Cities Compete for Businesses by Decarbonizing Their Grids

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A report by David Gardiner and Associates assesses whether the relative availability of renewables and carbon intensity of several midwestern and southeastern cities' electric grids is a factor in their competition for new businesses. Commissioned by a group of community leaders (including the author of this column), the report compares Nashville's grid to those of six other cities and concludes that Nashville is "likely at a competitive disadvantage for attracting new businesses with [greenhouse gas] targets."

The study starts by addressing a threshold question: "Are Fortune 500 companies increasingly prioritizing climate and clean energy factors into their economic development decisions?" The answer, according to the report, is yes: "Corporations are not only increasingly looking to procure renewable and low- or zero-carbon electricity, but they are also stepping up their efforts to focus investment and new facilities in areas that offer those electricity resources."

The report recognizes a sea change in corporate climate change efforts. Close to half of Fortune 500 companies have set carbon reduction targets. Over 200 companies have joined the RE100 initiative and committed to procuring 100 percent renewable energy. And almost 80 percent of the largest manufacturing companies with U.S. operations have set carbon goals.

The report also highlights that these commitments increasingly extend to supply chains, and corporations may "deselect suppliers based on environmental performance." As a result, "Utility carbon reduction goals are rapidly becoming very important for small to medium-sized businesses due to the growth in Fortune 500 supply chain decarbonization commitments."

Furthermore, the authors point out that corporations are not only focused on their own carbon reductions but are "increasingly working with their local utilities" to help communities "accelerate carbon reductions," thereby forwarding clean energy access for "historically disadvantaged minority and women-owned businesses."

The report underscores that cities in service territories with higher-carbon grids "will be at a disadvantage for attracting companies" that have set emissions targets. The report finds that this trend "has not gone unnoticed," and that cities — as well as states and utilities — are moving to decarbonize. According to the report, over 160 cities have set 100 percent renewable energy goals and 24 investor-owned utilities have committed to reducing emissions by 80 percent or more by 2050.

In comparing Nashville with its peer cities, the researchers concluded that it lags behind. The city's power generator, the Tennessee Valley Authority, has set an intensity-based target, which represents a commitment to reduce its rate of emissions, as opposed to total emissions.

More than 160 cities have set 100 percent renewable energy targets

This means that total emissions could increase by the target date depending on electricity usage. Furthermore, TVA's commitments do not reach beyond 2030, whereas many other utilities have set 2050 targets. The report concludes that Nashville is "weaker than its competitor cities on the percentage of total reductions by 2050, the length of its commitment, and the overall structure of its commitment." Further, companies that have established targets "can be expected to consider these factors when making long-term economic development and investment decisions."

To catch up with its competitors, the report recommends that the Nashville area should set at least an 80 percent reduction target for 2050; substantially increase the grid's planned renewable generation capacity; set ambitious renewable energy goals; and provide more renewable energy options to small and medium-sized businesses in order to "make them more attractive partners" for corporations that have set targets and made supply chain commitments.

In commenting on the report, Gary Garfield, former Bridgestone Americas, Inc., CEO, emphasizes that the number of companies setting carbon reduction targets will continue to grow at a rapid pace. He cites several factors, including the high-profile decision by BlackRock, the world's largest asset manager, to make companies' sustainability strategies a key component of its investment decisions. Garfield also points out that many corporations already have internal carbon taxes that "significantly affect" their investment decisions. In addition, he maintains "there is no question" that the United States will ultimately enact a national carbon tax, as will other major economies — the only question is when and how much — and "any executives worth their salt" should take this into account in making major, long-term investment decisions.

The decades-long debate over whether and to what extent states and localities compete in a "race to the bottom" to attract businesses by lowering environmental standards will undoubtedly continue. But, in the case of renewable energy, it looks as if the race is a sprint to the top.