

Beyond the Electron Podcast

Sustainability

Season 2, Episode 2



Energy, Sustainability and Infrastructure

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Speakers

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Chris Warren:

Corporate sustainability initiatives are nothing new. But it's fair to say that the ambition and speed at which both utilities and large corporations are pursuing sustainability today has changed, decarbonisation and clean energy targets are perhaps the most obvious example. Indeed over 300 global corporations including household names like Anheuser-Busch, Apple, and General Motors have all joined the RE100 initiative. Those who sign on to this initiative share the goal of achieving 100% renewable energy goals, though many go further and pledge to achieve net zero carbon emissions targets.

Decarbonisation and clean energy is just one component of sustainability. Large corporations and utilities are also increasingly focused on topics such as environmental justice and habitat protection. Understanding the increasing focus on sustainability, how to define it, and opportunities and challenges to achieving sustainability objectives will be our topic on this episode of Beyond the Electron, The Energy Cloud Podcast series. I'm your host, Chris Warren, and I'm pleased to be joined today by two guests who have unique perspectives on this topic. With us today are Britt Harter, a partner in Guidehouse's Energy, Sustainability and Infrastructure group. Britt is ideally suited to help us understand this topic. His work today is as Guidehouse's Sustainability Solutions Lead, where he helps corporations and governments successfully pursue their sustainability objectives. Britt knows what this looks like because he has played big roles in developing award winning sustainability plans for Los Angeles and San Jose.

We're also fortunate to be joined today by Sharon Tomkins, Vice President for Sustainability for Sempra. In her current role, Tomkins oversees Sempra's corporate sustainability strategy, as well as the company's environmental, social, and governance efforts. Previously, Sharon was Chief Environmental Officer and Vice President of Strategy and Engagement at Southern California Gas, one of Sempra's regulated utilities. I'd like to welcome you both. And Britt, I'm going to start this conversation off with you. I think we should level set here and provide a definition of sustainability. In the popular press, you often hear decarbonisation and sustainability used interchangeably. I don't know if that's necessarily correct. Educate us and define sustainability for us and we'll use that as our launching point.

Britt Harter: Thank you. Well, that's a powerful role you've given me. I will say that sustainability, much like many of the broad beyond compliance topics like resilience and ESG, are broadly defined and mean different things to different people. The way we look at it is the intersection of environmental, social, and economic vibrancy. And so that takes into account, obviously, the core environmental benefits especially decarbonisation, but also looking at social well-being, environmental justice, job creation, and the ability to be a good actor in your community, both in your community narrowly defined and the global community. But I think absolutely decarbonisation is the leading sustainability topic and one that often takes center stage when we talk about sustainability, but it's important to keep that broader lens in play.

Chris Warren: Right. Sharon, how about you? How do you look at defining sustainability in your work?

Sharon Tomkins: At Sempra, we think about sustainability as creating long-term sustainable value across all of our stakeholders, and we're looking at the risks and opportunities that are presented in connection with that endeavor. Frequently, as you mentioned, sustainability is referred to as ESG. These are basically acronyms that stand for environmental, social, and governance. A company that has strong practices in these three areas is viewed as one that is creating long-term sustainable value. Oftentimes, as you both had mentioned, the emphasis is on a company's environmental practices. But there's an increasing recognition, particularly as a result of all of the things that happened in 2020, including the racial and social injustice and unrest, the importance of a company's social practices.

Chris Warren: Right, right. Yes, this is certainly an expansive definition and I think you're both right to really point out that there can be different areas of priority, depending on an organization and their objectives and their role. So I want to shift over here and talk a little bit ... in my intro, I mentioned that there really are a large and growing number of corporations that are setting clean energy targets. And that's not just happening in a vacuum. And I'd love it if Britt, if you can start and talk about what some of the factors are outside of company walls that are really leading to these decisions. You read a lot about renewable portfolio standards and various policy drivers. What are some of the things that you see as driving this shift towards really ambitious clean energy targets in the corporate world?

Britt Harter: Clean energy targets have really undergone an interesting evolution. Early on from the buyer side, from those who consume the electricity, they started out as a relatively easy and viable goal: you connect to the existing utility green program, you write a check, bam, you've met your clean energy goal. It was easier than measuring your scope three footprint or process engineering. And from the energy generator side, they were driving and complying, as you say, towards the movement, towards renewable energy standards. But that evolution on the clean energy space as well as the changes in the corporate expectations is creating new drivers that's setting new and different and more ambitious goals. I would say the first and the strongest really is this regulatory consideration that's coming towards corporates around clean energy.

And then the mandates within the UK that public firms execute their taskforce for climate related financial disclosure, TCFD analysis, which is really it says looking at climate risk, and the SEC exploring whether they want to have GHG footprint reporting be mandatory. It shows that these are now crucial topics and clean energy is the critical abatement lever for decarbonisation, especially as offsets continued to be somewhat controversial, and the calculus around clean energy deals is improving, given the price stability of clean energy, the environmental commodities generated, and the additional benefits to sustainability and corporate reputation. Things like VPPAs are starting to look attractive, which is making them an exciting option. But it's important to look closely at the geographies and regulatory drivers before jumping into any particular clean energy deal or goal.

Looking at the public entities themselves, they've been very interesting. They're major consumers of energy. Looking at Los Angeles, San Jose, they have big buildings and fleet footprints and they're setting bold, clean energy targets, in part because their mandates are really to deliver social well-being rather than needing that to be balanced with shareholder value, like the energy consuming corporates. At the leading edge, we're seeing 24/7 carbon free energy targets, even those from the federal government. Those are starting to filter down and drive deeper and more comprehensive clean energy demand. And really, we're seeing both a response and a leadership from the energy providers themselves, setting their own clean energy targets, their own goals, and really moving the system towards meeting that demand.

Chris Warren: Sharon, I'd love to have you jump in and give us the vantage point from where you sit and include, if you can, what I'm hearing from Britt is there's a lot of factors, but I'm hearing, there's some economic benefits as part of this. I mean, clean energy is gotten increasingly competitive and can be just a smart choice for corporates, that can be part of it. But tell us how you look at this.

Sharon Tomkins: I'd be happy to. As a holding company that has a couple of utilities, I would say in addition to renewable energies, one of the North Stars is continuing to find ways to deliver that energy reliably and affordably every day. And so I may have a different lens than other businesses with respect to this. But I think there's a growing recognition of the role that businesses can and should play in helping to limit global warming to that 1.5 degrees Celsius, which is what scientists have said we need to do to avoid the worst impacts of climate change. This is going to require a dramatic change in our energy systems. And as a result, many companies are setting clean energy or greenhouse gas goals to reduce their carbon footprint. I think Britt was able to give you some examples as to why other companies have set these goals. And I can't speak to the specifics of those companies, but I can speak to the reasons that Sempra has set a goal to be net zero by mid century, in both our operations and in the energy that we deliver, what is referred to in greenhouse gas accounting terminology as scopes 1, 2, and 3.

When we were setting this goal, we were very deliberate. It wasn't enough simply to set the goal. We needed to have line insight into how we were going to get there. And being a public company, it was important that we thought about this from an investment thesis. That is, what are the investments we will need to make over the next 30 years to reduce the greenhouse gas emissions across the energy value chain? We also went beyond our own operational emissions because we believe we have a tremendous opportunity to influence the net zero energy systems that are needed to affordably. As I said systems that are both lower in carbon, but are also resilient, affordable, and reliable and importantly, address energy poverty globally.

For those who are not familiar with Sempra, we are a global energy infrastructure company that serves some of the world's largest economies in America. Every day, more Americans receive their natural gas or electricity from Sempra than from any other company. We also deliver some of the largest amounts of renewable energy to the Texas and at California markets. In Texas, we connect more than 40% of wind energy to the grid at our operating company encore. And in California, we deliver approximately the same amount of renewable electricity to customers in San Diego and Orange County. And at our gas utility SoCalGas, we are on our way to meeting our 2020 goal of delivering 5% renewable natural gas to core customers and has set a goal to deliver 20% renewable gas by 2030. And for those who aren't familiar with what renewable gas is, it's basically capturing the emissions from our waste streams and delivering those emissions as energy. Because of the amount of energy we currently deliver to California and Texas residents, as well as our knowledge of both the electric and the gas grids, it allows us to understand the challenges associated with increasing amounts of renewable energy on the electric grid, such as finding ways to sort wind and solar energy when it is being generated, and delivering it when it is needed.

We also understand the importance of addressing energy poverty globally, because of our liquefied natural gas infrastructure. I like to think about Sempra in terms of we have that 10 foot view of the energy sector that's reliably delivering energy every day, 24 hours a day, 365 days a year, as well as that global view, how do we deliver energy to the developing economies so that they can have access to reliable affordable energy as their economies develop?

Chris Warren: I think it's impossible to talk about sustainability drivers without talking about consumers and investors, and what they're demanding. Britt, can you talk us through what consumers and investors are really communicating to companies about sustainability, and whether there really is a competitive advantage for companies that are sustainable?

Britt Harter: Absolutely. And I think this investor angle is the most powerful one that's really flipped the switch on clean energy demand and sustainability demand generally. I've been working with corporations in this space for almost 20 years, and in the last two years, we've seen an absolutely tremendous shift in what investors are demanding and how they're looking at sustainability and environmental action by corporates as a value driver. I mean, Larry Fink who's the CEO of BlackRock, his letter, noting that every organization needs to prepare for a net zero world, it's become a little bit trite in sustainability circles to talk about that letter as a driver. But I think one of the things that speaks to is when the largest mainstream asset manager in the world is using terms like net zero and saying things like everyone, that speaks to the whole iceberg underneath of the movement within the community to see this as an important value driver.

There's an unmistakable sense in the investor world, that climate is going to reshape the costs and risks of business, whether it's energy prices, whether it's disruptive weather events, changes in regulation, migration, whatever it is, and that's signaling loud and clear from the investor side that they want firms who are prepared to protect and enhance value in the face of these changes. This is going to be the major disruption in the 21st century, and the financial system and the individual capital holders are trying to figure out who's going to be able to deliver value in that world. And so, it's moving beyond well being and being a good actor towards the core of their business. That's why the SEC is looking at that TCFD, that task force for climate related financial disclosures, again. They want to stabilize the financial system against these shocks and ensure that the valuations that organizations are currently bringing to the table are accurate and durable. And so when you're looking at that world, all of a sudden, the climate and whether or not you're climate smart, you're climate conscious, you're climate prepared, is a huge consideration. We're seeing that radiate all over the place. It's not just about equity, we're seeing ESG linked loans, green bonds in the capital markets, they're looking for this preparation.

Britt Harter: One of the things that underpins that is the partnership for carbon accounting financial standard, another one of those mouthfuls, the huge club of \$50 trillion of the biggest banks in the world, they've gotten together to set a standard for how they're going to measure the GHG emissions in their portfolios. And so that means they're getting serious about how they're measuring this, and they want to start doing business and lending and moving their book of business towards low carbon solutions. And so that wasn't possible before and now that they've got an organized standard, they're really able to move forward. From the customer perspective, we're seeing a lot from the business to business customers. We're seeing target demanding of the footwear brands that are on its shelves, they say, where's your CDP disclosure? What's your footprint? How are you preparing to decarbonize? And that gets the attention of parts of the business that don't just live in the sustainability office, but live right in the core of the sales and business relationship goes right to the C-suite, and that's really what's taken this concept from what maybe was the margins of these global companies right into the center of them, and it's really pushed towards that preparation and decarbonisation.

Chris Warren: Sharon, Sempra has investors and customers, what are you hearing? How do their voices impact how you think and act on sustainability?

Sharon Tomkins: I would echo a lot of what Britt had to say. I think investors and consumers alike are key stakeholders for businesses, including ours. And each are looking at what companies are doing to create that long-term sustainable value that I talked about, including limiting global warming. And many investors are actually setting their own net zero goals, which means they're looking into their investment portfolios to determine whether the companies they're investing in help them achieve their own goal to be net zero. There are also an increasing number of investment funds dedicated to sustainability. If memory serves me right, I think there today are about roughly \$66 billion flowing into the sustainability funds, and the expectation is that these specific funds will only increase in prominence. Because of this increasing importance of sustainability to investors, there's an increasing recognition, as Britt was mentioning, that companies need to be transparent in their sustainability efforts and provide meaningful information about these efforts. That is why it's more and more companies are publishing their sustainability reports and regulators are looking to see what type of ESG data companies should be required to disclose.

For me, that creates an increasing importance to make sure that the information that we're providing in our sustainability reports are as transparent and as accurate as we can make them. And this increasing importance of sustainability to investors and consumers does, I think, create a competitive advantage and I think that's one of the reasons I'm so proud of Sempra's long and strong commitment to sustainability. When I first got into this job, I was on a webinar and the host there made mention the fact that Sempra was sustainable before sustainability was cool, and I take that as a badge of honor. At the end of the day, we can't rest on our laurels. We need to continue to advance and be transparent about our efforts to create long-term sustainable value. And it's not enough to simply talk about how strong we are in sustainability. It's equally important to be transparent about our sustainability challenges and where we are trying to improve those efforts.

Chris Warren: What is the role of utilities in helping their industrial and corporate customers to decarbonize? Do you see it as an opportunity, challenge, both, some mix? How do you view it?

Sharon Tomkins: It's a little bit of a mix, I would say. The role energy plays in society makes it increasingly important that energy be an important part of reducing overall global greenhouse gas emissions. And utilities are the vehicle for delivering that energy safely and reliably every day. And I think the opportunity is really finding ways to do that in a way that is lower carbon, but also achieves that safe, reliable, and affordable, end state that we need to achieve. And for many years, the view has been to use wind and solar energy as a source of our electricity and then to electrify all end uses to get to net zero. But there's been an increasing recognition that not all end uses can be electrified. And so we have to find ways to reduce the carbon emissions in what are referred to as Hard-To-Abate sectors, if we're going to achieve economy wide net zero GHG emissions by mid century. And the emissions from the industry such as manufacturing iron, steel, and chemicals are good examples of Hard-To-Abate sector.

Industry alone is responsible for 30% of total CO2 emissions, and consumes over 35% of total global energy. And one way we can help reduce the emissions from the industrial sector is to leverage our gas infrastructure by flowing increasing amounts of renewable gases through the infrastructure. Just like wind and solar create renewable electricity, there are ways to create renewable gases. As I previously mentioned one of them, renewable natural gas, leverages our waste streams to create energy. And another promising fuel is hydrogen. When coupled with renewable electricity, hydrogen can result in a globally scalable low and zero emission energy system that can effectively address climate change and has the potential to be applied to a wide range of sectors, including the industrial and the transportation sectors. So key sectors if we're going to get to that economy wide net zero energy future that we all want to obtain.

Sharon Tomkins: And that's why I'm really excited about the work that SoCalGas in particular has been doing with its partners helping to find ways to lower the carbon emissions in those Hard-To-Abate sectors, by finding innovative ways to create an integrated system where clean molecules and clean electrons work together to achieve maximum emission reductions. I think one of the things, one of the opportunities and one of the challenges is really thinking about the system very differently. So we've always thought of electrons and electricity as one system and natural gas as another system, but I think over time, we're going to increasingly need to think about them as one system. And how can we create an electron or a molecule for where and how it is needed? And there's technologies now, Power-to-Gas is one such technology, which allows us to take electrons and turn them into molecules.

And so I'm pretty excited about all of the work that's being done there. But there's a lot of challenges to scaling these clean molecules. And we're seeing progress in this area, but I really do think it's one of the key areas we're going to need to advance to get to an energy system that achieves our overall objectives.

Chris Warren: Great. Sharon you've kind of led me right into where I want to head next. So I'm going to bring Britt back into the conversation. There are obviously a lot of net zero commitments being made today. And I think I heard what Sharon was saying, but Britt, what do you think about the question around whether decarbonisation is possible for the energy sector and some of the things that you look at that are required to happen? I mean, Sharon's talking about innovation and looking at some hard-to-abate industries, how do you look at that?

Britt Harter: That's absolutely possible. We have the technologies today, we're moving there in the future. It takes a combination of investment, regulatory support, aligned incentives, rate cases, and commercial demand. And really what we are seeing now, what we're preparing for, is an overwhelming clean energy demand, whether it's clean electricity, whether it's electrification of current fuel uses, whether it is fuel switching in non electrifiable uses. We're seeing each of those sectors poised to demand more and more clean energy. All of those forces shift business and infrastructure towards this need. We've seen these shifts before, whether it's the rural electrification program, the transition from horses to cars, from paper economy to the internet. I mean, these are transitions that feel enormous, but are very manageable, and they come and they happen, and they require government structures and government scaffolds, but the market moves a lot of them as well. You'll see different balances between those, obviously, the electrification case, there was a very substantial government structure. In the internet, the government really ceded the technology and the market took it. And so I think we're preparing for that kind of transition and needing to be prepared and supporting both our energy providers, whether they be utilities or other kinds of generation, and also the consumers. I think we're just preparing for an absolutely tremendous shift.

And actually, one of the things I would love to ask Sharon, I've been thinking about this, as this conversation has prompted for me, is we often think about corporate sustainability as the consumers, the manufacturers, the retailers, and the energy providers as the inputs to the system, the folks that meet their demands. But Sharon, you sit in a position where you are both the energy provider and a corporate responsible for sustainability as well. Do you feel like you should be in one bucket or the other, or how do you see that role?

Sharon Tomkins: I'm comfortable in both buckets. But I think the energy sector in particularly has an important role to play to making it all work. In my previous answer, I talked about the interchange between electrons and molecules, and thinking about having them clean at both. I agree with you, I do think that decarbonisation or net zero energy system is achievable. But it's going to take an enormous amount of innovation and investment in new technologies, such as energy storage, carbon capture, and clean molecules to actually make the system work. It's one thing to buy renewable energy credits, it's another thing to deliver that energy from that credit to energy consumer at the time when that energy is needed, and how it is needed. And that's really where these other technologies come into play. So we can take energy and we can create through technology like Power-to-Gas, that sun and that wind and be able to store it in a long-term manner through a molecule and be able to deliver it when and how it is needed. But that's really going to take all of us working together, governments, businesses, non governmental organizations, and consumers to actually get there. And there's a couple of principles that I've mentioned a couple of times, but I think it's really important.

The energy system of 2050 needs to not only be carbon neutral, it must also be affordable, reliable, and resilient. And I think we've seen in a couple of incidents over the last year, the importance of that resilience and that reliability. And we need to make sure that as we're creating this energy system, that we don't forget about the developing economies of the world, so that they can enjoy the energy systems that we enjoy today. So long winded answer to basically say, I think it's doable, but there's a lot of work to do and there's a lot of investment in infrastructure to make the energy system really work.

Chris Warren: Well, you both have mentioned something that I think flows nicely into where I want to head next. And Britt, you used a great term that's going to stick with me and that's scaffolding, government scaffolding, and thinking about those constructs that are really helpful in building momentum towards an objective. And when I think about the Biden administration really has put decarbonisation at the center of its agenda, and one aspect of that is a carbon free grid by 2035. Britt, why don't you start with this question? But what does that mean for energy providers and for sustainability efforts, corporations, and elsewhere?

Britt Harter: What it means in the very smallest and clearest of points is increased demand, pure and simple, increased demand for clean fuels. But I think we're not yet there. We're seeing a lot of broad goals, a lot of signals from the Biden administration, but we haven't yet had the specifics, the rules, the funds, the drivers. The Biden administration has set their first set of executive orders. They've been quite broad. They're preparing a second set right now, which was supposed to be much more specific, both in terms of the behaviors of the federal government, and also how they plan to intervene in certain sectors. When you couple that with the impending or potentially impending infrastructure spending bill, those could, in combination, provide a major transformational moment, both the opportunity and the threat for firms who may not be prepared to deliver that kind of transition. In terms of what it means for corporates, again, I think we're seeing a collective movement towards this net zero and meeting these goals. But ultimately, we're still looking to see the actual changes and to push the drivers whether it's investors, technology, or government rulemaking or funding to continue the transition of the system.

Chris Warren: From a utility perspective, how do you look at the federal government's policymaking and regulatory impact on some of these decarbonisation sustainability efforts?

Sharon Tomkins: I think the objectives that the federal government and state governments are doing are important ones and starting to set those policies to put in place the drivers that are needed to really start to decarbonize and create that economy wide net zero that we're looking for. But might sound like a broken record here, but there's physics associated with the energy system. And so goals are great, but getting from point A to point B really does matter, and how we get there will really matter. Today, we are wasting a lot of renewable energy in California to the point that we are either curtailing it or selling it at negative prices, because it's being over generated in the middle of the day. But we're also relying on other fuels in the evenings because the wind isn't blowing or the sun isn't shining. And right now in California, it's about 10% of the time that we're seeing this mismatch between the generation of wind or solar energy and having to curtail it.

So one of the things that's going to be a game changer and we're really going to need to invest in the infrastructure to do this, is storage, particularly in areas where we have the renewable resources. SDG&E, one of our operating company has been investing in various storage technologies for over a decade and hopes by the end of 2022, to have around 140 megawatts of energy storage capacity. Its storage portfolio goes beyond lithium ions, which is often what we associate with a storage and includes emerging technologies, such as vanadium redox flow batteries and ion flow batteries. And we're also investing in pilot projects that test hydrogen based long-term storage. These projects are expected to go into service in 2022. But at this point, energy storage technology, Power-to-Gas technology that I talked about previously is still in its infancy. And so we really need to get, not only the policies right, but eliminate some of the barriers associated with some of the regulatory policies so that we can really get the shovels in the ground and start to advance both the infrastructure building that will be needed to reach the objectives that, for example, Biden has set out or the state of California has set out. And we're really going to need to invest in these nascent technologies, so that they become commercialized.

Chris Warren: Right. Sharon, I want to stick with you for a moment. You've mentioned ESG a few times in our conversation, and I wanted to just dig a little deeper and ask you what role ESG disclosure plays and just really how it fits into this overall sustainability quest and question.

Sharon Tomkins: I think the ESG data and information is just, it's increasingly becoming an important barometer for how a company is doing. And there's an alphabet soup right now of ESG type disclosures. And so a large part of my team's time is really invested in gathering and reporting on the various different metrics. We really do think as an important part of the overall framework is to really be able to be transparent in the type of disclosures and information that companies give about its sustainability efforts. And I'm proud of the fact that this year was our 13th sustainability report. And we actually lead in the information we provide in that report, including reporting on our scope three emissions.

Sharon Tomkins: This year, we actually decided to publish our EEO-1 data in an effort to enhance our transparency respect to our workforce. As we've talked about an increasing expectation from our shareholders and our employees and consumers to be transparent in our sustainability efforts and to advance energy systems we've been talking about, we have also been doing this through the way we finance some of our projects. So one of the things we did this August was create a sustainable financing framework. And this framework includes information about how we intend to allocate net proceeds to finance projects that are consistent with our ESG strategy. Elegant projects include investments in clean transportation, climate change, adaptation, energy efficiency, clean energy solutions, green buildings, pollution prevention and control, as well as socio economic advancement and empowerment. And I think this framework really demonstrates that sustainability and the energy transition really are core to our strategy. And I think what you're seeing is increasingly, it's no longer a nice to have, but ESG really has to be fundamental to the way you operate and do business.

Chris Warren: Britt, I want to go to you next, and you've been engaged with the development of sustainability plans and worked with corporations and in government. So you know personally the engagement that's required from a variety of stakeholders in developing these plans, implementing them, setting tactics and strategies. Can you talk a little bit about, what's the best way to coordinate all of these different stakeholders whether there needs to be a single office or a person in charge? How do you look at that because there are a lot of moving parts here?

Britt Harter: Absolutely. How do you get things done in terms of sustainability, is the million dollar question, I would say. It really comes down to three things. It comes down to data, governance, and money. And so ultimately, you're going to have a very hard time making any kind of tangible progress on any kind of issue, if you don't have both data that is regular and detailed enough, both to give you a sense of what the impact is and to reward and show progress when the impact improves, whether it's GHG emissions, social or community impacts, or really any of the others. If you're just using proxy data, then your investments won't yield tangible changes and you won't be able to claim credit and your leadership will lose focus.

In terms of governance, this is a wonderful question. I was just in a board room and I was asked the same question. The classic sustainability governance question of, if it's embedded in everything we do, shouldn't it just live embedded in everything we do, and we don't need those people? And the answer is ultimately, yes, that to move towards a fully, I'll call it metrics and incentivized organization that delivers sustainability outcomes is absolutely the long-term goal, but there is a lot of movement between here and there, both in terms of needing a group of people who are both knowledgeable about what the expectations are, how the field is moving and changing. I mean, all the things we've heard from Sharon, both in terms of the physics considerations and technology considerations. There are needs in terms of stakeholders and frameworks and data and expectations and all that, that is both changing and specific enough that you need some expertise there.

And also somebody to coordinate and drive that data as it comes up as you are tracking the changes, as you are identifying what abatement measures are needed. So having a core governance committee is I think very important, but it needs to be connected to the real organization. That's been the other challenge that you sometimes see in sustainability, is you get small number of very passionate, very smart people who are live in a small office with no budget and are asked to change the whole organization, and they wind up just reporting on the organization as it is. And so being connected to that organization, all the way up into the leadership really is essential.

And I think that's one of the things that's been most powerful when we start to talk about finance, we start to talk about ESG demand, is there's now money is expecting expectation, stakeholders are expecting change, and that that's really made a lot of this possible. There's now a lot of money looking for sustainability projects to invest in if they can meet the realities, the paybacks, and the trust. And so being able to harness that has made this a much more attractive world to be able to really get things done. But I think oftentimes, we do overlook the interpersonal side of sustainability change. We need the technologies and we fixate on the technologies, but they ultimately have to be driven through organizations that are controlled by people and stakeholders, and making sure that that process is working, is essential to making that transition, really balancing the technological and the governance and stakeholder process.

Chris Warren: Right. Sharon, what have you learned in the coordination of various stakeholders? I mean, you obviously have a lot of different inputs from people and communities, investors of wide range. But how do you handle that?

Sharon Tomkins: I'll play off something that Britt said, which is, a commitment to sustainability really needs to start at the top, with the board of directors and the CEO. And when we were setting our carbon neutrality goal, it really was making sure that the CEO and our board were comfortable with that goal, because ultimately, it is going to be key to our strategy going forward. But it's also important that each member of the 19,000 employees that we have across our operating companies also understand the importance of our sustainability objectives, because they're ultimately the ones that are going to deliver on that objective. And so it's from the top up and the bottoms up. My role really is helping to advance sustainability across all of those efforts, really being able to explain and help set the strategy at the top, but also to be able to explain and deliver and make sure that I'm communicating across and with the employees that will actually execute on that.

I worked in one of the operating companies before I came up to Sempra, the corporate headquarters. And I think really, it's important as being at the corporate and setting the overall sustainability strategy, is really to collaborate across all of the operating companies to set frameworks that achieve not only our objectives at Sempra, but also the objectives and making sure that we are satisfying the stakeholders across each of the operating companies. So it's really a collaboration that I'm hoping to achieve. And by doing that, I think we help to demonstrate to our investors, our regulators, our policymakers, our customers, that that commitment is genuine and that when we set a goal, our objective is to deliver on that goal.

Chris Warren: Right. Well, that certainly sounds like a best practice, which is what I wanted to end with, with both of you because you both have such unique experiences in this space. So for our final wrap up question here, Britt, you can start, but is there a best practice or two that you've learned in your work around sustainability? And then Sharon you can add if you have another one beyond the collaboration that you just discussed.

Britt Harter: I would say that change works best when it is absorbed by the organization in forms the organization already knows how to process. There are certain organizations that love data, won't ever set a commitment without seeing perfect line of sight, abatement planning, all the way down to the ROI, a MAC curve, they need to see it all before they can make the commitment and they've got all the budgets lined up all the way for the next 10 years. There are other organizations that are more aggressive, that will set the target and figure it out later, and figuring out how to connect the needs and goals and expectations from the sustainability decarbonisation imperative into the kinds of information and change that the organizations are prepared to take on is really one of both the most critical, but also one of the most challenging aspects of sustainability, making sure that you're really matching it to the decision maker and to the kinds of information that they expect, the Treasury office, the CFO's office obviously makes decisions differently and is used to processing information differently than a corporate communication's office and making sure that you're connecting to each of them successfully.

Chris Warren: Sharon, how about you?


Sharon Tomkins: I would say that I think it's important to be ambitious in setting goals, but I think it's also important to have not necessarily a straight line between where you are today and to that goal, but that you have line of sight into how you can achieve that goal, and what are your challenges and your opportunities along the way. And so I think it's really important to be ambitious, but also have line of sight into what you're doing. In the energy sector, I'm lucky in that I work for a company that really does have at its very base, the importance of delivering value across all stakeholders. But the real challenge is associated with getting to net zero, in the energy sector and economy wide.

And so I think really understanding what it's going to take is important, and really advancing the policies and working across the stakeholders to get the job done. And I think really where we're at now, it's important to set the goals, but I think really, we need to start working both at the local as well as the state and national and even globally, to really start to move the needle. Goals are important, but action is incredibly important. We really need to start to move the needle to get where we need to get by 2050.

Chris Warren: I think that's a good place to end. I want to thank both Britt and Sharon for joining us here today. Our conversation was a good reflection of where sustainability stands today. Obviously, there are a lot of powerful drivers pushing forward different aspects of sustainability, particularly, emission's reductions. But if we're being honest, there's still plenty of important questions and challenges that need to be addressed, and a key part of answering those questions involves sharing experiences, lessons, and insights, which Britt and Sharon did a great job doing today. Thanks again for joining us. We'll see you back here next time on the next episode of Beyond the Electron. Goodbye.



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