

Quick Insights from:

Sustainability Priorities for The North American Electric Power Industry

Results of 2020-2021 Research with Electric Power Companies and Stakeholders in the United States and Canada

KEY RESEARCH QUESTION

As electric power companies seek to focus their sustainability strategies, initiatives, and disclosures, understanding sustainability priorities at the industry level can provide insight for adequately addressing both industry and various stakeholder interests and concerns. This study:

1. Investigates internal and external stakeholder views to identify the current sustainability priorities for the electric power industry, the level of impact each priority has on electric power companies and the impact of electric power companies on that priority; and
2. Seeks to understand how stakeholders perceive the current performance of electric power companies in North America (United States and Canada) in managing each priority.

RESEARCH OVERVIEW

The aim of this project was to refresh the 2017 priority sustainability issue assessment and identify the most relevant priority sustainability issues for the electric power industry in 2020. While not impacting the overall approach to the study, the final outputs were ultimately classified as sustainability priorities, rather than priority sustainability issues. The effort was divided into three phases:

Phase 1 - Literature Review April - June, 2020

- 56 sources were assessed to create a comprehensive list of sustainability priorities relevant to the electric power industry.

Phase 2 - Review, Validate, & Refine Sept. - Nov., 2020

- 67 sustainability professionals from EPRI's Energy Sustainability Interest Group (ESIG) and select industry stakeholders provided feedback to refine the list of priorities.

Phase 3 - Evaluate Priority & Impact Nov. - Dec., 2020

- 129 respondents completed an e-survey identifying the relative current priority, impact of electric power companies on the priorities, impact of the priorities on the electric power companies, and assess electric power company performance on the priorities.

KEY DEFINITIONS

Sustainability Priorities

- Economic, environmental, and social factors that have the potential to influence the long-term value creation of an electric power company and their stakeholders.

This term represents two primary evolutions from the prior study:

1. **Long-term Viability to Long-term Value Creation**: recognizing that it is not enough to survive as a company (viability), but instead a commitment to sustainability is about thriving (value creation).
2. **Priority Sustainability Issues to Sustainability Priorities:** This subtle shift echoes the change in definition to include value creation and reflects a maturing outlook from the electric power sector towards sustainability. Rather than viewing sustainability as a set of issues that need to be managed, sustainability is increasingly being considered as an opportunity for building the long-term strength of electric power companies.

Materiality language continues to be omitted from this study as it's generally associated with financial materiality, which has a narrower focus than this study. The U.S. SEC determines information to be material if there is "a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of the information made available."

Sustainability Management Elements

- Factors that support the handling of sustainability priorities
- Strategies applicable to all priorities and can be used to manage or address the priorities
- **Governance, Innovation, and Risk Management**

Emerging Sustainability Priorities

- Priorities that received notable support but not enough to qualify for the full priority list
- Not industry priorities, but may be sustainability priorities for individual companies now and in the future
- **Circular Economy, Human Rights, and Just Transition**

WHY THIS MATTERS

This study identified 20 sustainability priorities for the electric power industry in North America. Since the 2017 study (EPRI report 3002011444):



This latest iteration of EPRI's Sustainability Priorities industry-level assessment is designed to meet the need of clearly defining the current sustainability priorities facing North American power companies and their stakeholders. As the sustainability dialogue is constantly evolving, this refresh is critically important in ensuring the industry remains alert to and in tune with evolving internal and external stakeholder interests and concerns. The results of this work can be used directly by companies to determine prioritization and focus, or as an input to further assess company-specific stakeholder priorities at a more granular level.

HOW TO APPLY RESULTS

- Electric power companies may use this research to inform the focus and activities pertaining to their own sustainability programs, reporting, and engaging with both internal colleagues such as investor relations, risk management, and communications and external stakeholders including customers, investors, and non-government organizations.
- Companies may use this set of industry-level sustainability priorities directly as their own list, or as the foundation for their own company-focused assessments.
- Stakeholders may use this report to better inform their understanding of sustainability priorities specific to the electric power industry and their engagement with electric power companies.

LINK TO FULL REPORT

Sustainability Priorities for The North American Electric Power Industry: Results of 2020-2021 Research with Electric Power Companies and Stakeholders in the United States and Canada (3002030773)

2021 ELECTRIC POWER INDUSTRY SUSTAINABILITY PRIORITIES & DESCRIPTIONS

Sustainability Priorities	
Air Quality	Environmental and human health impacts from air emissions (non GHG) produced by electric power companies.
Climate Change	Operational and planning impacts resulting from changes in the climate.
Community Vitality	Prosperity and fair treatment of communities served or impacted by company operations.
Customer Engagement	Interaction with customers through evolving services, technologies, communication, and education.
Cyber and Physical Security	Vulnerability of customer and company information, facilities, systems, and infrastructure from digital and physical threats.
Diversity, Equity, and Inclusion	A company culture that embraces, motivates, promotes, and supports a diverse workforce and board of directors.
Energy Affordability	Affordability of energy bills for all customers accounting for the value of services delivered.
Energy Portfolio Diversity	Diversity of generation resources used for electricity production.
Energy Reliability and Resiliency	Effectiveness of operational infrastructure and processes to ensure consistent delivery of energy for customers and rapid recovery from disruptive events.
Financial Health	Quarterly, annual, and long-term financial performance.
Greenhouse Gas Emissions	Direct greenhouse gas emissions produced through power generation and other company operations.
Habitat and Biodiversity	Vitality of natural habitats and the species that depend on them.
Low Carbon Transition	Economy-wide decarbonization through the retirement of high emitting fossil fuel plants and the enablement of renewables, storage, electrification, and other solutions.
Public Policy Engagement	Appropriate and ethical interaction with local, state, and federal regulators and elected officials.
Safety and Health	Safety, health, and well-being of employees, contractors, and the public with respect to interaction with owned or managed assets.
Stakeholder Relationships	Trust-based and transparent relations with all relevant stakeholders.
Supply Chain	Economic, environmental, and social performance of suppliers and resilience to disruptive events.
Waste	Generation and management of waste, including coal combustion residuals (CCR) and nuclear waste.
Water	Quality and availability of water resources.
Workforce Development	Hiring, training, mentoring, engaging, and retaining appropriately skilled and experienced workers.
Sustainability Management Elements	
Governance	Management systems, policies, and procedures to ensure accountability and effectiveness of activities.
Innovation	Technology, process, or business model advancements that substantially change the value proposition and differentiation of a product or service offering.
Risk Management	Risk controls, treatment and processes to mitigate and prevent undesirable events from occurring.
Emerging Sustainability Priorities	
Circular Economy	Re-engineering, reuse or recycling of products or systems to create a closed loop cycle.
Human Rights	Transparency and improvement of human rights practices including, but not limited to, fair treatment under the law, forced labor, child labor, and freedom of association.
Just Transition	Equitable access to the benefits and protection from the risks associated with the shift to a low carbon economy for workers and communities.

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