Delivering America’s Resilient Clean Energy

Electric Power Industry Outlook
February 9, 2022

EEI’s member companies—America’s investor-owned electric companies—are woven tightly into the fabric of our nation. For nearly 140 years, we have provided the energy that has sustained our customers and our communities, while powering our economy.

Each February, EEI is pleased to highlight our achievements, and those of our member companies, over the past year—in 2021, we made substantial progress on our commitment to provide America’s resilient clean energy. And, we look ahead to new opportunities and goals in the new year, while reviewing the policy environment and the challenges we anticipate.

This year is no different—yet, of course, 2022 is different from so many previous years. The COVID-19 pandemic continues to impact families and communities. Our nation’s economy faces headwinds from rising inflation and interest rates, as well as ongoing pressure within key supply chains. And, around the world, we are seeing the impacts of extreme weather events and other natural disasters, while various flashpoints are raising geopolitical tensions.

Against this backdrop, EEI’s member companies are maintaining the powerful momentum we have built over many years. Electricity truly is the energy that powers our lives. Now more than ever, our customers depend on the supply of resilient clean energy that EEI’s member companies provide. As always, our customers are the focus of everything we do.

As we continue to lead a profound clean energy transformation, historical perspective offers an opportunity to see our moment—as an association and as an industry—in a broader context. This year marks 60 years since President John F. Kennedy offered his memorable and inspiring justification for his plan to send humans to the Moon before 1970.

“We set sail on this new sea because there is new knowledge to be gained, and new rights to be won, and they must be won and used for the progress of all people,” Kennedy said. “We choose to go to the Moon. We choose to go to the Moon in this decade and do the other things, not because they are easy, but because they are hard; because that goal will serve to organize and measure the best of our energies and skills, because that challenge is one that we are willing to accept, one we are unwilling to postpone, and one we intend to win....”

Kennedy’s soaring rhetoric is more than a fascinating glimpse of an era that was characterized by a unified national purpose and ambition. For EEI and for our member companies, it encapsulates our determination and resolve as we advance our vision for America’s energy future.
For us, the path forward is clear—and the path forward is clean. Thanks largely to the leadership of EEI’s member companies, carbon emissions from the U.S. electric power sector are at their lowest level in nearly 40 years. At the same time, 40 percent of our nation’s electricity now comes from clean, carbon-free sources, including nuclear energy, hydropower, wind, and solar energy.

Like Kennedy’s drive toward the Moon, our members’ clean energy vision is motivated in part by a desire to exemplify and to advance the state of the art—to develop and to integrate into the energy grid the advanced, carbon-free, 24/7 technologies needed to reach a 100-percent clean energy future. We have “set sail on this new sea” firmly committed to maintaining the reliability and affordability that our customers and communities value and expect.

Working to shape a public policy environment that supports our clean energy vision is central to EEI’s mission and to our vital advocacy efforts inside the Beltway and in the states.

Last year, we successfully advocated for inclusion of many key provisions in the Infrastructure Investment and Jobs Act, which provides significant investments in critical energy infrastructure and new carbon-free technologies and includes a solid down payment on the electric vehicle (EV) charging infrastructure needed to accelerate the electrification of the transportation sector.

We applaud Congress for passing this bipartisan legislation, and we remain hopeful that lawmakers can reach agreement on additional legislation that incorporates forward-thinking actions to address climate change, including a robust clean energy tax package that will deliver significant long-term benefits to customers.

Delivering a carbon-free energy future is perhaps the defining challenge of our time and is one that will require extraordinary, concerted effort from companies, technology partners, policymakers, and many other stakeholders. Fortunately, our member companies—and our industry’s extraordinary workforce—never back down from a challenge.

Our industry has some of the most dedicated, talented workers anywhere. No matter the threat thrown at them by Mother Nature or malicious actors—extreme weather and record-setting storms, wildfires, cyberattacks, and more—they accept these challenges “not because they are easy, but because they are hard.” At the same time, EEI’s member companies continue to make record investments of more than $120 billion each year to make the energy grid smarter, stronger, cleaner, more dynamic, and more secure.

EEI’s member companies are proud to provide America’s resilient clean energy and to be leading the transformation of energy. Even more than investments and technologies, our companies’ workforce—and our companies’ mindset—are at the center of this transformation. Our commitments—to enhancing resilience, to leading on clean energy, and, above all, to serving our customers—are on display every day.
Across the nation, EEI’s member companies are working every day to get the energy we provide as clean as we can as fast as we can, while maintaining the reliability and affordability that our customers value.

While we expect to see an uptick in carbon emissions in 2021 compared to 2020, our long-term trajectory and models show that emissions will continue to fall. Importantly, our 2021 emissions will be lower than 2019—and will remain significantly lower than 2005 levels. Dozens of EEI’s member companies have announced ambitious long-term carbon-reduction targets, including net-zero targets, showing the path forward.

Reducing emissions is just one part of our strategy. Equally important is the work we are doing to change our nation’s energy mix. Over the past decade, we have seen a significant change. The amount of clean energy in the mix is only going to grow as EEI’s member companies continue to make unprecedented investments in renewable energy that are leading to record deployments of wind, solar, and other technologies across the energy grid.

In 2020, nearly 28 gigawatts (GW) of renewable technologies went online in the United States—a record deployment by a wide margin. Early data show that renewables also had a banner year in 2021, making up 20 percent of the energy mix for the first time.

Preliminary estimates indicate that 2021 also was a record year for energy storage, with nearly 5.5 GW deployed—four times more than in 2020 and more than the total amount of energy storage deployed between 2013 and 2020. Electric companies are the main drivers of growth in energy storage, accounting for 88 percent of energy storage deployed in 2020 and 96 percent of all energy storage in operation today. Estimates project that electric companies will continue to lead energy storage growth and will account for 82 percent of energy storage deployment from 2022 through 2026.

Wind, solar, and energy storage can get us much of the way to a carbon-free future. Using an energy mix that includes nuclear energy and natural gas will help us get there faster and more reliably.
Leading the World in Reducing Carbon Emissions

During the COP26 meetings in Glasgow, Scotland, last fall, EEI was front and center, reinforcing how our member companies are playing a pivotal role in solving the global challenge of climate change. Our message was as simple there as it is here today: EEI’s member companies are leading the world in reducing carbon emissions and are well-positioned to be a major part of the climate solution.

EEI was represented in this international forum by one of our largest delegations ever, featuring more than two dozen executives from a dozen member companies, led by four member company CEOs. Throughout the meetings, members of EEI’s delegation participated in numerous events with environmental and business leaders, including an event at the U.S. Center, which featured a keynote address by White House National Climate Advisor Gina McCarthy. Notably, EEI was one of only three private-sector groups invited to hold an event at the U.S. Center.

We already are on the road to COP27, which will be held in November in Sharm El-Sheikh, Egypt, and we will not slow our momentum as we work to create a cleaner economy.

Now Is the Time to Accelerate Our Efforts

Despite the significant progress we have made, we have more work to do—and we know that the world is watching. We are proud to “organize and measure the best of our energies and skills,” as Kennedy said, for the service of our customers, our communities, our nation, and the planet. This is why we are working closely with the Biden Administration and Congress to develop federal policies that will accelerate our clean energy efforts, while also ensuring a smooth transition for our customers.

We are focused on three critical areas:

- Expanding the deployment of renewables and preserving existing clean energy technologies, including nuclear energy.
- Promoting essential innovation across a range of new, high-potential, and affordable carbon-free technologies.
- Building new energy infrastructure critical for bringing greater resilience and more clean energy to customers and for helping other sectors of our economy reduce their emissions, while keeping electricity affordable for all customers.

Infrastructure Bill Implementation

Last year, EEI was instrumental in advocating for many key provisions within the Infrastructure Investment and Jobs Act, particularly with respect to electric transportation; grid modernization; cybersecurity; energy resilience; broadband; and research, development, and deployment of new clean energy technologies. In early January, the White House outlined its strategy for helping to accelerate the deployment of clean energy using new authorities and the substantial funding that was included in this legislation.

EEI is focused now on coordinating and leading industry efforts related to funding programs and implementation of this law, working to ensure that member companies and their state and local governments are ready and able to access and to use new federal infrastructure funds and programs. Through careful planning and partnerships, we can ensure that everyone benefits from the clean energy transition.

The Carbon-Free Technology Initiative and Wall Street Engagement

Ultimately, technology will drive the timeline to a 100-percent clean energy future, and federal policies are a necessary catalyst to accelerate the pace of innovation and to ensure these technologies are demonstrated and commercialized in the time that electric companies need them.

Last year, EEI worked with industry leaders and leading environmental groups to launch the
Carbon-Free Technology Initiative (CFTI). Through CFTI, we are identifying and advocating for specific policies that can help to ensure the commercial availability of key technologies, so that they can be deployed in a timely manner to achieve net-zero emissions in the U.S. electricity sector and to ensure electricity remains affordable and reliable.

The current areas of focus include:

- Advanced, dispatchable renewables (e.g., superhot deep geothermal), advanced wind and solar, and advanced power electronics.
- Zero-carbon fuels, such as hydrogen and ammonia, produced from a variety of sources.
- Advanced nuclear energy (both fission and fusion).
- Carbon capture, utilization, and sequestration, especially for natural gas generation.
- Advanced demand efficiency and long-duration storage.

The CFTI partners have identified detailed policy proposals for each of these promising technology areas, which are at various stages of research, development, demonstration, and deployment (RDD&D) in the marketplace. Some of these were included in the infrastructure bill. Enacting more of these policy proposals and ensuring the RDD&D is funded will be a multi-year effort involving the annual appropriations process, program reauthorizations, and tax policy.

EEI also is supporting the development and commercialization of key technologies needed to achieve our carbon-reduction goals by working closely with the financial community and by engaging investors. Last October, we conducted a successful forum, hosted by JP Morgan, focused on breakthrough technologies. We are planning an event in April, to be hosted by Guggenheim Partners, to bring together leaders from Wall Street, electric companies, and the U.S. Department of Energy (DOE), as well as state policymakers, to focus on commercialization and deployment of advanced nuclear and small modular reactors. We will conduct similar investor events, addressing hydrogen and long-duration storage, in New York later this year, and we look forward to continued engagement with investors and analysts.

Effective government partnerships will be crucial to realizing our clean energy vision, and EEI and our member companies are excited to work with DOE’s newly established Office of Clean Energy Demonstrations, which was one of CFTI’s key policy recommendations. Establishing alternative cost-sharing formulas and providing financial incentives for investing in deployment of these technologies, including technology-neutral production or investment tax credits, loan guarantees, grants, secure loans, and other innovative means, can help to expedite commercialization of the next generation of 24/7 carbon-free technologies.

Electrifying Transportation

To create a cleaner economy, we will need a cleaner transportation sector. Today, the biggest barrier to EV adoption is not a lack of EVs. It is a lack of access to charging infrastructure that is convenient, affordable, equitable, and reliable.

EEI projects that there will be nearly 22 million EVs on U.S. roads in 2030. Given this growth in EVs, we estimate that more than 100,000 EV fast charging ports will be needed. That is more than a ten-fold increase over what we have today.

EEI’s member companies already are investing more than $3.4 billion to help build and to deploy this charging infrastructure and to accelerate electric transportation programs, with more than $1 billion of additional investment pending.

In December, we proudly launched the National Electric Highway Coalition (NEHC), which is a collaboration among electric companies that are committed to providing EV fast charging stations that will allow the public to drive EVs with confidence along major U.S. travel corridors by the end of 2023.

The NEHC brings together more than 50 EEI member companies, one electric cooperative, and the Tennessee Valley Authority, making it the largest such alliance of electric companies that have
organized around the common goal of deploying EV fast charging infrastructure to support the growing number of EVs and to help ensure that the transition to EVs is seamless for drivers.

The federal government also is making key investments in electric transportation infrastructure and is taking bold action to electrify its own fleet. We commend Energy Secretary Jennifer Granholm and U.S. Department of Transportation Secretary Pete Buttigieg for working together to establish a Joint Office of Energy and Transportation to support the deployment of up to $7.5 billion to help build a network of EV chargers, using funds authorized by the Infrastructure Investment and Jobs Act. This law also will make key investments to help electrify the nation’s school buses, transit buses, ports, and ferries.

It is critical that these much-needed funds complement and leverage the investments being made by EEI’s members, charging companies, states, and businesses. Careful planning and partnerships will be crucial to achieving our goals of expanding EV adoption and ensuring that all communities across the country are benefiting from these investments.

Realizing the Full Potential of Energy Efficiency

Achieving a clean energy future means using a range of energy sources and technologies to achieve deep carbon reductions across the economy. Energy efficiency is foundational and is a set of carbon-efficient tools and technologies that drive reductions in emissions, while also helping customers save energy.

According to the Institute for Electric Innovation (IEI), electric company customer-funded energy efficiency programs saved 232 terawatt-hours of electricity in 2020, the latest year for which data are available, or enough electricity to power 30 million U.S. homes for one year. These programs are cost-effective, delivering energy savings at a cost of roughly 2.5 cents per kilowatt-hour over the lifetime of the investment. IEI projects energy efficiency expenditures will exceed $9 billion in 2025, up from $6.6 billion in 2020.

As we electrify more parts of the economy and use more distributed energy resources, energy efficiency plays an even more critical role in managing an increasingly complex energy grid, ensuring reliability by reducing the amount of energy we use and by helping to optimize the grid to use energy that is less carbon-intensive.

Our Legislative Priorities

As we think about federal climate policy, we should not underestimate how effective the right tax policies can be in driving down carbon emissions. A robust clean energy tax package can be a key driver for the deployment of clean energy and carbon-free technologies over the next decade and can help us reach a clean energy future faster.

Working to shape a public policy environment that supports our vision for resilient clean energy is central to our mission and to our vital advocacy efforts in Washington, DC, and in the states.

While the Infrastructure Investment and Jobs Act was a down payment on transformational change for America’s infrastructure, much more is needed to achieve our vision for a clean energy future. We remain hopeful that Congress can reach agreement on additional legislation that incorporates forward-thinking actions to address climate change, including a robust clean energy tax package.

Specifically, we are urging Congress to pass a tax package that includes:

- Optionality in choosing between the production tax credit (PTC) and investment tax credit for solar.
- Alternatives to normalization for regulated electric companies.
- 100-percent direct pay for the clean energy credits.
- A nuclear PTC for existing facilities.
- New tax credits for transmission, as well as new tax credits for energy storage and hydrogen
to help move these carbon-free technologies through their development lifecycle.

- The expansion of all the various EV tax credits.

These policies will provide significant benefits to electricity customers, provide long-term certainty to the entire renewable energy industry, and create a level playing field that recognizes the role of electric companies in deploying more clean energy.

The robust tax package being considered by Congress also will help to preserve the existing nuclear fleet, which provides most of our nation’s carbon-free energy. This is critical to ensuring that electric companies’ new clean energy deployments lead to additional emission reductions. And, including 100-percent direct pay as an option for all the credits recognizes the importance of delivering these technologies to customers affordably.

Together, these policies not only support customers, they support workers, and they would mean more union work and more union jobs.

In addition to the clean energy tax package, we continue to educate lawmakers about our significant concerns about a 15-percent corporate minimum tax on book income. For many of EEI’s member companies, the adoption of a book minimum tax would impede the continued deployment of clean energy, raise the costs of the clean energy transition for customers, and negate some of the carbon-reduction benefits gained through any extension or expansion of the clean energy tax credits.

Environmental Regulation and Litigation

EEI’s member companies invest more than $120 billion each year in clean energy and related infrastructure, and we are focusing on the long-term planning and decision-making necessary to deliver resilient clean energy to customers. EEI is encouraged by the U.S. Environmental Protection Agency’s (EPA’s) efforts to take a coordinated and holistic approach to policymaking, which can help to provide a regulatory framework that supports these investments and accelerates the clean energy transition.

Last fall, EEI and our member companies applauded EPA Administrator Michael Regan and his team for developing proposed federal regulations on methane emissions for new and existing sources. Federal regulations on methane emissions across the value chain are essential to ensuring the continued use of natural gas as a 24/7 on-demand energy source to complement variable sources like solar and wind.

And, in late January, we thanked Administrator Regan and EPA for restoring the appropriate and necessary determination underpinning the Mercury and Air Toxics Standards (MATS). EEI’s member companies have implemented MATS fully and successfully for years, and we are proud that we have reduced mercury emissions by more than 91 percent since 2010 as we invest in an energy mix that is getting cleaner and cleaner every day.

Separately, in a surprise move at the end of October, the U.S. Supreme Court agreed to hear a case regarding EPA’s authority to regulate greenhouse gas (GHG) emissions. The decision in this case could have significant long-term implications for EPA’s ability to regulate GHG emissions from all sources, not just the electric sector, under the Clean Air Act.

In January, EEI and the National Association of Clean Water Agencies jointly filed an amicus brief at the Supreme Court in support of EPA and its authority to regulate GHGs. Oral argument will take place later this month, and a decision is expected before the end of the Court’s term early this summer.

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Enhancing Resilience

Confronting Storms & Wildfires

Over the past year, EEI, our member companies, and our industry were met with another active storm and wildfire season. Working through the CEO-led Electricity Subsector Coordinating Council (ESCC), EEI coordinated closely with government partners at DOE, the Department of Homeland Security, and the National Security Council to ensure that industry and government efforts were aligned.

We remain committed to learning from these extreme weather events and to applying their lessons to make our industry’s response stronger and more efficient going forward, while continuing to implement the extensive pandemic protocols that keep our workforce, our customers, and our communities safe.

Time and time again, our industry’s mutual assistance networks were activated, and they responded in force, especially in the aftermath of Hurricane Ida, which made landfall in Louisiana as a destructive category 4 hurricane. Hurricane Ida became the second-most damaging storm ever to hit the state, destroying more than 30,000 power poles, more than 36,000 spans of wire, and more than 6,000 transformers. In total, Hurricane Ida destroyed more power poles than Hurricanes Delta, Ike, Katrina, and Zeta combined.

While the COVID-19 pandemic continued to complicate our ability to respond, our entire industry and our government partners worked together to ensure electricity was restored safely and as quickly as possible. Following the storm, an army of more than 27,000 workers from across the country mobilized to assist in the restoration efforts. Equipment and replacement transmission structures were sourced from all over North America to rebuild sections of the energy grid from the ground up in an incredibly short period to restore power.

At the same time, wildfires continue to impact many areas of the West, particularly in parts of California, Colorado, Oregon, and Washington. As an industry, we continue to invest in mitigation, detection, and response efforts to reduce our wildfire risk. We are coordinating with our federal government partners more closely than ever—specifically the U.S. Forest Service and the Departments of Agriculture, Energy, and the Interior—as well as state regulators and local officials as we undertake these efforts.

EEI’s Wildfire CEO Task Force and the ESCC’s Wildfire Working Group, which includes EEI member companies, electric cooperatives, and public power utilities, are focused on enhancing mitigation, detection, and response capabilities as part of our wildfire strategy. These efforts are not a one-time investment and will be part of our core industry-wide objectives for ensuring public safety for the foreseeable future.

Collectively, our industry has improved our real-time situational awareness capabilities. We are investing
heavily in sensors, high-definition cameras, and weather stations that are placed in the field to give companies and government partners visibility into near-real-time conditions. And, we are engaging with the Federal Aviation Administration on several important issues around the operation of unmanned aerial systems, or drones, for wildfire prevention efforts and other infrastructure inspections. Our western companies have some of the most advanced weather tracking systems in the country.

We also are coordinating with various federal agencies through DOE to establish shared information platforms that will allow access to mapping tools, satellite data, fire spread modeling, and other analytics that will help drive real-time decisions and actions.

Securing the Energy Grid

Through the ESCC, EEI and our member companies also continue to coordinate with our industry and government partners to ensure that grid resilience and cybersecurity remain front and center, as always. One of our greatest strengths as an industry is our ability to convene, share information, and adapt quickly to changing circumstances and challenging events that threaten our nation’s most critical infrastructure.

Resilience and constant vigilance are critical. Fortunately, we have strong collaboration across our industry and with our member companies. We continue to share ideas and best practices to address challenges. Initiatives like the ESCC’s Cyber Mutual Assistance program extend our industry’s practice of sharing critical personnel and equipment for emergency response across the cyber realm.

While the U.S. government is responsible for national security, EEI’s member companies, as owners and operators of critical infrastructure, play a significant role in efforts to help keep the nation secure. There were numerous high-profile cyber threats identified in 2021 that targeted the private and public sectors and supply chains, and EEI and our member companies continue to work with DOE to learn from these events and to identify opportunities to enhance security for the bulk power system and our supply chains.

In support of our ongoing industry efforts, EEI established the Culture of Security Initiative to emphasize better understanding of, and to drive continuing improvements to, security as a fundamental component of electric companies’ individual corporate cultures. A security culture encompasses a set of values and a sense of responsibility and behaviors, demonstrated by an organization’s workforce, that contribute to the protection and safeguarding of a company’s assets and operations from security threats.

Building Smarter Energy Infrastructure

Our significant investments in the energy grid ensure that our customers receive the electricity they need, when they need it, safely and reliably. A robust transmission system is essential to helping our industry continue its clean energy transformation. The transmission system also enhances grid resilience, powers electric transportation, and facilitates the adoption of a broad array of smart technologies to better serve our customers.

President Biden has made it clear that building modern, climate-resilient infrastructure is key to his economic plan and to a clean energy future. Electric transmission infrastructure is the backbone of the grid and will play an important role in facilitating the continued transition to clean energy. EEI’s member companies are vital to transmission development and have invested in and have developed cost-effective transmission for more than 100 years.

“Our significant investments in the energy grid ensure that our customers receive the electricity they need, when they need it, safely and reliably.”
On the distribution side, our investments in smart meters continue to be the foundation for today’s customer-facing, smart grid. As of year-end 2021, a projected 115 million smart meters were deployed across the country. This means that more than 80 percent of U.S. households now have a smart meter.

Among their benefits, smart meters enable next-generation energy efficiency measures that not only respond to how and when customers use energy, they help to shape those behaviors and patterns in the first place. Smart meters also provide grid operators with real-time situational awareness, which helps to reduce response and restoration times when outages occur. In some cases, outages can be avoided altogether by using smarter energy infrastructure to reroute power.

EEI’s member companies also continue to harness technology and data to provide clean energy, energy management services, EV charging, and more—and we are providing an increasingly seamless customer experience.

Investing in Adaptation, Hardening, and Resilience

Increasingly, EEI’s member companies are investing in adaptation, hardening, and resilience (AHR) initiatives to make the energy grid stronger and more secure for all customers. In October 2021, EEI published industry-level information on AHR capital expenditures based on a member company survey, which indicated that more than one-third of transmission and distribution investment is being driven specifically by AHR initiatives, rather than the traditional drivers of growth or maintenance.

AHR is more than just the ability to recover from extreme weather events. It also involves addressing dynamic and potentially impactful risks by anticipating, withstanding, recovering from, and/or adapting to a wide variety of threats, including extreme weather, wildfires, earthquakes, and cyber or physical security attacks.

In EEI’s most recent Enterprise Risk Management annual industry benchmark, half of the top 10 risks were related to AHR. As a result, member companies continue to strengthen their collective approach to AHR, including by developing more advanced risk modeling and mitigation practices, as well as innovative technologies and solutions, for specific climate impacts.

Addressing Supply Chain Challenges

EEI’s member companies continue to contend with global supply chain disruptions caused by the COVID-19 pandemic. We are working closely with suppliers, vendors, and logistics providers to meet demand for key components that are essential to providing electric service to our customers.

EEI also is working with member companies, our suppliers, and policymakers to address cyber risks, as well as ESG-related concerns, for key products. And, we have formed a supply chain task force of chief procurement officers to address these issues holistically, including by working with DOE to secure critical electric infrastructure.

Last fall, EEI successfully petitioned the U.S. Department of Commerce to reject the petition filed by American Solar Manufacturers Against Chinese Circumvention regarding unfair circumvention of trade remedies on certain imported solar photovoltaic (PV) cells and modules. EEI also is working to help address the issue of Withhold Release Orders by Customs and Border Protection that are affecting the delivery of imported PV modules.

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To achieve our clean energy goals in the fastest and most cost-efficient manner—while also helping to facilitate the development of critical infrastructure—we need favorable public policies. First, we need to take a more holistic view of transmission system needs and work to improve policies and processes to evaluate and to promote the development of cost-effective interregional, multi-regional, or cross-interconnection transmission facilities.

We also need reforms in transmission planning, cost allocation, permitting, siting, and generator interconnection to ensure that investments continue to be made at the regional and local levels. These are complicated issues, and we are pleased that the Federal Energy Regulatory Commission (FERC) and the National Association of Regulatory Utility Commissioners (NARUC) have established a working group to help tackle some of these issues together.

The Infrastructure Investment and Jobs Act included nearly $5 billion to support transmission development and new authorities that enabled the federal government to intervene in state-level siting disputes.

As we work to meet our emission-reduction goals and as electric companies deploy an ever-increasing amount of renewable energy, it is vital that we engage all important stakeholders in efforts to site renewables. Transmission incentives are critically important to building the infrastructure needed to deliver this clean energy to customers, and we look forward to working with DOE, FERC, the Administration, NARUC, and state regulators to get this critical energy infrastructure built more quickly.

EEI also will continue to advocate for finalization of a separate nationwide permit for distribution and transmission grid construction activities under the Clean Water Act and other policies that support the development of the grid to advance the clean energy transition.

In addition to our focus on transmission, EEI continues to advocate for wholesale electricity market reforms at FERC, as well as for rate and regulatory reforms. We also are advocating for the removal of regulatory and legislative barriers that limit member companies’ opportunity to own or fully participate in the implementation of energy storage assets and other distributed energy resources.

We support federal and state policies and programs that enable responsible data security, sharing, and confidentiality practices needed to protect both customers and the energy grid, while allowing member companies to utilize advanced data analytics to leverage operational efficiencies and to enhance the customer experience.

EEI also remains active on a range of other important regulatory issues, including securing favorable outcomes for member companies on a wide variety of environmental and natural resource policy issues.
These include advocating for our members’ leadership on emission reductions; addressing vegetation management issues that impact reliability and wildfire prevention; and continuing to advance policies to protect wildlife.

At the state level, the policy focus is on cleaner, smarter, and more resilient energy infrastructure. EEI also is supporting COVID-19 cost-recovery efforts, including efforts to ensure that customers have access to and are aware of the wide range of payment assistance programs offered and administered by member companies and state partners.

Since formalizing EEI’s state practice in 2018, the work to provide member companies direct assistance on a range of regulatory and legislative initiatives continues to grow. In 2021, EEI engaged in 41 states and the District of Columbia, and we will continue to enhance and to expand our efforts in 2022 and beyond.

Bridging the Digital Divide

EEI’s member companies are continuing their work to tackle the deep inequity around broadband access across the country. Electric companies long have incorporated telecommunications equipment and fiber technology into their operations—particularly in rural areas—to support communications and to provide real-time monitoring and controls for generation and transmission operations.

EEI created a Broadband CEO Task Force to help identify and to advocate for favorable policies to ensure that electric companies are eligible and incentivized to participate in federal broadband grant programs; to facilitate innovative partnerships among electric companies, telecommunications companies, and last-mile internet providers; and to provide states flexibility to build out permanent rural broadband infrastructure.

Allowing electric companies to leverage these fiber investments to provide middle-mile broadband infrastructure, in partnership with telecommunications companies and last-mile internet providers, is a win for all stakeholders, particularly those customers in underserved and unserved areas.

Last year, EEI successfully advocated for EEI members to be eligible for $350 billion in state and local funding for broadband infrastructure in the American Rescue Plan and more than $43 billion for broadband in the Infrastructure Investment and Jobs Act. In 2022, we will be working with agencies at the federal and state levels to deploy this funding for broadband.

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Our customers are at the heart of everything we do as an industry. Despite levels of inflation at 40-year highs during the past year, electric companies continue to focus on providing the reliable and affordable energy our customers need and expect. And, electricity continues to be a great value for our customers.

From December 2020 to December 2021, consumer prices for all items (the Consumer Price Index) rose 7.0 percent, the largest December-to-December percentage change since 1981. During the same period, electricity prices rose by 6.3 percent, illustrating that the real, inflation-adjusted cost of electricity fell, albeit slightly. Rising natural gas prices contributed to higher electricity prices in 2021, with natural gas spot prices reaching their highest levels since 2014. Although electricity prices were on the rise, electric companies’ focus on maintaining affordability was evident, as only 1.28 percent of Americans’ personal consumption expenditures in 2021 went toward electricity bills—the lowest annual rate in more than six decades.

Many customers have encountered hardship due to the COVID-19 pandemic and other economic pressures. At the beginning of the pandemic, EEI’s member companies worked quickly to expand their well-established programs designed to reach customers suffering hardships, inform them about payment assistance options, and help them find solutions to their financial challenges.

Many EEI member companies have provided resources to small business customers through proactive outreach and by making customer support staff available to help these customers access and navigate local, state, and federal financial relief programs.

In addition to helping individual customers, EEI’s member companies have increased their charitable giving and their financial support to their communities through grants and donations, frequently made through their foundations. At the same time, EEI’s member companies continue to work with their state regulators on measures to help mitigate financial hardships caused by the pandemic or other factors. We also are working to improve customer awareness of the numerous available financial assistance programs.

For 40 years, the Low Income Home Energy Assistance Program (LIHEAP) reliably and effectively has stabilized families and provided consistent benefits that relieve the energy burden for those most vulnerable. As Congress continues to debate expanding LIHEAP, we remain engaged in advocating that lawmakers maximize funding for LIHEAP for fiscal year 2023.

EEI and our member companies also continue to engage with large corporate customers, the military, universities, and other key stakeholders. We are focused on understanding their evolving needs
and providing innovative energy solutions for clean energy procurement, energy efficiency, and enhanced resilience.

EEI’s member companies have launched many innovative programs to address our customers’ diverse needs, and we remain committed to meeting and to exceeding expectations by providing an exceptional experience for every customer.

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Supporting Our Communities and Our Workforce

In addition to being essential for the reliable clean energy future EEI’s member companies are building, our investments in smarter energy infrastructure also are key parts of our efforts to advance environmental justice.

As an industry, we understand that our responsibilities extend far beyond supplying electricity to our customers—and, as integral parts of the communities we serve, EEI and our member companies place great importance on understanding and working to address environmental justice concerns and equity considerations. This includes continuing to engage with communities and other stakeholders to build the infrastructure needed for our resilient clean energy vision; expanding access to jobs and contracting opportunities; and expanding access to clean energy while maintaining our focus on affordability.

This commitment to advancing environmental justice also includes building on our member companies’ ongoing work to ensure that our workforce is representative of the communities we serve. To this end, EEI launched an industry-wide diversity, equity, and inclusion (DEI) initiative in September 2020 that integrates workforce development and DEI priorities into one strategic initiative. By supporting EEI’s initiative, our member companies have agreed to:

- Promote racial and social justice;
- Advance DEI goals;
- Diversify their workforces at all levels.

EEI’s member companies also have committed to provide more equitable access to employment opportunities for underrepresented and underserved members of their communities. In addition, we aim to establish long-term relationships with diverse suppliers through our Business Diversity Program, which we proudly have operated for more than four decades.

Through initiatives like these—and by investing in smarter energy infrastructure to deliver on our resilient clean energy vision—we are demonstrating our commitment to ensuring that justice and equity are built into the clean energy transformation.

“EEI and our member companies place great importance on understanding and working to address environmental justice concerns and equity considerations.”
It is important that our customers, investors, and other stakeholders have a clear and consistent way to measure our progress. That is why, working with member companies and the investment community, EEI created the first-of-its-kind, industry-wide environmental, social, governance, and sustainability (ESG/sustainability) reporting template in 2018.

The ESG/Sustainability Reporting Template provides an annual report card for EEI member companies to highlight their progress on clean energy, sustainability, governance, and other crucial areas that increasingly influence shareholder actions. We continue to expand and to refine our original template, adding a qualitative disclosure on cybersecurity governance and formally integrating the American Gas Association’s (AGA’s) members, among other improvements.

In May 2021, EEI and AGA publicly released Version 3 of the ESG/Sustainability Reporting Template. The primary enhancements in Version 3 focus on diversity, equity, and inclusion; more uniform disclosure of long-term climate goals; and working toward alignment with the EEI/AGA Natural Gas Sustainability Initiative. More information, including links to our member company disclosures, can be found on the ESG page on EEI’s website, www.eei.org.

In June 2021, EEI and AGA jointly filed a comment letter at the Securities and Exchange Commission (SEC) in response to its March 15, 2021, Request for Public Input on ESG and climate change disclosures. In the comment letter, we supported a principles-based, sector-specific, concise ESG reporting framework for financially material climate change information; cautioned against delegation of public company disclosure requirements to NGOs or private companies; and advocated for furnishing the disclosures subject to a safe harbor, rather than filing the disclosures.

Even as the SEC contemplates regulations for ESG/sustainability disclosure, our industry’s comprehensive reporting tools support transparency and help to ensure that our member companies are recognized for their outstanding work. Our template continues to provide a good model going forward. EEI is engaged with the SEC on other key ESG issues, including expected rulemakings on cyber governance and reporting, as well as reopening of the human capital management docket later this spring.

In October 2021, EEI published a climate change lobbying disclosure. Given the significant rise in shareholder proposals focused on lobbying on climate change, EEI posted this disclosure to provide investors with key information about EEI’s lobbying activities and public statements related to climate change.
Natural Gas Sustainability Initiative

Recognizing the important role of natural gas in the clean energy transition and in the energy mix, there is growing interest in knowing that the natural gas we are using is being produced, transported, and delivered responsibly. For more than three years, EEI and AGA have worked together and with investors, natural gas suppliers throughout the value chain, and other stakeholders to develop the Natural Gas Sustainability Initiative (NGSI), a methane-intensity reporting protocol designed to provide greater consistency, transparency, and comparability.

This reporting protocol is not meant to replace strong and cost-effective federal regulations on methane from new and existing sources throughout the natural gas supply chain, which we support. Instead, it is designed to complement regulations and to provide a meaningful tool to increase transparency and to facilitate improvements. We continue to expand this effort by engaging natural gas producers and midstream natural gas companies to foster broader participation using the NGSI reporting protocol.

Supporting Corporate Customer Sustainability Goals

As our member companies pursue dramatic carbon emission reductions, many of our multi-site, multi-state corporate customers also are focused on their own sustainability goals and have looked to EEI to provide consistent and timely access to emissions data for their indirect GHG emissions reporting.

In collaboration with member companies, corporate customers, and the World Resources Institute, EEI released the Electric Company Carbon Emissions and Electricity Mix Reporting Database in 2020 to provide national corporate customers with access to consistent, timely, and easily accessible carbon emissions intensity rates for delivered electricity.

The database makes consistent accounting adjustments for renewable energy certificates and green power subscription programs. The database also includes information about the energy resource mix for delivered electricity by each EEI member company at the operating company level. Corporate customers can use this information to demonstrate and to validate their own emission-reduction commitments.

“The ESG/Sustainability Reporting Template provides an annual report card for EEI member companies to highlight their progress on clean energy, sustainability, governance, and other crucial areas that increasingly influence shareholder actions.”
Maintaining Our Financial Strength

Capital Expenditures
The electric power industry is the nation’s most capital-intensive industry, and EEI’s member companies have invested more than $1 trillion over the past decade to build smarter energy infrastructure and to integrate new generation into the energy grid. These investments are critical to achieving our clean energy goals. They also help to protect the grid from extreme weather and cyberattacks; help predict, mitigate, and prevent outages; and help companies restore electricity faster when outages do occur. For the tenth consecutive year, we expect another industry record, with total capital expenditures projected at $143.3 billion in 2021. Much of this growth is being driven by EEI member companies deploying a significant amount of capital resources on AHR, as discussed previously.

2021 Financial Performance
The EEI Index returned a strong 17.1 percent for 2021, yet the major averages were stronger. The S&P 500 Index returned 28.7 percent, while the Dow Jones Industrial Average and Nasdaq Composite each gained more than 21 percent. Nonetheless, the EEI Index has produced a positive total return in 16 of the last 19 years, producing returns greater than 10 percent in 13 of the 16 positive years, and greater than 20 percent in 5 of the 16 positive years. Notably, the combined market capitalization for the 39 companies included in the EEI Index exceeded $1 trillion for the first time in 2021, landing at $1.03 trillion at year-end.

Our industry extended its long-term trend of widespread and consistent dividend increases in 2021. A total of 32 companies increased or reinstated their dividend in 2021, compared to 34 in 2020, 37 in 2019, 39 in 2018, 38 in 2017, and 40 in 2016. The percentage of companies that raised or reinstated their dividend in 2021 was 82 percent, slightly lower than the range over the prior five years, with 87 percent in 2020, 93 percent in 2019 and 2018, 88 percent in 2017, and 91 percent in 2016.

Our industry’s dividend payout ratio was 64.6 percent for the 12 months ended September 30, 2021, leading among the other major U.S. business sectors. As of December 31, 2021, 38 of the 39 companies in the EEI Index were paying a common stock dividend.

Finally, our industry’s average credit rating at the parent company level in 2021 remained at BBB+ for an eighth straight year, although three companies received downgrades compared with only one upgrade. Total ratings activity including both parents and subsidiaries, which was relatively low at 52 changes, included 20 upgrades and 32 downgrades. Upgrades resulted from improved business risk through successful financing measures and positive regulatory outcomes. Downgrades resulted from weakened financial metrics and adverse regulatory outcomes.

On December 31, 2021, 68.2 percent of parent-level company ratings outlooks were “stable,” 9.1 percent were “positive,” and 22.7 percent were “negative.” Overall, the underlying parent-level credit quality has experienced a steady strengthening over the past decade, having declined only modestly in recent years.
2022 is a pivotal midterm election year, and EEI will face a very busy public policy and regulatory agenda—and many challenges—both in Washington and in the states. We will continue to urge Congress to advance climate and clean energy tax legislation that will deliver significant long-term benefits for our customers. We also will continue to educate the Administration, Congress, and state policymakers and regulators about the value of the energy grid and the significant role our industry plays across the economy and in our local communities.

At the same time, we will continue to highlight our industry’s financial health and the importance of ready access to capital through effective tax, finance, and regulatory policies, as well as ESG leadership. And, we will continue to reinforce our commitment to advance racial and social justice and diversity, equity, and inclusion in our communities and across our companies. Having a diverse and inclusive workforce that mirrors the communities we serve benefits our customers, our employees, and our businesses.

Our efforts on all these issues shape our larger industry vision—and our commitment to delivering the resilient clean energy that our customers expect and deserve. Fulfilling this commitment—and reaching a clean energy, net-zero carbon future—is not just a goal. It is the opportunity of our lifetimes—as well as a great challenge.

And, in the words of President Kennedy, this challenge is “one we intend to win.”