



The Next Frontier for Sustainability

New EPRI Program Helps Utilities Make Sustainability a Core Part of Their Business

By Chris Warren

Over the past two years, Harun Asad has arranged workshops, guest speakers, visits to solar farms, and other activities for the 30-plus members of the Sustainability Leadership Council at the New York-based utility Consolidated Edison (Con Edison). As the company's head of corporate sustainability, Asad launched the leadership council—comprising department directors—“to reinforce and amplify the strategy of integrating sustainability into the core business and operations.”

At quarterly meetings, the group discusses topics such as sustainability's connections with long-range utility planning, affordability for customers, supply chain, and electrification. The solar farm visits demonstrated more tangibly the importance of sustainability to Con Edison's core business.

“It was an opportunity for them to touch and feel renewables and experience firsthand that their business is not just poles and wires,” said Asad. “In fact, Con Edison recently acquired \$1.6 billion in renewable energy assets.”

The Sustainability Leadership Council is one of numerous indicators of how Con Edison is elevating sustainability. The company's long-range strategic plan clearly articulates how investments and initiatives impact sustainability, and the very definition of sustainability has expanded since Con Edison began focusing on it two decades ago.

“The lens in the beginning was just environmental, and then it grew into environmental, health, and safety,” said Asad. “We have since graduated to a much broader lens that adds economic and social responsibility dimensions.”

BUILDING ON A DECADE OF WORK

This progression aligns with trends across much of the electric power industry. Indeed, 2018 marked the tenth year of EPRI's Energy Sustainability Interest Group (ESIG)—a group of 45 power companies collaborating with EPRI to develop tools and resources for establishing and enhancing company sustainability programs.

“Sustainability is how a company balances economic, environmental, and social issues and decisions to support the long-term viability of the company itself, the community, and the environment,” said EPRI Senior Project Manager Morgan Scott. “EPRI works with members of the interest group to identify priority sustainability issues and investigate how companies are setting goals, using metrics, and disclosing data—these are the building blocks of sustainability programs. We’re also providing a regular forum where sustainability managers can share their knowledge and insights.”

Over the past decade, the electric power industry’s approach to sustainability has expanded from reporting on greenhouse gas emissions, air quality, and other environmental issues to include economic and social considerations. Building on the foundation laid by the interest group, EPRI’s new [Strategic Sustainability Science program](#) is helping utilities cultivate this broader approach across various departments and in communicating with investors, regulators, advocacy groups, and other stakeholders.

SUSTAINABILITY RETURN ON INVESTMENT

Quantifying the return on investment (ROI) that utilities can expect from their sustainability efforts is one important ingredient in engagement and support. According to Asad, C-level executives and the board of directors at Con Edison are increasingly involved in sustainability programs and investments. Demonstrating ROI can help inform decision making. But this is not easy.

“There is not much literature on best practices to inform sustainability ROI methods,” said Asad. “There’s a range of potential approaches to capture societal, environmental, economic, and brand values.”

EPRI is examining sustainability ROI to help the power industry communicate more clearly about the benefits of sustainability.

“A sustainability manager should be able to walk into an executive briefing and say, ‘Here is your sustainability ROI, and this is the value you create—across a variety of areas—when you invest in sustainability,’” said Scott. “Utilities need that, and right now it’s hard to do.”

According to Scott, a tool that delivers an accurate ROI should include other types of value beyond just financial considerations, such as environmental, social, innovation, and brand impacts. With this broader framework, EPRI is investigating these questions:

- What is a sustainability investment? Is it an investment to support a sustainability program only, or can it include an investment in other company programs that drive change on a priority sustainability issue?
- How are various sustainability “capitals” incorporated into an ROI calculation?
- How do electric power companies currently assess sustainability ROI?
- How do other industries calculate sustainability ROI?
- How might power companies incorporate sustainability ROI into project evaluation and financial planning?
- Is it possible to calculate a sustainability ROI for the electric power industry? If so, how?

The results, to be published in 2019, can help companies track ROI for specific sustainability investments. This can be quantitative, qualitative, or both. “When we don’t have a quantitative ROI, we may be able to evaluate qualitative changes such as an investment’s community impacts,” said Scott. “Both quantitative and qualitative elements can help us better understand how value is created.”

EPRI has also developed the first version of a tool that incorporates sustainability into the financial analysis of investments and projects. “Managers of various utility programs—not just sustainability managers—can use such a tool to generate a sustainability ROI score that can be input into a financial analysis,” said Scott. “It can help them drive sustainability in their own work.”

EMBEDDING SUSTAINABILITY IN COMPANY OPERATIONS

While continuing to develop tools and resources for utility sustainability managers, EPRI’s Strategic Sustainability Science program seeks to engage others. “It’s about embedding a triple bottom line mindset into a company’s day-to-day operational

activities and long-range planning,” said Scott. “You have a sustainability program already, and now you want to weave it into the fabric of your corporate culture.”

A Sustainability Semantics Project is examining how utilities can use more consistent language and messages when engaging with stakeholders.

“It’s all about better communicating sustainability, knowing that words matter,” said Scott.

“We have different groups—from strategic planning to investor relations and corporate communications—that talk about sustainability in different forums and with different language,” said Con Edison’s Asad. “I want the long-range plans, the annual report, press releases, speeches, and all other communications that involve sustainability to be consistent.”

Drawing on interviews with and a survey of utility staff, researchers are developing profiles of various internal audiences and characterizing the challenges that sustainability professionals have with respect to communicating sustainability to their utility colleagues. The result will be a “code book” that enables users to search for the most powerful language to use when speaking with specific utility audiences—whether it’s someone in corporate communications, operations, or finance.

LOCATION MATTERS

For several years, EPRI has been developing [tools](#) to help utilities benchmark their sustainability performance with their peers. Building on this work, EPRI researchers are now looking at how factors such as geography and demographics influence performance. The first topic is water management.

Because today’s sustainability benchmarking does not consider geography, a simple comparison of how much water two utilities consume can be misleading. If Company A consumes less than Company B, it may initially lead one to conclude that Company A has a better sustainability performance. But if Company A is located in the southwestern U.S. and Company B is in the northeast, that tells a very different story.

“Even though Company A is consuming less water, it may have much higher water risk or potentially impact the ecosystem far more than Company B,” said Scott. “These are things we would not understand from a simple benchmarking of consumption, pointing to the importance of considering context.”

According to Scott, EPRI’s new sustainability efforts can help utilities meet society’s changing expectations regarding sustainability. “We’ve designed each research area in this new program with the aim of better understanding the technical aspects of sustainability and how utilities can apply them strategically to create value,” said Scott. “Power companies can use the results to embed a stronger sustainability mindset in their organizations and to engage with society on how the electric power industry can enable a more sustainable economy.”

KEY EPRI TECHNICAL EXPERTS

Morgan Scott