



Sustainability is the bottom line.

BICEP Network Members:

July 26, 2017

Annie's Inc.
Aspen Skiing Company

Autodesk, Inc.

Aveda

Ben & Jerry's

Burton Snowboards

CA Technologies

Clif Bar & Company

Dignity Health

eBay Inc.

Eileen Fisher

Etsy, Inc.

Fetzer Vineyards

Gap Inc.

General Mills, Inc.

IKEA

JLL

KB Home

The Kellogg Company

Levi Strauss & Co.

LBrands

L'Oreal USA

Mars Incorporated

Nature's Path Foods

Nestlé

New Belgium Brewing

Nike

The North Face

Outdoor Industry Association

Owens Corning

Patagonia

Portland Trail Blazers

Seventh Generation

Sierra Nevada Brewing Co.

Squaw Valley

Starbucks

Stonyfield Farm

Symantec Corporation

Timberland

Unilever

VF Corporation

Vail Resorts

Vulcan, Inc.

Worthen Industries

Director David K. Paylor
Department of Environmental Quality
629 East Main Street
Richmond, VA 23216

RE: Business Coalition Comments on Executive Directive 11 (2017), "Reducing Carbon Dioxide Emissions from Electric Power Facilities and Growing Virginia's Clean Energy Economy"

Dear Director Paylor:

As the representative for a network of major employers and large electricity customers across the United States, I am writing to you on behalf of the Ceres BICEP Network. The Ceres BICEP (Business for Innovative Climate and Energy Policy) Network is made up of more than ten companies with operations and employees in Virginia. Our coalition commends the McAuliffe administration for its leadership in looking for ways to reduce carbon emissions. We encourage an ambitious policy solution that also promotes investments in renewable energy and energy efficiency in the Commonwealth.

Ceres BICEP Network members have been overwhelmingly supportive of market-based carbon reduction programs such as California's Cap-and-Trade program and the Regional Greenhouse Gas Initiative (RGGI). Market-based carbon-reduction programs have proven successful in reducing emissions while fostering economic growth—and the nine-state RGGI program is one such example. Since the RGGI program began in 2008, RGGI states' carbon emissions have declined 16 percent more than the rest of the country, while the region's economy grew 3.6 percent more than other states and retail electricity prices dropped 3.4 percent on average.¹

Businesses are supportive of market-based programs like RGGI because they understand the programs' value in correcting the market to account for the costs of carbon emissions while attracting investments and promoting economic growth. In fact, in August 2016 more than 90 companies and investors wrote to RGGI states encouraging the adoption of a stronger RGGI program, as they saw potential to increase the rate of emissions reduction while keeping the economic costs to consumers low and continuing to grow the economy.²

**Companies listed in bold
have significant operations
in Virginia**

¹ Acadia Center. *Regional Greenhouse Gas Initiative Status Report: Part I: Measuring Success*. July 2016.

<http://acadiacenter.org/document/measuring-rggi-success>

² Ceres. "90+ Companies and Investors Call On Northeast and Mid-Atlantic Governors To Double Down On Their Efforts To Cut Carbon Emissions." August 2, 2016. <https://www.ceres.org/news-center/press-releases/90-companies-and-investors-call-northeast-and-mid-atlantic-governors>

Executive Directive 11 provides Virginia with an opportunity to avail of the economic benefits brought by the transition to a low-carbon economy. Recognizing the importance and economic growth potential of electric-sector carbon regulations, the Ceres BICEP Network offers the following recommendations:

An emissions trading program should create policy certainty and be stringent enough to send a strong and clear market signal for the transition to a low-carbon economy. Businesses need strong market signals and policy certainty in order to make decisions and investments for the long run. The program must be strong enough to drive emissions reductions and incentivize the uptake of clean energy. In addition, the program’s design must be well thought-out and able to stand up to legal challenges in order to further foster certainty in the electricity market.

A strong emissions reduction program would also encourage utilities to move in the direction their investors and customers increasingly want them to go. This year, an unprecedented size and scope of investors have engaged with investor-owned electric utilities, encouraging them to take climate change into account in their business decisions.³ Recently, 48 percent of Dominion Energy shareholders voted in favor of the company integrating more emissions reduction planning into its decision-making. Meanwhile, more than 65 percent of Virginia voters and ratepayers support the Commonwealth putting more emphasis on wind and solar energy, and 92 percent believe it is important to encourage utilities to invest more in energy efficiency programs that reduce energy waste.⁴

Linking emissions reduction programs with neighboring states would benefit Virginia ratepayers. A larger emissions trading market, as opposed to a one-state market, would create greater flexibility for compliance and more opportunities to achieve cost-effective emissions reductions.

Interstate emissions trading markets have proven to be workable and economically feasible for participating states. RGGI, for example, is designed so that the participating states are able to maintain their autonomy and decide on their own whether to remain in the program and how to invest their RGGI auction revenues. RGGI states that have had the most economic and emissions-reduction success to-date are those that reinvest the largest portion of their auction revenues in clean energy projects and programs. Programs such as revolving loan funds, utility energy efficiency programs, and other innovative financing initiatives provide a smart option for reducing electricity bills while simultaneously helping states meet their carbon reduction goals. As early adopters of clean energy technologies, RGGI states have been able to unlock the economic benefits of the clean energy economy—innovation, investment, and jobs—very effectively. Virginia has an opportunity to reap the benefits of the clean energy economy as well.

³ Bakal, Dan. “The Power Sector Must Heed Shareholder Calls for 2-Degree Scenario Analysis.” Ceres. June 27, 2017. <https://www.ceres.org/news-center/blog/power-sector-must-heed-shareholder-calls-2-degree-scenario-analysis>

⁴ Conservatives for Clean Energy. “Virginia Clean Energy Survey: Key Findings from a Statewide Survey of 500 Registered Voters, including 200 Cell Phone Interviews Conducted December 11-13, 2016.” *Survey conducted by Public Opinion Strategies.* <http://www.cleanenergyconservatives.com/wp-content/uploads/2017/01/Virginia-Clean-Energy.pdf>

An emissions reduction program should aim to maximize benefits to ratepayers through increased investments in renewable energy and energy efficiency. Virginia has an opportunity to seize the benefits of increasingly low-cost clean energy technologies and the investments, local jobs, and tax revenue that accompany the transition to a low-carbon economy. Clean energy can lower electricity costs and provide a valuable hedge against the volatility of fossil fuel prices. Meanwhile, energy efficiency investments can provide quick paybacks, reduce overall demand for energy, and decrease energy bills.

While auctioning emissions credits would provide an effective source of funding for reinvestments, if emissions credits are allocated, they should be allocated in a way that incentivizes investment in clean energy and the most cost-effective means of reducing emissions. Likewise, any value or revenue derived from the allocation or auctioning of credits should be used primarily to incentivize renewable energy and energy efficiency projects; such projects will best benefit ratepayers and the economy and will contribute to further emissions reductions in the Commonwealth. An advisory board including legislators and key stakeholders would be prudent to determine the structure of allowance allocations.

Furthermore, in order to protect Virginia's forests and foster a truly sustainable low-carbon economy, qualifying renewable energy projects should not include forest biomass for electricity projects.

Virginia should simultaneously unlock policy barriers to clean energy deployment. Thanks to Governor McAuliffe's leadership, Virginia has made strides in renewable energy deployment in recent years—but there is still significant untapped potential for energy efficiency and renewable energy investments.

The Commonwealth should remove barriers to corporate procurement of renewable energy. BICEP Network members and other major companies are increasingly making sustainability commitments and using renewable energy to power their operations. Clean energy allows businesses to hedge against the volatility of fossil fuel prices, lock in fixed rates, and reduce energy bills. Today, more than 63 percent of the Fortune 100 and nearly half of Fortune 500 companies have made commitments to reduce greenhouse gas emissions, procure more renewable energy, or invest in energy efficiency.⁵

By allowing large customers to participate in power purchase agreements, community solar projects, direct arrangements, third-party solar leasing, commercial clean energy financing, and cost-competitive, utility-administered green tariff programs (among other options), Virginia can continue to attract corporate investments while simultaneously lowering emissions.

Furthermore, Virginia ratepayers could enjoy lower electricity bills by unlocking barriers to utility-administered energy efficiency projects and programs. Energy efficiency is low-hanging fruit in Virginia. The Commonwealth has substantial opportunities to reduce energy waste. While the largest 30 electric utilities in the U.S. are saving, on average, almost one percent of retail sales annually through utility energy efficiency programs, Virginia's largest electric utility, Dominion Energy, only helped customers

⁵ Ceres. *Power Forward 3.0: How the largest U.S. companies are capturing business value while addressing climate change.* April 2017.
<https://www.ceres.org/resources/reports/power-forward-3>

save 0.1 percent of sales in 2014.⁶ As a result, Virginia’s utility energy savings are among the lowest in the country, causing ratepayers and businesses to miss out on the cost savings associated with decreased energy use.⁷

Ceres BICEP Network members understand the necessity of addressing carbon emissions and the immense economic opportunities of clean energy investments—in Virginia and elsewhere. In April 2017, BICEP Network members Mars Incorporated, Nestlé USA, and Unilever submitted public comments specifically regarding Virginia’s Executive Order 57 (EO-57), encouraging the Commonwealth to “enact policies that reduce electric-sector carbon dioxide emissions and promote increased investments in renewable energy and energy efficiency” (see full letter in attached appendix).

The Ceres BICEP Network appreciates Virginia’s leadership under Executive Directive 11 and encourages the Commonwealth to follow through with ambitious, market-based carbon-reduction regulations that incentivize clean energy investment and foster the growth of Virginia’s clean energy economy.

Thank you for your consideration and for the opportunity to provide comments.

Sincerely,



Anne Kelly
Senior Policy Program Director, Ceres
On behalf of Ceres BICEP Network

The Ceres BICEP Network comprises influential companies advocating for stronger climate and clean energy policies at the state and federal level in the U.S. As powerful champions of the accelerated transition to a low-carbon economy, Ceres BICEP Network members have weighed in when it has mattered most. For more information on the Ceres BICEP Network, click [here](#).

⁶ Ceres. *Clean Energy Utility Benchmarking Report: 2016*. June 2016. <https://www.ceres.org/resources/reports/2016-clean-energy-utility-benchmarking-report>

⁷ American Council for an Energy-Efficient Economy. *Virginia in the 2016 State Scorecard*. September 2016. <http://aceee.org/sites/default/files/pdf/state-sheet/2016/virginia.pdf>

APPENDIX – Public comment letter from Mars Incorporated, Nestlé, and Unilever in regard to Executive Order 57:



April 28, 2017

Secretary Molly Joseph Ward
Secretary of Natural Resources
1111 East Broad Street
Richmond, VA 23219
E057@governor.virginia.gov

RE: Public Comment on Executive Order 57 (2016)—Development of Carbon Reduction Strategies for Electric Power Generation Facilities

Dear Secretary Molly Ward:

As multinational businesses with significant operations in Virginia, we are writing to encourage the Commonwealth to enact policies that reduce electric-sector carbon dioxide emissions and promote increased investments in renewable energy and energy efficiency.

The imperative to reduce carbon emissions is clear. Our businesses are already feeling the impacts of a changing climate. Increased frequency of droughts and floods are affecting our supply chains, while more severe storms and coastal flooding are putting our assets and investments at risk. Warmer temperatures also affect worker productivity and the health of our workforce.¹

Addressing climate change presents a significant opportunity for Virginia's economy and can reduce the long-term costs of climate adaptation. Renewable energy and energy efficiency investments provide predictability and help hedge against the volatility of fossil fuel prices. Clean energy is also increasingly less expensive; solar and wind energy investments are cost-competitive and are oftentimes less expensive than more conventional energy generation technologies.²

Our companies, like many other leading businesses, are increasingly looking to procure clean energy because it makes business sense. Nearly half (49 percent) of all Fortune 500 companies have now set public goals to reduce greenhouse gas emissions, use more renewable energy, and/or invest in energy efficiency.³ A growing number of major companies are also committed to procuring 100 percent renewable energy across their operations.⁴ Our companies and many others value an affordable, reliable, and clean electricity supply.

Unfortunately, due to various barriers, businesses are currently unable to access cost-competitive renewable energy in Virginia. In many other states, businesses utilize a variety of policy mechanisms to procure clean energy, including third-party financing, power purchase agreements, cost-competitive green energy tariffs, direct arrangements, and community solar, among other mechanisms.

States that offer various options for accessing renewable energy are particularly attractive to the business community. Therefore, we first ask the EO 57 Workgroup to include recommendations to

¹ U.S. Global Change Research Program. *Impacts of Climate Change on Human Health in the United States: A Scientific Assessment*. April 2016. <https://health2016.globalchange.gov/>

² Lazard. *Lazard's Levelized Cost of Energy Analysis—Version 10.0*. December 2016. <https://www.lazard.com/media/438038/levelized-cost-of-energy-v100.pdf>

³ Ceres. *Power Forward 3.0: How the largest U.S. companies are capturing business value while addressing climate change*. April 2017. <https://www.ceres.org/resources/reports/power-forward-3>

⁴ RE100. www.theRE100.org/companies

remove the policy barriers to corporate clean energy procurement as part of the broader efforts to reduce carbon emissions in the Commonwealth. Specifically, we are seeking an explicit legal framework to allow companies to enter into contracts with non-utility energy providers through third-party financing or offering utility-administered, cost-of-service-based renewable energy tariffs for large buyers—without precluding other competitive procurement options. This would allow companies to procure new clean energy without impacting other ratepayers.

Carbon reduction policies will ensure the Commonwealth is competitive during the transition to a low-carbon economy. Clean energy policies bring high-quality jobs, new investments, and innovation. Virginia is making progress: solar jobs (now totaling more than 3,200) grew 53 times faster than the overall state economy in 2016,⁵ and the Commonwealth is currently home to over 61,000 energy efficiency workers.⁶ Despite this dramatic growth, solar remains a small fraction of overall electricity generation. With additional policies, Virginia could continue to expand this important sector of the economy.

Second, the EO 57 carbon-reduction recommendations should also include a plan to encourage investment in energy efficiency in Virginia. Energy efficiency is low-hanging fruit when it comes to reducing carbon emissions while ultimately saving consumers money. Our businesses are investing in energy efficiency in our own operations because it lowers our electricity bills while also decreasing our carbon footprint.

Many states are producing successful results with programs or policies that incentivize energy efficiency investments. While the largest 30 electric utilities in the U.S. are saving on average almost one percent of retail sales annually through utility energy efficiency programs, Virginia's largest electric utility, Dominion Resources, only helped customers save 0.1 percent of sales in 2014.⁷ As a result, Virginia's utility energy savings are among the lowest in the country.⁸ Ratepayers and businesses are missing out on the cost savings associated with decreased energy use. At the same time, the Commonwealth is missing out on the potential carbon reductions that could be achieved. Utility energy efficiency programs that save energy at a rate of 1.5% annually could cost-effectively reduce up to 11,000 tons of carbon dioxide emissions in Virginia by 2030.⁹

Finally, new policies that aim to increase the adoption of renewable energy and energy efficiency should be ambitious, clear, and predictable. We note that an annual emissions reduction cap or clean energy standard are models that have been effective in other states' efforts to foster clean energy development. While we do not support one policy over another, we believe that such policies will create market certainty and drive private-sector investments. This will signal that Virginia is committed to enabling a wide range of affordable clean energy options for the business community so that we can all thrive for years to come.

Thank you for your consideration.

Sincerely,

Mars Incorporated

Nestlé USA

Unilever

⁵ The Solar Foundation. *Solar Job Census 2016: Virginia*. March 2017. <http://www.thesolarfoundation.org/solar-jobs-census/factsheet-2016-va/>

⁶ Environmental Entrepreneurs (E2). *Energy Efficiency Jobs in America*. December 2016. https://www.e2.org/wp-content/uploads/2016/12/EnergyEfficiencyJobsInAmerica_FINAL.pdf

⁷ Ceres. *Clean Energy Utility Benchmarking Report: 2016*. June 2016. <https://www.ceres.org/resources/reports/2016-clean-energy-utility-benchmarking-report>

⁸ American Council for an Energy-Efficient Economy. *Virginia in the 2016 State Scorecard*. September 2016. <http://aceee.org/sites/default/files/pdf/state-sheet/2016/virginia.pdf>

⁹ American Council for an Energy-Efficient Economy. *State and Utility Pollution Reduction Calculator Version 2 (SUPR 2)*. January 2016. <http://aceee.org/research-report/e1601>