



EARLY INVESTMENTS IN ENERGY EFFICIENCY AND SUSTAINABILITY WILL CREATE A DURABLE, COMPETITIVE ADVANTAGE

It is of no surprise to this audience that indoor cannabis cultivation is one of our most energy-intensive industries, estimated in 2020 to require about \$6 billion annually in energy, before the most recent regional expansions. The energy required for lighting and humidity/temperature controls to create optimum growing environments will be on par, by the end of this decade, to that of data centers and the charging of electric vehicles. As individual state markets become more mature and fully supplied and prices drop, there will be continued pressure on operating costs. Cultivators who aren't able to control operating costs will always face margin issues.

Years ago, in another industry and during a time when "offshoring" manufacturing was commonplace, I was asked how we could ensure our success as a manufacturing company while maintaining our location in the U.S. The answer then was the same as it has always been: if you want to ensure success in manufacturing, invest in technology and capabilities so you have both the best quality and the lowest cost of production. Having either one is good; having both is a winning recipe.

The common challenge required of entrepreneurs across all industries is to rapidly develop their offering while not running out of money before that work is complete. It is no different in the impressively diverse and entrepreneurial cannabis industry. The downside to pinching pennies when (not) investing in energy efficiency is that sometimes an owner/operator can then

lock themselves into a non-competitive cost structure.

On top of all this, such new electrical demand can be challenging to utilities in certain regions or states. We've met new licensees who were told their electricity needs outstripped the regional utility capacity available to them. At AirGreen, a Delaware-based CleanTech firm specializing in a unique HVAC (Heating, Ventilation and Air Conditioning) technology, we design and build innovative humidity control equipment that can cut the energy use required by typical equipment by half or more. To take those gains even further, we also suggest cultivators consider a combination of CHP (Combined Heat and Power, or Cogeneration) along with novel equipment like AirGreen's dehumidifiers as a pathway toward both energy reliability and security, and as a source of permanent competitive advantage. As an added benefit, there are many utility-provided and government-provided energy efficiency incentive and rebate programs that provide capital cost rebates up to and beyond 40% of the equipment investment. Investing in the latest energy efficient equipment also can help cultivators more precisely manage growing conditions, improving product quality.

As in any market, there will be winners and losers, but ensuring a competitive cost structure through investments in energy efficiency may be the most controllable success factor for innovative cultivators. ■

Learn more: <https://airgreeninc.com>

“ENSURING A COMPETITIVE COST STRUCTURE THROUGH INVESTMENTS IN ENERGY EFFICIENCY MAY BE THE MOST CONTROLLABLE SUCCESS FACTOR FOR INNOVATIVE CULTIVATORS.”