SMART ENERGY DECISIONS RESEARCH

Pulse Survey: COVID-19's Impact on Sustainability Programs

August 2020

In Partnership with

BloombergNEF

Executive Summary

There's a will… but is there a way?

As the energy industry faces the continuing shock of the COVID-19 pandemic, it's becoming clear that organizations want to hold firm to their sustainability strategies, even as budget uncertainty and competing priorities may get in the way.

Smart Energy Decisions, in partnership with BloombergNEF, fielded a survey among energy executives to measure the current impact of COVID-10 on a series of sustainability factors as well as what they anticipate the impact to be as we move through re-openings and economic recovery.

Not surprisingly, **Budgets** are the greatest concern (cited by 55% of respondents) and have experienced the most severe negative impact (according to 62%). "Along with the isolation from the pandemic lockdown came a significant drop in sales – and corresponding budget cuts," said one respondent. Others noted that budgets were diverted away from the development of sustainability programs towards the more immediate needs of COVID-19 initiatives. One executive explained, "Responding to the pandemic has been expensive, and lost revenue has been significant, so budget constraint will affect all non-emergency operations for the foreseeable future." Moving forward, the mood towards budgets is uncertain, which "brings a potential retreat in case something else happens."

The news from respondents wasn't all bad. Some businesses have thrived, particularly among manufacturing, grocery retail, and others considered to be essential services. Additionally, others noted that sustainability budgets could be considered a positive during the economic crunch associated with the pandemic. "Our sustainability goals are mainly focused on saving money." Others note that their publicly stated renewable energy and GHG reduction targets must be met, so the necessary budget will remain in place.

Executive Summary (continued)

The **Ambition of Sustainability Strategy** among respondents remains strong, as 40% see no change in impact. Further, while 44% say the initial impact has been negative, only 11% believe the future impact to remain negative —one of the areas of greatest improvement in the study (at 47%). Sustainability, said one respondent, "sets the tone of our corporate strategy for our future." Another added, "We are living in times of social change and our sustainability strategy is a social concern of our company. We believe we can ride this wave of change to further push our environmental goals." On the negative side, respondents cite competing priorities and distractions brought on by dealing with fallout from the pandemic.

While 30% of respondents cited a current negative impact in **Supply Chain Engagement**, 38% see improvement moving forward. Increased costs and supply chain interruption, particularly for overseas manufacturing, have been a concern. However, engagement with supply chain partners in collaboration on sustainability issues is expected to show progress as conditions improve.

Respondents showed concern with **Executive Access** in both literal and figurative forms. Physical distance, particularly at the beginning of the shut-down, was a barrier. "Having the ability to network in-person always helps with collaboration," said a respondent. Even as lines of communication opened up and teams learned to work together at a distance, the attention of the C-suite, like budgets, was diverted to dealing with immediate COVID-related issues. One respondent noted, "Short term issues around COVID are getting much of the focus right now. I don't expect a major impact as far as our longer-term goals, but 2020 will be a year of distractions."

Executive Summary (continued)

The appetite for **Decarbonization Activities,** including the purchase of clean energy, carbon offsets, electric vehicles, etc., remains solid, though at least 30% of respondents cite both current and future negative impacts. Some respondents report putting new initiatives on hold and a shift in focus. According to BNEF's latest Corporate Energy Market Outlook, companies signed contracts for 8.9 GW of renewables through July across the globe, though activity in the U.S. dropped significantly due to COVID-19.

Investor Perception posted the lowest negative impact of any factor measured in this study at less than 10% for current and future impact. Clearly, companies with strong sustainability strategies and goals are seen favorably by the investor community. Not incidentally, companies have continued to announce renewable energy and net zero targets, as well as emission reduction goals throughout the pandemic.

Likewise, the news is positive for **Sustainable Financing.** A recent report from Morningstar noted that sustainable funds rebounded strongly after the coronavirus pandemic market sell-off. Supported by the stock market recovery and growing investor interest in ESG issues, global inflows into sustainable funds were up 72% in the second quarter of 2020 to $71.1 billion (USD).

Overall, the pandemic is presenting a challenging framework for businesses to maintain and expand their sustainability programs. While energy-as-a-service and third-party financing programs – anything that allows projects to move forward without direct financing – will become more popular and practical as the industry moves forward, we look forward to more innovations from this most innovative of industries in order to overcome the impacts of the pandemic.

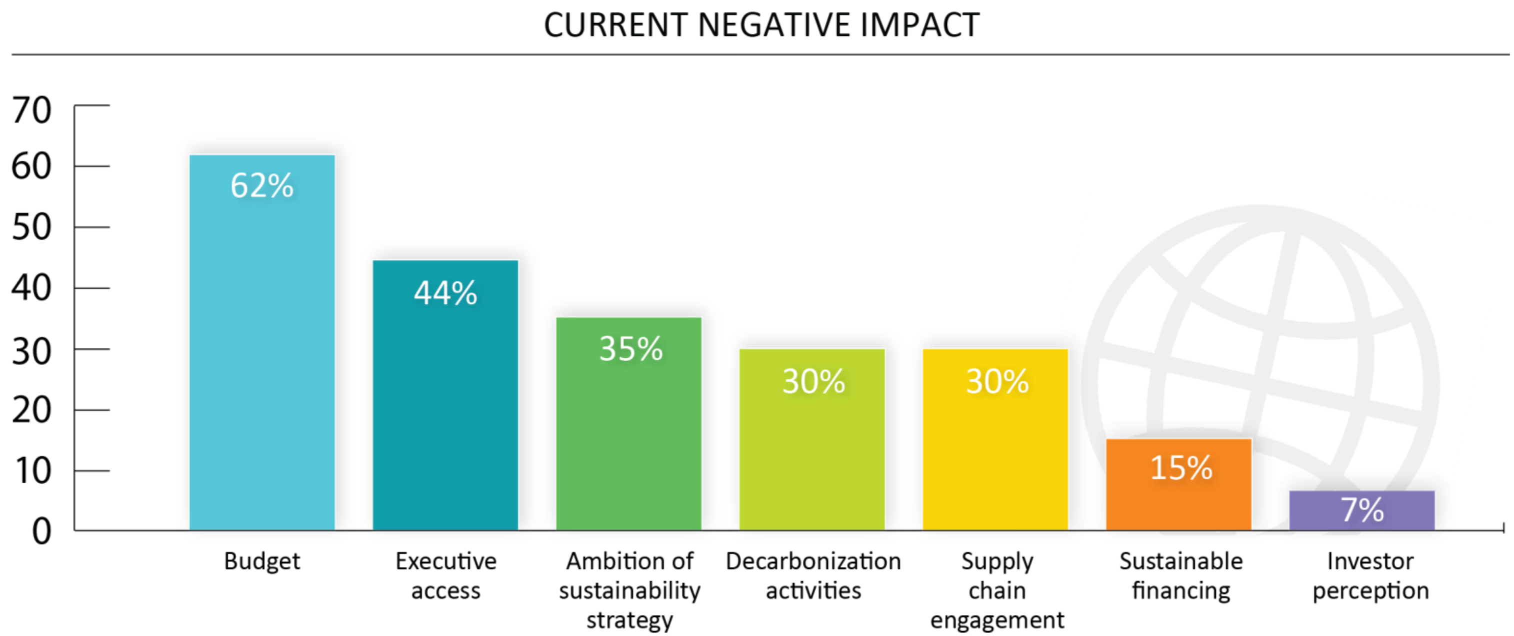
Methodology

- *Smart Energy Decisions* and *BloombergNEF* collaborated on the development of a survey to measure current and anticipated future impacts of COVID-19 on key factors related to sustainability programs.
- An electronic survey was sent to large electric power users in the *Smart Energy Decisions* database.
- The survey was fielded on July 23–26, 2020.
- A total of 94 responses are included in these results. Among the organizations represented, 31% are industrial, 26% are commercial, 24% are government/municipalities, and 19% are institutional (including higher education and healthcare).

Survey Respondents

3M Company
ABB Group
Adobe, Inc.
Anne Arundel County
Aramark Corporation
Arizona State University
Arkema
Arlington County, VA
ASA Low Intermediate School
Barrington School District
Becton, Dickinson and Company
BMO Harris
Bristol-Myers Squibb, Co.
California State University at Northridge
CalPortland Company
Cambridge Capital
CBRE Group, Inc.
Cisco Systems, Inc.
Citrix Systems, Inc.
City of Ames
City of Boston
City of Cincinnati
City of Culver City
City of Duluth
City of Houston
City of Jersey City
City of New Bedford
City of Oklahoma City
City of Racine
Colgate-Palmolive Company
Corning, Inc.
County of Fairfax, VA
County of Lackawanna, PA
Cushman & Wakefield, Inc.
District of Columbia Housing Authority
Dow Chemical Company
Electrolux
Empirical Systems Co.
Equinix, Inc.
Equity Residential
Faurecia
FCA US LLC
FedEx
Fluor Corporation
Fresno Pacific University
Henkel Corporation
HP
Humber College
Hyatt Hotels Corp.
Humber College
Hyatt Hotels Corp.
IBM Corporation
Illinois Tool Works
Intel, Corp.
J.M. Huber Corporation
Jones Lang LaSalle, Inc. (JLL)
Kohler, Co.
Lafayette College
LBA Realty
Lenovo Group Ltd.
Lockheed Martin, Corp.
Los Angeles Unified School District
McCormick & Co. Inc.
Michigan State University
Mortenson Construction
Paypal, Inc.
Performance Systems Development
Philadelphia Energy Authority
Philips
Pittsylvania County School
Port of Seattle
Raritan Valley Community College
Salt Lake City Corporation
Samsung Electronics, Inc.
Sheetz
Shippensburg Area School District
Slippery Rock University
Sprint
St Johns County Public Works
Staples, Inc.
State of Colorado–DOC
State University of New York
TJX Co.
Toyota Manufacturing North America
TRC Companies, Inc.
UC San Diego
Universal Health Services , Inc.
University of Toronto
Walmart Stores, Inc.
Wesley Living

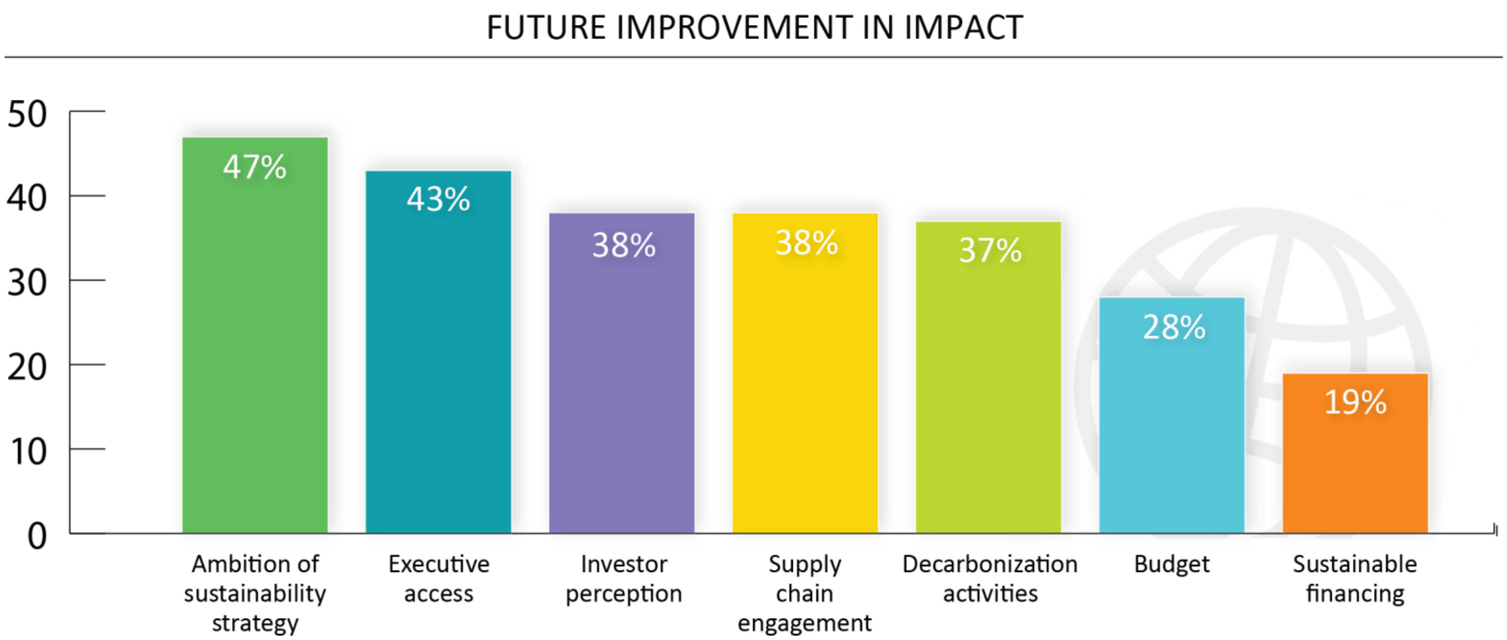
Budgets have experienced a severe negative impact…



Q. In the initial shutdown phase of the pandemic, how have the following sustainability topics been impacted as they relate to your business (negative, no change, improvement)?

Base: Total respondents • **Source:** *Smart Energy Decisions* and *BloombergNEF*, 2020

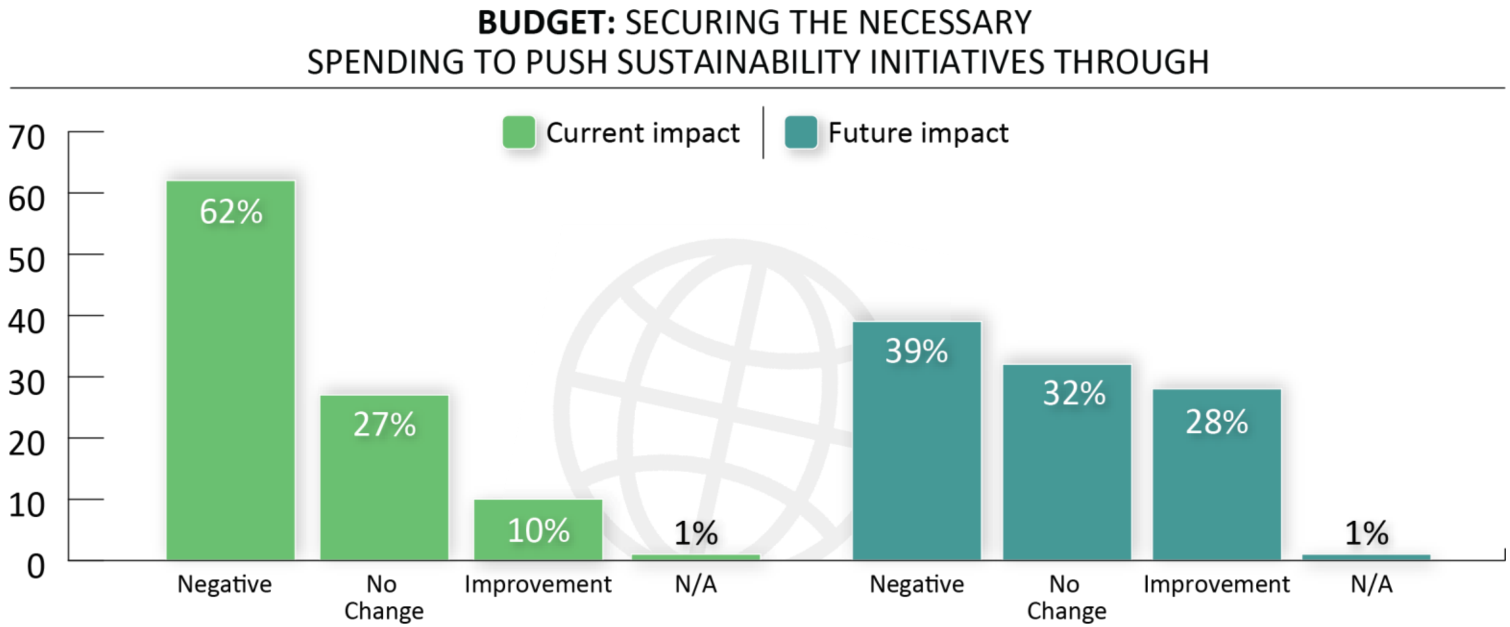
…and will lag other factors as the economy recovers



Q. As lockdowns are lifted and we settle into an economic recovery, how do you expect the following sustainability topics to be impacted as they relate to your business (negative, no change, improvement)?

Base: Total respondents • **Source:** *Smart Energy Decisions* and *BloombergNEF*, 2020

Budgets took an early hit; comeback will be slow and uncertain for many

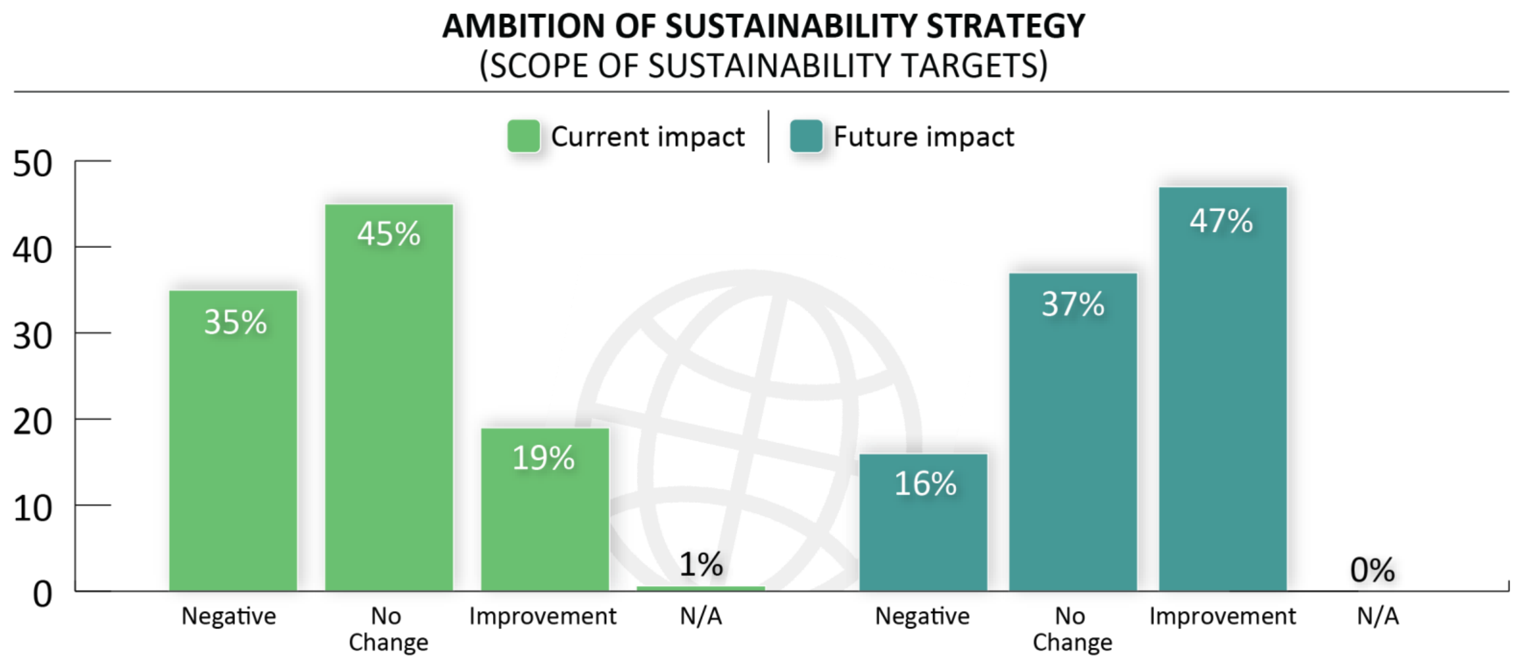


Q. In the initial shutdown phase of the pandemic, how has the following sustainability topic been impacted as it relates to your business (negative, no change, improvement)?

Q. As lockdowns are lifted and we settle into an economic recovery, how do you expect the following sustainability topic to be impacted as it relates to your business (negative, no change, improvement)?

Base: Total respondents • **Source:** *Smart Energy Decisions* and *BloombergNEF*, 2020

Companies hope to ride this wave of change to further push sustainability goals

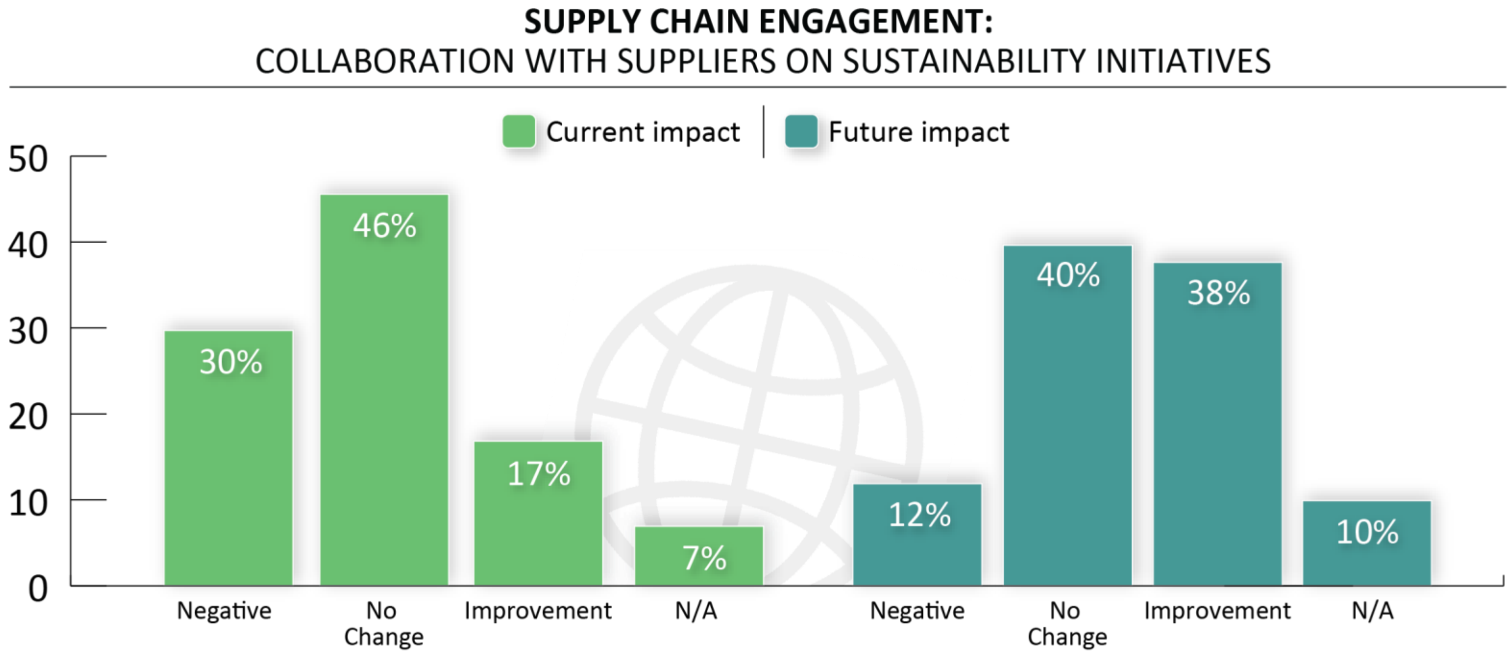


Q. In the initial shutdown phase of the pandemic, how has the following sustainability topic been impacted as it relates to your business (negative, no change, improvement)?

Q. As lockdowns are lifted and we settle into an economic recovery, how do you expect the following sustainability topic to be impacted as it relates to your business (negative, no change, improvement)?

Base: Total respondents • **Source:** *Smart Energy Decisions* and *BloombergNEF*, 2020

Supply chain collaboration is challenged but expected to improve

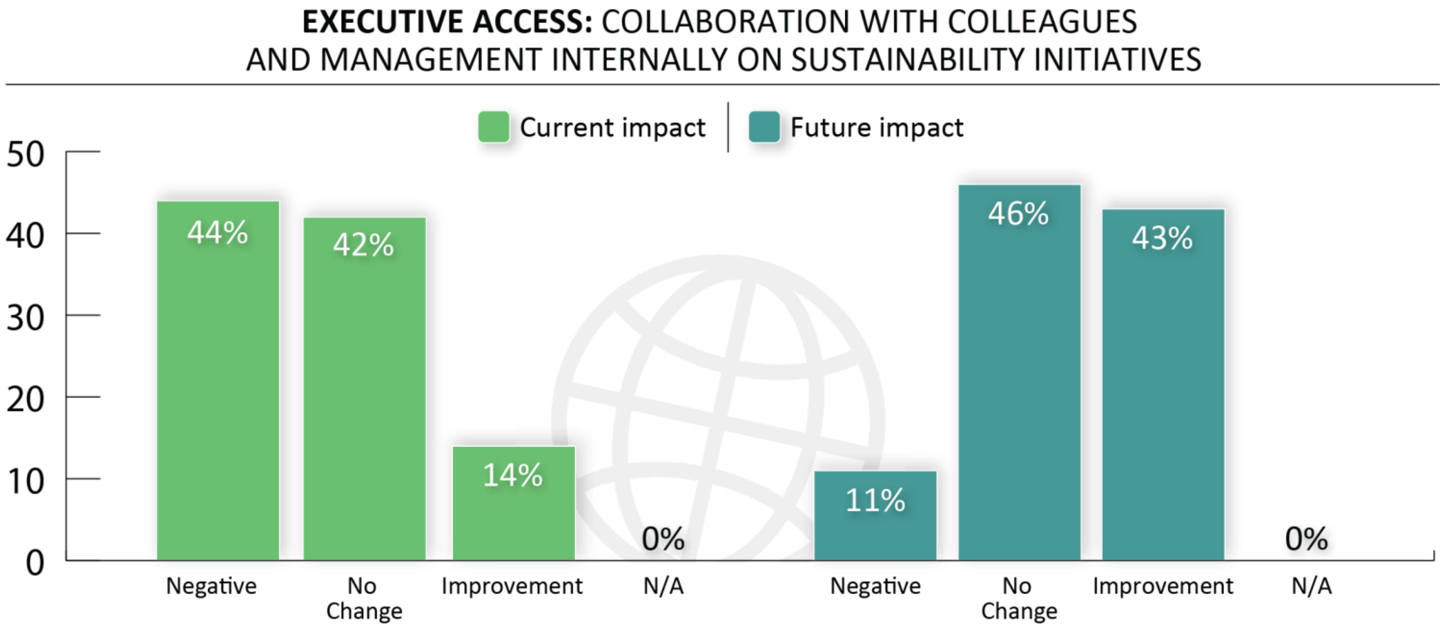


Q. In the initial shutdown phase of the pandemic, how has the following sustainability topic been impacted as it relates to your business (negative, no change, improvement)?

Q. As lockdowns are lifted and we settle into an economic recovery, how do you expect the following sustainability topic to be impacted as it relates to your business (negative, no change, improvement)?

Base: Total respondents • **Source:** *Smart Energy Decisions* and *BloombergNEF*, 2020

Amid distractions, internal collaboration for sustainability is in rebuilding mode



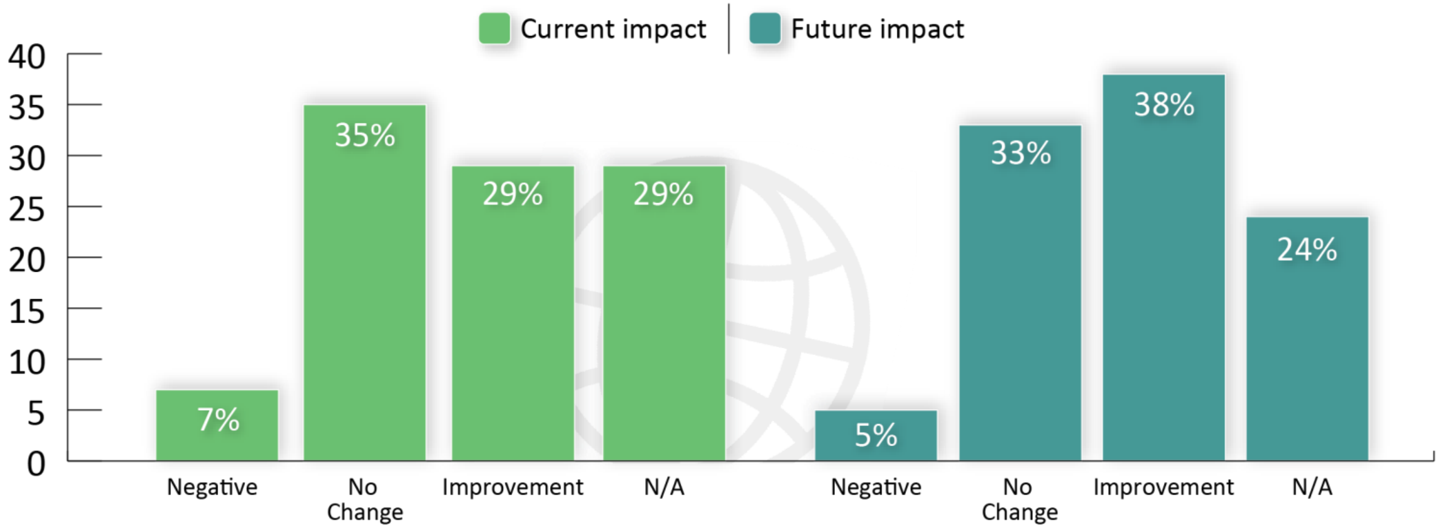
Q. In the initial shutdown phase of the pandemic, how has the following sustainability topic been impacted as it relates to your business (negative, no change, improvement)?

Q. As lockdowns are lifted and we settle into an economic recovery, how do you expect the following sustainability topic to be impacted as it relates to your business (negative, no change, improvement)?

Base: Total respondents • **Source:** *Smart Energy Decisions* and *BloombergNEF*, 2020

Investor preference for sustainable companies will drive continuation of programs and goals

INVESTOR PERCEPTION: HOW INVESTORS VIEW
COMPANIES THAT PRIORITIZE SUSTAINABILITY AND RESILIENCY

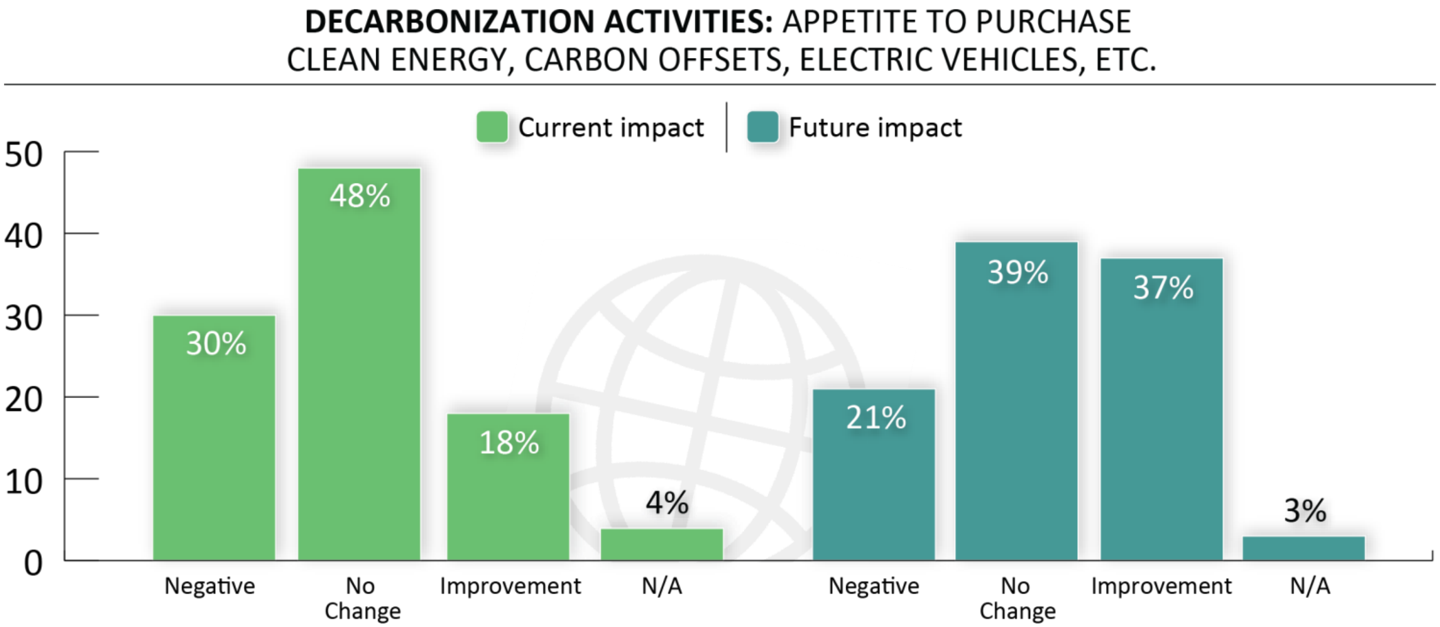


Q. In the initial shutdown phase of the pandemic, how has the following sustainability topic been impacted as it relates to your business (negative, no change, improvement)?

Q. As lockdowns are lifted and we settle into an economic recovery, how do you expect the following sustainability topic to be impacted as it relates to your business (negative, no change, improvement)?

Base: Total respondents • **Source:** *Smart Energy Decisions* and *BloombergNEF*, 2020

Some initiatives are on hold but clean energy purchases and net zero goal announcements continue

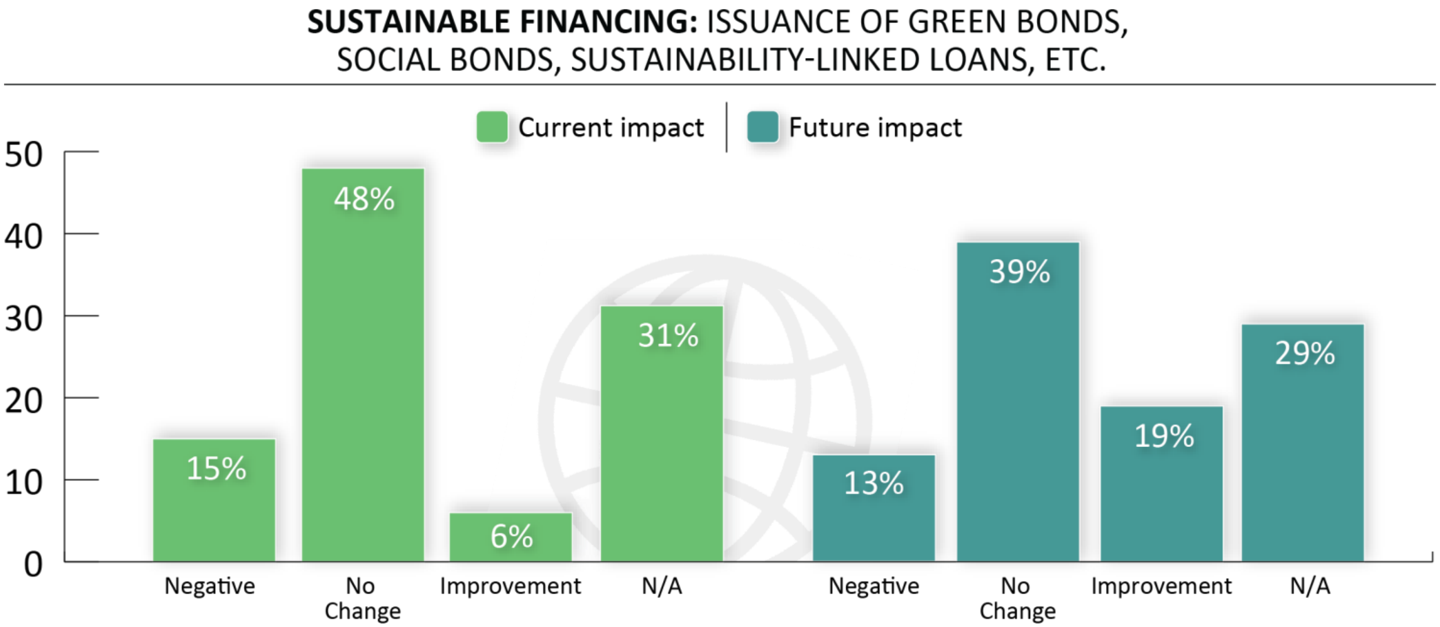


Q. In the initial shutdown phase of the pandemic, how has the following sustainability topic been impacted as it relates to your business (negative, no change, improvement)?

Q. As lockdowns are lifted and we settle into an economic recovery, how do you expect the following sustainability topic to be impacted as it relates to your business (negative, no change, improvement)?

Base: Total respondents • **Source:** *Smart Energy Decisions* and *BloombergNEF*, 2020

Financing is rated relatively low as a concern; Green bond issuances continue to flow



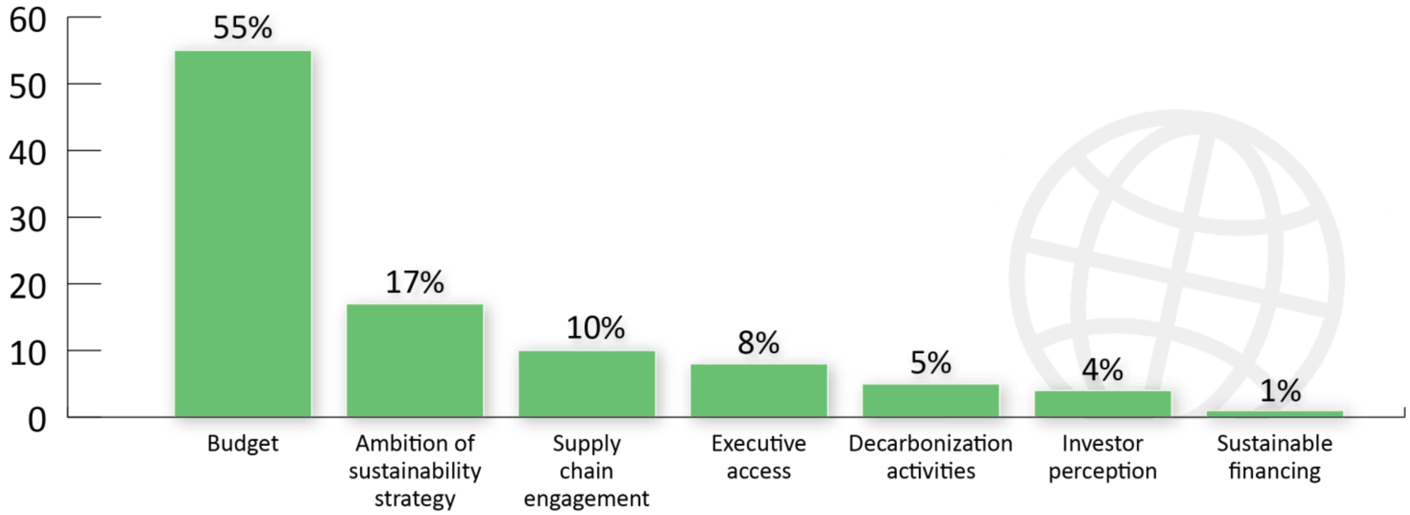
Q. In the initial shutdown phase of the pandemic, how has the following sustainability topic been impacted as it relates to your business (negative, no change, improvement)?

Q. As lockdowns are lifted and we settle into an economic recovery, how do you expect the following sustainability topic to be impacted as it relates to your business (negative, no change, improvement)?

Base: Total respondents • **Source:** *Smart Energy Decisions* and *BloombergNEF*, 2020

Budgets remain the biggest concern—more than all other factors combined

FACTORS OF GREATEST CONCERN AS A RESULT OF THE PANDEMIC



Q. Which of these factors is of greatest concern to your business as a result of the pandemic (select one)?

Base: Total respondents • **Source:** *Smart Energy Decisions* and *BloombergNEF*, 2020

Conclusions

- Budgets for sustainability and renewable energy programs have been severely impacted by the pandemic. It is unclear when they will be restored.
- Executive access has taken a hit but will recover quickly.
- Sustainability ambitions and the need to achieve goals are still prominent.
- Investor pressure will be unrelenting.
- The new normal will be pressure to achieve goals and complete projects with less money or more demanding financial requirements.

Acknowledgments

We're committed to your success.

Smart Energy Decisions is the leading information resource and research platform dedicated to addressing the information needs of large electric power customers. We deliver news, analysis, and research in addition to producing events designed to help our readers make better decisions. We are a catalyst for change in support of the dramatic energy transformation taking place in the electric power markets impacting customers, utilities, and suppliers.

Our mission is to help large electric power users improve their profitability and reduce their carbon emissions by adopting best practices in energy efficiency and renewable energy sourcing.

For more information contact:
John Failla, Founder & Editorial Director
john@smartenergydecisions.com

BloombergNEF (BNEF) is a leading provider of primary research on clean energy, advanced transport, digital industry, innovative materials, and commodities. With a team of experts spread across six continents, BNEF leverages the world's most sophisticated data sets to create clear perspectives and in-depth forecasts that frame the financial, economic and policy implications of industry-transforming trends and technologies. Available online, on mobile and on the Terminal, BNEF is powered by Bloomberg's global network of 19,000 employees in 176 locations, reporting 5,000 news stories a day.

Visit https://about.bnef.com/

SMART ENERGY
DECISIONS

DIRECTOR OF CUSTOMER SOLUTIONS
Beth Gordon
(949) 293-1378
beth@smartenergydecisions.com

DIRECTOR OF RESEARCH & CONTENT
Debra Chanil
debra@smartenergydecisions.com

www.SmartEnergyDecisions.com