

# The Impact of Climate Change Regulation and Corporate Climate Initiatives on the Future of Electricity

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# Overview

- I. Environmental law & policy, 1970-2050
- II. The Four Stages of Electric Utility Climate Regulation
- III. The Private Sector Steps Up
- IV. Where Will We Be By 2050?

# Environmental law & policy, 1970-2020

- 1970-2016 (a/k/a Before Trump or BT)
- 2016-2050 (AT)
- Early 1970s – most of our major federal environmental statutes
  - Activists derided as tree-huggers
  - Grudging corporate compliance
  - Little business-to-business peer pressure
- 1980s – “Government is the problem”

# Environmental law & policy, 1970-2020

- 1990s – Clinton
- 2000s – Bush
- 2008-12 – Obama's 1<sup>st</sup> term
  - The financial crisis
  - Healthcare reform
  - Climate change (Waxman-Markey)
- 2012-16 – Obama's 2<sup>nd</sup> term
  - Clean Power Plan



# Environmental law & policy, 1970-2020

- 2016-2020 – Trump
  - Substituted ACE in place of CPP
  - Denied climate change
  - Denied science
  - Attempted to hollow-out government
  - Dynamited the status quo



# Environmental Law & Policy, 2021-2050

- **Scenario 1:** Trump reelected + Republicans retain Senate
- **Scenario 2:** Trump reelected + Democrats take Senate
- **Scenario 3:** Democratic President + Republicans retain Senate
- **Scenario 4:** Democratic President + Democrats take Senate

# Environmental Law & Policy, 2021-2050

- Inauguration Eve: *American Lung Assoc. v. EPA*
  - **CPP** set ambitious mandatory targets for each state based on 3 BSER building blocks: (1) inside the fence improvements; (2) shifting generation from coal to natural gas; and (3) increased renewables
  - **ACE** was limited to inside the fence
  - D.C. Circuit agreed with CPP approach and, vacated ACE, and remanded to EPA
  - Leaves Biden's EPA with open field unless interveners can get to Supreme Court

# Environmental Law & Policy, 2021-2050

- ■ Biden's top four priorities:
  - Covid
  - racial equity
  - climate change
  - the economy
- International Panel on Climate Change has set 2050 as the deadline to reach net zero to not exceed 1.5° C
- Failure is not an option



# Four stages of climate regulation



- 1. RPS statutes
- 2. Price on carbon
  - Carbon tax
  - Social cost of carbon
- 3. Cap & trade
- 4. Just do it, utilities
  - Zero emissions by 2050

# Four stages of climate regulation

- Washington's Clean Energy Transformation Act of 2019 (CETA)
  - No coal by 2026
  - Net-zero emissions by 2030
  - During transition, 20% compliance with RECs and climate-related investments
  - Zero emissions by 2045
  - Strong cost-recovery assurances
  - Cost cap and reliability off-ramp

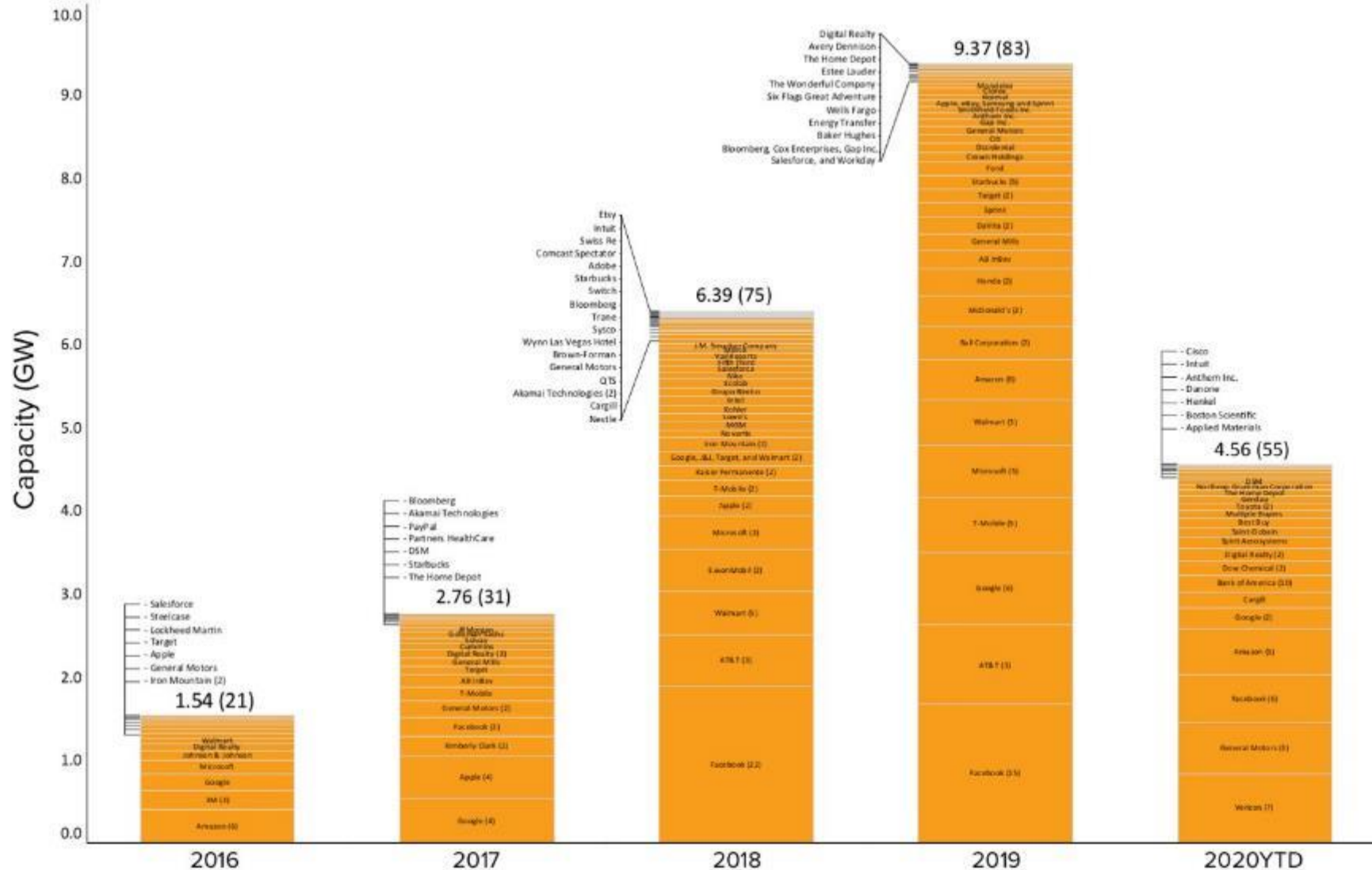


# Four stages of climate regulation

- CETA is similar to 10 other states
- Similar to roadmap of Congressional Democrats
  - Senate Democrats' Special Committee on the Climate Crisis (August 2020)
  - House Select Committee on the Climate Crisis (June 2020)
- Legal Pathways to Deep Decarbonization – LPDD
  - Model federal, state and local legislation across all sectors
- Model State Legislation to Decarbonize Electricity
  - Based on CETA

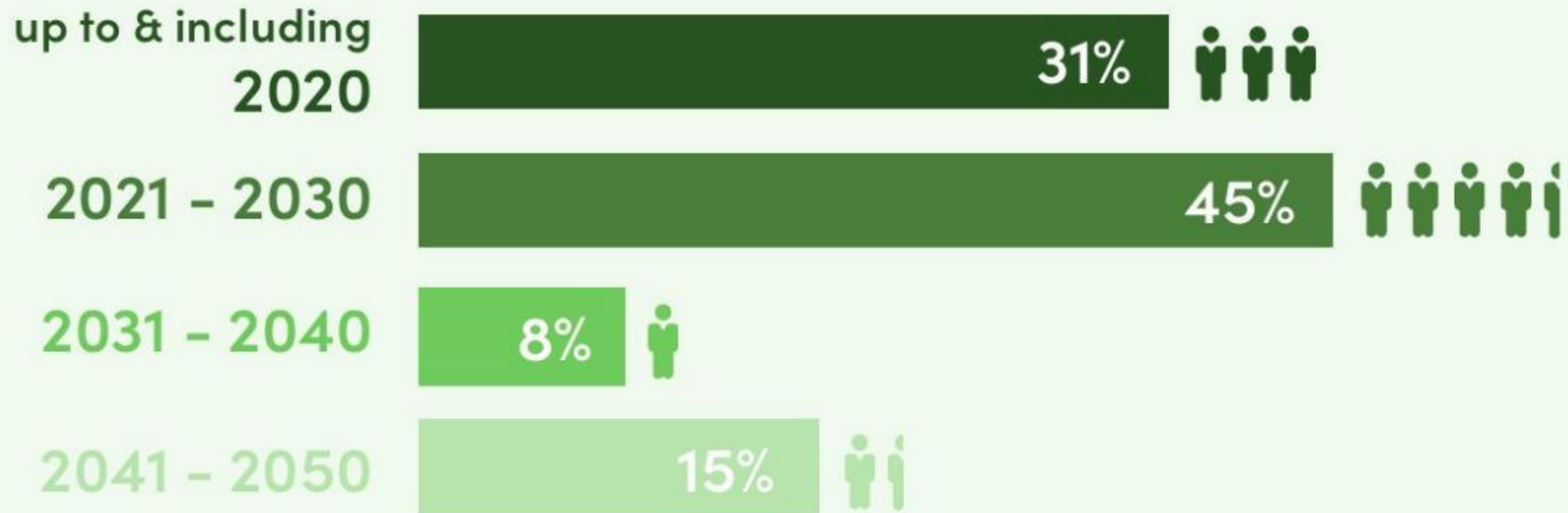
# The Private Sector Steps Up

- Huge increases in the purchases of renewables by large corporate customers
  - Amazon, AT&T, Facebook, Google, Microsoft
  - Cargill, ExxonMobil, General Motors, McDonald's, Walmart
- RE100 includes 260 companies committed to reaching 100% renewables
  - 41% overall renewables currently
  - 53 members have announced reaching 100%, 65 are over 90%
  - 26% of renewables come from PPAs, moving away from RECs



As of October 15, 2020. Publicly announced contracted capacity of corporate Power Purchase Agreements, Green Power Purchases, Green Tariffs, and Outright Project Ownership in the US, 2016 – 2020YTD. Excludes non-utility-scale on-site generation (e.g., rooftop solar PV), deals with operating plants and deals meant to meet RPS requirements. (#) Indicates number of deals each year by individual companies. Copyright 2020 Renewable Energy Buyers Alliance.

## Distribution of RE100 members by target year



Credit: RE100 Annual Progress and Insights Report 2020

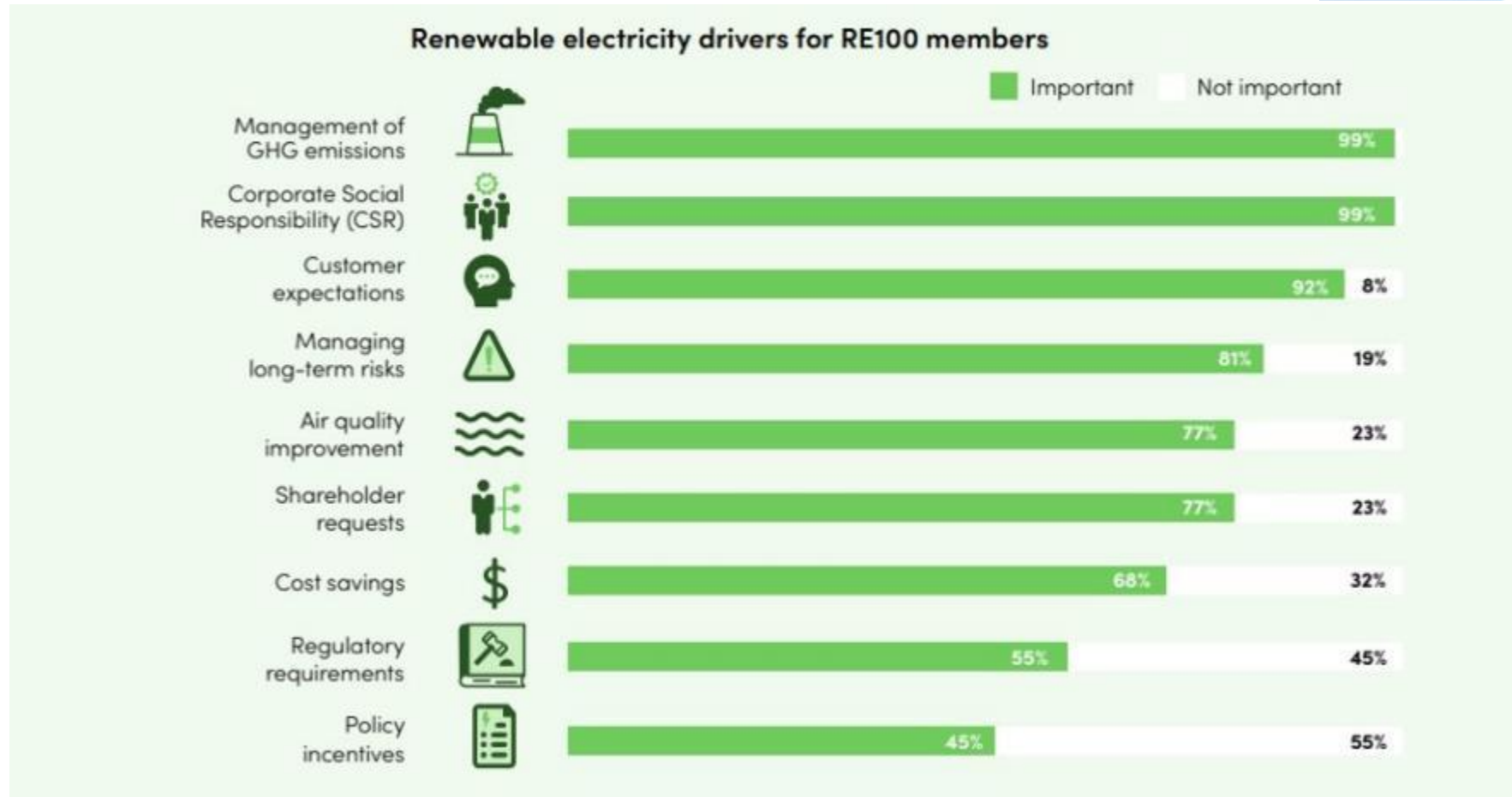


# The Private Sector Steps Up

- Government regulation is no longer the driver; instead:
  - Corporate social responsibility
  - Customer expectations
  - Risk
  - Shareholders
  - Cost



# The Private Sector Steps Up





# The Private Sector Steps Up

- Competing for leadership
  - Advertising accomplishments
- Holding each other accountable
  - Membership organizations that require transparent reporting (e.g., RE100 and Climate Pledge)
- Policy advocacy

# The Private Sector Steps Up

- Acknowledging the breadth of their climate impact
  - Scope 1 – direct emissions (e.g., fleet vehicles, building emissions)
  - Scope 2 – indirect emissions (e.g., from purchased electricity)
  - Scope 3 – everything else (e.g., purchased goods and services, business travel, employee commuting, waste disposal, use of sold products, transportation and distribution)
- For most companies, the majority of their emissions are scope 3

# What does public/private convergence look like?

- Private sector accomplishments raise the regulatory bar
  - Allows government to set higher standards
- Corporations changing their tune before Congress and state legislatures
  - Total leaves American Petroleum Institute over differences on climate
- Growing public support for further action
- Public/private support for technological innovation

# Where will we be by 2050?

- U.S. electricity sector leading in decarbonization; key variables to success:
  - Storage
  - Transmission
  - Carbon capture
  - Offshore wind
- What about everything else?
  - U.S. transportation and buildings?
  - The rest of the world??





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