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As You Sow Comments on 2022 Energy Update for Title 24 Building Energy Efficiency Standard

Additional submitted attachment is included below.



November 19, 2020

California Energy Commission
Docket Office, MS-4
1516 Ninth Street MS-4
Sacramento, CA 95814-5512

**Re: Investor Support of All-Electric Buildings, Docket #19-BSTD-03
(2022 Energy Code Pre-Rulemaking)**

Dear Commissioners and Staff:

As long-term investors, we write to express support for development of an all-electric mandate and no new natural gas hookups for new construction in the Title 24 2022 Building Energy code. With local electrification ordinances and gas bans being developed or implemented in nearly 40 cities in California,¹ including major cities such as San Jose and San Francisco, the expansion of building electrification requirements to the state level is an important next step toward achieving California's decarbonization targets. Building out new gas infrastructure is not compatible with California's climate targets (EO B-55-18,² SB 32,³ and AB 3232⁴) and presents a growing risk of costly stranded assets.

The Intergovernmental Panel on Climate Change's (IPCC) 2018 report lays out the magnitude of the disaster facing humanity, the environment, and the economy should we not take urgent action.⁵ Already companies are experiencing material costs and disruptions from climate change impacts, including increased frequency of extreme storm and fire events, rising temperatures, supply chain disruptions, and loss of worker productivity, among others. In 2019, PG&E was thrust into the limelight for becoming what the Wall Street Journal referred to as the first "climate-change bankruptcy"—a signal of more to come.⁶ The record-breaking fires in California this year have served as a grave reminder of the destructive direction in which we are headed.

¹ Matt Gough, "California's Cities Lead the Way to a Gas-Free Future," *The Sierra Club*, 2020.

<https://www.sierraclub.org/articles/2020/11/californias-cities-lead-way-gas-free-future>

² "Executive Order B-55-18 To Achieve Carbon Neutrality," Executive Department State of California, 2018.

<https://www.ca.gov/archive/gov39/wp-content/uploads/2018/09/9.10.18-Executive-Order.pdf>

³ "SB-32 California Global Warming Solutions Act of 2006: emissions limit," California Legislative Information, 2016.

https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201520160SB32

⁴ "AB-3232 Zero-emissions buildings and sources of heat energy," California Legislative Information, 2018.

https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB3232

⁵ Intergovernmental Panel on Climate Change, "Global Warming of 1.5°C," 2018. <https://www.ipcc.ch/sr15/>

⁶ Russel Gold, "PG&E: The First Climate-Change Bankruptcy, Probably Not the Last," *The Wall Street Journal*, 2019.

<https://www.wsj.com/articles/pg-e-wildfires-and-the-first-climate-change-bankruptcy-11547820006>



In the U.S., the commercial and residential building sector accounts for 12.3% of the nation's total carbon emissions,⁷ and California is responsible for the second highest building emissions at the state level.⁸ Without an all-electric mandate in the 2022 Building Energy code, billions of dollars in avoidable investments will continue to flow into risky fossil fuel infrastructure with 50+-year asset lifetimes, allowing emissions in the sector to grow at a time when they must instead reduce dramatically to achieve California and the Paris Agreement's climate goals.

As investors, with significant portfolios at risk, we are eager to see our natural gas-reliant companies transition to sustainable, long-term business models aligned with the Paris Climate Agreement to reduce the uncertainty and risk increasingly associated with fossil-heavy energy sourcing. Companies that do not act with deliberation and speed are likely to miss market opportunities, lag their competitors and, ultimately, lose value.

California has the opportunity to create a market signal for the building sector that is aligned with state legislation and executive orders on emission reductions. The institution of a strong policy direction can provide greater confidence and security to companies involved in gas distribution as they map their future investments in low carbon technology and evolve their business models, while simultaneously spurring innovation that will benefit all.

Adopting an all-electric Title 24 code is a cost-effective pathway that will provide financial benefits for homeowners across California. Analysis by Energy and Environmental Economics (E3)⁹ and RMI¹⁰ concludes that building electrification in residential new construction across California is cost effective compared with dual-fuel buildings. New all-electric construction has lower costs by avoiding gas connection and pipeline costs, and is more economical to operate due to the higher efficiency of heat pump equipment.

We therefore urge the CEC to adopt an all-electric building energy code in this code cycle. This step will help California achieve its climate goal of economy wide carbon-neutrality by 2045 and aid in stemming the growing climate risk threatening investor portfolios. The economic impacts of exceeding the Paris Agreement's goal of staying below 1.5 degrees Celsius warming are projected to be in the tens to hundreds of trillions of dollars by 2100 – indicating major risk of value destruction for investors in the medium- to long-term.^{11,12} Electrification policy will not only help ensure successful business planning and the mitigation of risk for investors but will position California to continue its historical leadership in the creation of a sustainable future for all.

⁷ "Sources of Greenhouse Gas Emissions," Environmental Protection Agency.

<https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions>

⁸ "The Impact of Fossil Fuels in Buildings," Rocky Mountain Institute, 2019. <https://rmi.org/insight/the-impact-of-fossil-fuels-in-buildings/>

⁹ "The Challenge of Retail Gas in California's Low-Carbon Future," Energy and Environmental Economics, 2020. <https://ww2.energy.ca.gov/2019publications/CEC-500-2019-055/CEC-500-2019-055-F.pdf>, p.15

¹⁰ "The Economics of Electrifying Buildings," Rocky Mountain Institute, 2018. <https://rmi.org/insight/the-economics-of-electrifying-buildings/>



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We look forward to California setting the standard in the building sector and inspiring other states to follow its leadership.

We would be happy to discuss such matters further. To schedule a dialogue, please contact Lila Holzman, Energy Program Manager at holzman@asyousow.org.

Sincerely,

Lila Holzman
Energy Program Manager
As You Sow