

# Energy Utilities: A Just Energy Transition

By Bron York

Part of **Common Threads: Designing Impactful Engagement**



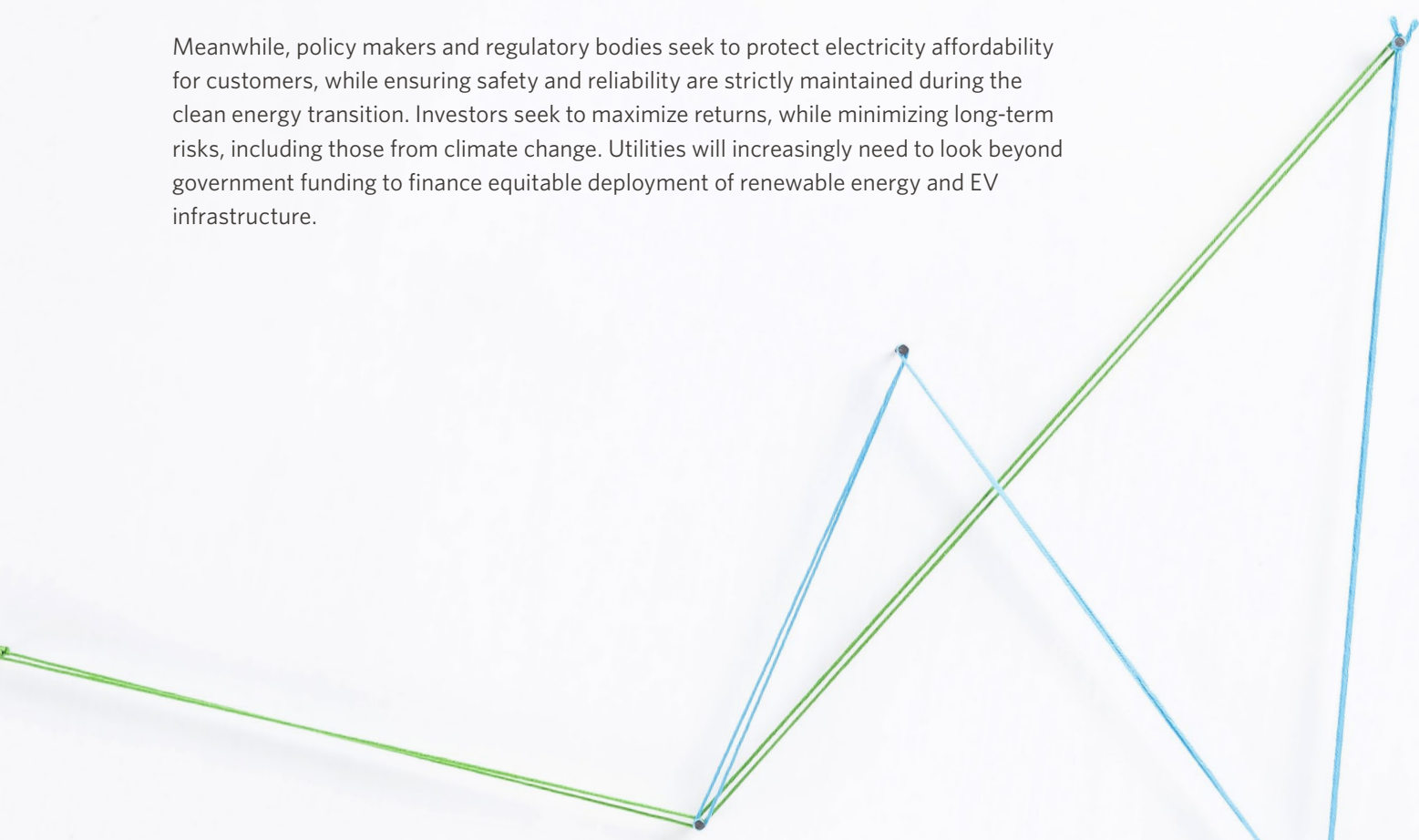
# Introduction

**As the world begins to transition from fossil fuels to clean energy in order to mitigate the impacts of a warming climate, issues of equity and access are coming to the fore. Under-resourced communities and communities of color are disproportionately impacted by both air pollution and climate change impacts.**

Low income communities are also most likely to struggle to adapt to changing job and skill markets, as coal-fired power stations are retired and clean energy and smart grid solutions are brought online. Under-resourced communities and NGO advocates are concerned that the rapidly changing energy landscape is at risk of leaving communities behind with dirtier, more expensive energy networks and rising unemployment. The World Wildlife Fund and CARE have emphasized the interconnections between the Paris Agreement and the Sustainable Development Goals, pointing to the need to accelerate a just transition to net-zero emissions, climate-resilient sustainable development and poverty eradication.<sup>1</sup> Energy sector employees and unions are also concerned that the energy transition will increase unemployment and result in lower-paid, less secure jobs.

The need for strong engagement and investment in vulnerable communities comes at a challenging time for electric utilities. They are currently juggling the need for large-scale financial investments in renewable energy, electric vehicle (EV) infrastructure and grid upgrades, alongside increasing competition from Community Choice Aggregators (CCAs). They can be further hobbled by slow regulatory changes that inhibit nimble business model innovation, which threatens long-term financial sustainability.

Meanwhile, policy makers and regulatory bodies seek to protect electricity affordability for customers, while ensuring safety and reliability are strictly maintained during the clean energy transition. Investors seek to maximize returns, while minimizing long-term risks, including those from climate change. Utilities will increasingly need to look beyond government funding to finance equitable deployment of renewable energy and EV infrastructure.





# Companies step up

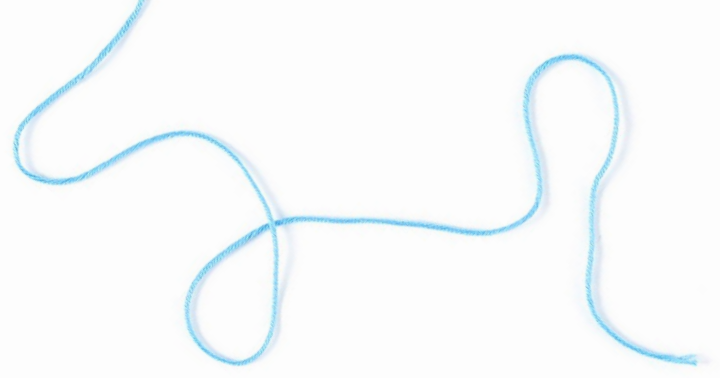
**A small number of leading utilities are being increasingly proactive in their engagement with community groups, NGOs, employees, unions, policy makers and regulators on an equitable clean energy transition. However they often remain defensive regarding CCAs and currently under-utilize engagement with investors.**

Utilities' key focus has been strong engagement with disadvantaged communities to ensure access to affordable clean energy and energy efficiency programs. For example American utility Edison International has created a targeted in-person outreach program that collaborates with local churches on reaching low-income communities and communities of color who are eligible to participate in its free energy efficient appliances program, but have been traditionally hard to reach.

Leading companies like Pacific Gas and Electric are also ramping up deployment of EV charging infrastructure and vehicle rebate programs.<sup>2</sup> Some oil & gas companies are also moving into this space, with Shell installing charging stations at 25,000 locations globally.<sup>3</sup> However, a majority of energy companies have been slow in deploying EV infrastructure in low-income communities. This has in part been due to the lengthy approvals process required by regulators and challenges with ensuring uptake within communities.



# Case Studies



Southern California Edison



## Introducing EV infrastructure for low-income communities

**In California, pollution from the logistics and shipping industry disproportionately impacts low-income neighborhoods and communities of color.**

Local utility, Southern California Edison (SCE), aims to address the disproportionate environmental and health impacts experienced by those communities by ensuring access to transportation electrification deployment.

As part of its Charge Ready project, SCE is implementing a program that gives customers the option to own, operate and maintain the EV charging infrastructure installed on their premises.<sup>4</sup> A majority of participants in communities that are severely impacted by pollution and economic hardship will receive a rebate for as much as half of the cost of their EV charging stations.

The Charge Ready initiative is a culmination of years of proactive engagement by SCE with local communities groups and the CPUC. SCE made sure to communicate the details of the complex, months-long project in a simple, easy-to-follow way. Due to the successful consultation process and communication strategy, SCE received an overwhelmingly positive response to the initiative,

with the company having to close applications for the pilot program earlier than anticipated due to the high level of interest.

In order to ensure ongoing stakeholder involvement and feedback during the project pilot, SCE also established an Advisory Board comprised of customers, industry stakeholders, and community representatives. The board provided ongoing guidance to SCE during the pilot implementation, contributing to the project's success.

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Enel



## Reskilling employees in Italy

**As the European clean energy sector matures and leads to an increasingly rapid phasing out of coal-fired power plants and transition to renewable energy, the region's utilities are recognizing the need to engage with workers at risk of being left behind.**

Enel has been a leader in this process, recognizing that engaging directly with both employees and unions is key to ensuring a smoother, and more equitable transition process, which benefits both the community and the broader European economy.

A key example of this leadership is the company's Futur-e project in Italy, where Enel aims to transform 23 non-renewable power plants into "eco-sustainable enterprises" dedicated to science, art, culture and tourism.<sup>5</sup> As part of this process, the company aims for a majority of current workers to be redeployed in the new enterprises. To achieve this goal, the company has engaged directly with employees on a strategy which includes training and skills development, as well as collaborating with Eurelectric, the employers' association of European utilities.

By working directly with employees, unions and the employers association, Enel has been able to develop a clear understanding of the specific needs and challenges that employees are facing, and has responded with targeted training and skills development programs that will ensure a majority are able to be employed in the new local industries that are being created.



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## Opportunity for energy companies to utilize green bonds to accelerate a just transition

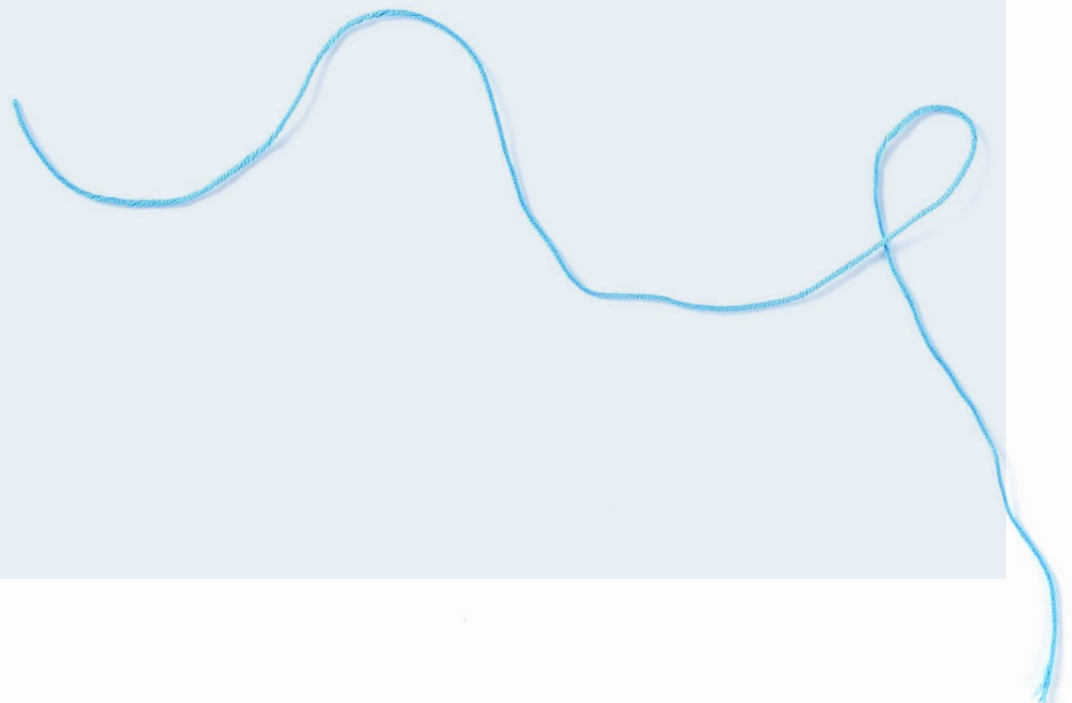
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**Investors are increasingly responding to climate change risks and opportunities. This is occurring globally through shareholder engagement, fossil fuel divestment and policy dialogue.**

A small but growing number of investors have also recognized the need to integrate the social dimension into their climate strategies and examine their contribution to a just transition.

The appetite for social impact-related climate mitigation efforts are illustrated by several recent projects. Goldman Sachs and the Housing Authority of the City of Newark are collaborating to create sustainable, affordable housing for low-income residents. The innovative financing structure allows the public housing agency to implement clean energy and energy efficiency upgrades. The cost of installation is paid for from cost savings from reduced energy consumption in the future through an Energy Performance Contract. In 2016 Lloyds Bank launched their ESG Bond with the aim of financing social and clean energy initiatives in low income communities in the United Kingdom.

Thus far, utilities have not capitalized as much as they should on this emerging trend. A number of energy companies including MidAmerica are utilizing green bonds to finance large-scale renewable energy projects, but there is little movement by energy companies to embrace the opportunity to invest in infrastructure for low-income communities. The green bond market provides a crucial vehicle for energy companies to leverage financing for projects that are targeted at low-income and underserved communities. Energy companies need to embrace innovative financing and work with investors and other stakeholders to ensure the maturation of the green bond market. Alongside these efforts, they also need to work with investors on innovative financing solutions which can help deliver much needed affordable clean energy, energy efficiency and EV investment for under-resourced and disadvantaged communities.





# Recommendations for companies

- **Find common ground**  
Engage with NGOs, communities and government agencies and work towards joint goals that offer win-win solutions for all parties.
- **Invest in reskilling and retraining**  
Engage employees to allow for continued employment and economic investment in the local community.
- **Proactively engage communities in co-design**  
Low-income and vulnerable communities can help shape products and services that better meet their needs.
- **Work with investors**  
Explore ways to support the green bonds market and alternative finance solutions that can speed up investment in infrastructure for underserved communities.

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## Looking ahead

**As the transition to a clean energy economy accelerates, we expect to see energy companies engage more proactively with a wide range of stakeholders on ensuring a more equitable transition.**

Utilities can learn from their own and their peers' positive experiences in rolling out energy efficiency and clean energy programs to disadvantaged communities and apply these lessons to expanding access to EVs.

In order to successfully scale equitable access to clean energy and EV transportation, billions of dollars in funding is needed. Utility companies will need to work more closely with investors to both highlight the economic opportunities presented by investing in the just transition and to collaborate to develop innovative financing solutions.



# References

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<sup>1</sup> [http://awsassets.panda.org/downloads/twin\\_tracks\\_developing\\_sustainably\\_and\\_equitably\\_in\\_a\\_carbon\\_constrained\\_world\\_report.pdf](http://awsassets.panda.org/downloads/twin_tracks_developing_sustainably_and_equitably_in_a_carbon_constrained_world_report.pdf)

<sup>2</sup> [https://www.pge.com/en/about/newsroom/newsdetails/index.page?title=20180301\\_pge\\_customers\\_eligible\\_to\\_save\\_10000\\_on\\_a\\_new\\_bmw\\_i3\\_electric\\_vehicle](https://www.pge.com/en/about/newsroom/newsdetails/index.page?title=20180301_pge_customers_eligible_to_save_10000_on_a_new_bmw_i3_electric_vehicle)

<sup>3</sup> <https://www.evconnect.com/blog/shell-oil-begin-installing-fast-ev-charging-stations-gas-stations>

<sup>4</sup> [http://www3.sce.com/sscc/law/dis/dbattach5e.nsf/0/AB93EF695A92832A88258263006AF4A7/\\$FILE/A1410014-SCE%20Charge%20Ready%20Pilot%20Program%20Report.pdf](http://www3.sce.com/sscc/law/dis/dbattach5e.nsf/0/AB93EF695A92832A88258263006AF4A7/$FILE/A1410014-SCE%20Charge%20Ready%20Pilot%20Program%20Report.pdf)

<sup>5</sup> [https://www.enel.com/content/dam/enel-com/storie/doc\\_pdf/120-121\\_ENG\\_BDS2016\\_20170502\\_4WEB-2.pdf](https://www.enel.com/content/dam/enel-com/storie/doc_pdf/120-121_ENG_BDS2016_20170502_4WEB-2.pdf)