this: Can you imagine getting all this power at half the power consumption?

Now we are talking, right? We're talking "green" (i.e., environmentally friendly). And talking green is cool thing these days.

The Power6 chip that IBM unveiled today is its first truly "green" product.

Bernie Meyerson, chief technologist of IBM's Systems and Technology Group, told the media today that the chip is the first product delivered under the company's energy efficiency initiative announced earlier this month, designed to make corporate computing centers more environmentally friendly (see "[The Greening of Big Blue](#)," May 2007).

Besides the obvious processing gains, "this translates into a much, much smaller carbon footprint" for companies, Meyerson said.

So a System p customer can get all that souped-up power AND get to FEEL good about it. That's a lot more than any NASCAR or Formula 1 champ can say. No wonder Big Blue marketing folks chose the green color to depict it in the logo and charts.

The Power 6 chip doubles the performance the previous generation product (Power5+), which still boasts the pole position in the industry, while consuming roughly the same amount of power.

And that will the "green" Power6 it do for IBM's business? Well, it will probably extend the market share gains the company has already notched up in the last five years (see the right thumbnail). As you can see from the right chart, IBM share is up by over 10 points, while HP's and Sun's is down. And that's even before Big Blue's first green chip hit the street.



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