New York State Pension Fund and Other Investors Urge Utilities to Ramp Up Renewable Energy and Energy Efficiency

As You Sow and Calvert Investments Join Call for Cleaner Power, Citing Climate and Water Risks at Ameren, FirstEnergy and Cleco

Feb. 27, 2013

Major U.S. investors and pension funds have filed shareholder resolutions with five electric power utilities—Ameren, Cleco, DTE Energy, FirstEnergy, SCANA—urging them to increase deployment of renewable energy and energy efficiency in order to mitigate climate-related risks and manage water use amidst record heat and drought.

"The electric power sector is facing a range of risks, from strong storms to drought to stricter controls on greenhouse gas emissions. In each case, shifting more resources to clean energy and efficiency will help reduce risk to utility customers and shareholders alike," said Mindy Lubber, director of the $11 trillion Investor Network on Climate Risk and president of Ceres, which helped to coordinate the filings. "Utilities are expected to spend $2 trillion on infrastructure over the next 20 years, and investors want to ensure that money is spent wisely."

New York State Comptroller Thomas P. DiNapoli, trustee of the $150 billion New York State Common Retirement Fund, which was recently ranked the leading U.S. fund for climate risk management, led filings with electric power providers urging Ameren, DTE Energy, FirstEnergy and SCANA to report on actions to increase energy efficiency and renewable energy. These resolutions come on the heels of FirstEnergy's opposition to Ohio energy efficiency standards, and DTE Energy's opposition to renewable energy policy initiatives in Michigan. All four firms relied on coal for more than 50 percent of the electricity they generated in 2010.

"As long term shareholders, we are invested in the sustainability of our portfolio companies," said DiNapoli. "Given the current regulatory climate, an excessive reliance on coal can create serious risk to shareholder value. Companies should take proactive steps to increase energy efficiency and promote renewable energy sources."

The text of New York State's resolutions positions renewable energy and energy efficiency as a risk mitigation strategy for utilities. It cites the Tennessee Valley Authority's (TVA) recent integrated resource plan, which "determined that the lowest-cost, lowest-risk strategies involve diversifying TVA's resource portfolio by increasing investments in energy efficiency and renewable energy."

In separate filings with Ameren and FirstEnergy, As You Sow stressed the importance of water management, as the Midwest experienced record drought and extreme heat in 2012. The filings request that the utilities adopt strategies and quantitative goals to reduce water use and thermal impacts, including maximizing the use of less water-intensive energy sources such as photovoltaic (PV) solar and wind power. Calvert Investments filed a similar resolution with Cleco.

"The electric power sector is one of the largest users of water in the U.S., accounting for 41 percent of total freshwater withdrawals, mainly for generation and cooling. This nexus between energy and water presents a critical vulnerability for electric utilities that rely on water-intensive energy sources such as coal and nuclear power," said Corinne Bendersky, energy program manager at As You Sow. "With climate change expected to exacerbate droughts, induce more frequent and severe heat waves, and change rainfall patterns, investors believe that electric utilities should better understand their exposure to water-related risks and develop plans to operate effectively in a water-constrained world."

In 2012, Ceres issued Practicing Risk-Aware Electricity Regulation, which analyzed the costs and risks involved in meeting America's power needs through a variety of strategies, from constructing large centralized power plants, to reducing demand through energy efficiency and deploying distributed generation and renewable energy sources.

The report concludes that the energy option with the lowest level of risk and lowest costs is energy efficiency. Other lower-cost, lower-risk energy options included onshore wind, geothermal and biomass co-firing. The report also points out that costs for distributed solar PV and wind have fallen significantly in recent years.