Green without Government? The Gap-Filling Role of Private Environmental Governance by Jim Rossi, Michael Vandenbergh, and Ian Faucher

The federal government created the Tennessee Valley Authority (TVA) during the Great Depression to promote economic growth in the Tennessee Valley. Today, TVA has grown and modernized to provide electricity to 10 million households, but TVA's environmental record seems stuck in an earlier era. In 1955, coal overtook hydropower as TVA's primary source of energy, and fossil fuels still make up almost half (48%) of generation today. In fact, TVA has not decreased its greenhouse gas emissions since it began reporting its generation emissions by source in mid-2018. If TVA were a country, it would emit more (47 metric tons of carbon dioxide equivalent (CO_2e)) per year than Norway (42 metric tons CO_2e). TVA has an environmental policy, but it is not on track to meet its decarbonization goals [*link to Mitigation primer*].

Although, as a public corporation, Congress and the Executive branch could impose environmental requirements on TVA, Professors Michael Vandenbergh and Jim Rossi and Vanderbilt Law School graduate Ian Faucher find this an unlikely possibility in their piece on The Gap-Filling Role of Private Environmental Governance. The authors explain that gridlock has stopped all but one major environmental bill in the past 30 years. Furthermore, given the current state of the Supreme Court, it is likely that any Executive Orders imposing emissions requirements on TVA would face an uphill battle.

Vandenbergh, Rossi, and Faucher offer further reasons to doubt public governance as a means to improving TVA's environmental record. The states where TVA operates have resisted climate action, making state-level governance a long shot. According to the authors, local governments are the most likely level of public governance to put pressure on TVA to decarbonize. "Blue dot" cities like Nashville have enacted their own climate policies that mandate a transition to zero-carbon energy. But Vandenbergh, Rossi, and Faucher also point out a difficult choice these cities will have to make: TVA's best-case scenarios do not have enough zero-carbon generation to meet their needs, so they may have to either compromise on their climate initiatives or find a different energy supplier. Given TVA's monopoly over generation and transmission, the latter option is difficult if not impossible for cities. Furthermore, since not every locality is on board with a green transition, this approach could cause conflict.

Instead, the authors promote the role of Private Environmental Governance (PEG) in encouraging TVA to meet the trajectory needed to avoid disastrous global warming. PEG "occurs when private actors perform the traditionally governmental functions of reducing negative externalities, managing common pool resources, and distributing environmental amenities." In other words, when the government fails to address pressing environmental issues, private companies have shown themselves willing to pick up at least some of the slack. They agree with critics of such actions that PEG is not a panacea— private governance alone will not solve the climate crisis without public support. But, in the absence of public governance, they find that it is a legitimate way to make meaningful progress even in hard-to-govern spaces like TVA.

Supply Side			Demand Side	
Actor	*Lever*	*Impact*	*Lever*	*Impact*
Bondholders	▪ Long-term investment in TVA ▪ Buying/selling TVA bonds ▪ Choosing not to invest ▪ Pressure TVA managers	TVA relies on bonds. Inferior market reduces potential capital inflows.	Efficiency and Conservation	Increase electrification amongst customers to increase demand. Lower-emission energy mix drives decarbonization even as electric demand increases. New renewables construction is cheaper than fossil fuels.
Existing Corporate Customers	▪ Buying from competitor/building their own energy ▪ Threatening to relocate	Lower revenue. Decreased market share. Reduced customer base.		
New Corporate Customers	▪ Settling new facility elsewhere ▪ Buying from competitor/building their own energy	Less new demand. Decreased market share.	Electrification of Motor Vehicles	Increase electricity demand. Reinforcing cycle where building out charging infrastructure increases demand for EVs.
Other Institutional Customers (NGOs, universities, hospitals, etc.)	▪ Buying from competitor/building their own energy ▪ Public pressure campaigns ▪ Inform members of TVA energy mix	Lower revenue. Public backlash against TVA.		
Households	▪ Defect from grid ▪ Build rooftop solar panels	Lower revenue. Less public support for TVA.		

Snapshot of PEG Initiatives discussed in The Gap Filling Role of Private Environmental Governance

Without the threat of legal noncompliance, though, how can private actors induce such major changes? The article identifies both *supply side* and *demand side* opportunities to pressure TVA to reduce emissions. The supply side covers TVA's funders and customers who have their own interests in decarbonization that they may leverage to encourage action within TVA. For example, households that want more renewable energy may choose to build solar panels even though they are often more expensive than industrial-scale electricity generation. This could cause customers to defect, eating into TVA's bottom line. Therefore, TVA may be interested in

building out their renewable capacity to keep its current, climate-focused customers. Meanwhile, the demand side includes advantageous deals for TVA that meets both their financial and climate goals. The authors explain that "[e]ven without a reduction in electricity demand, the TVA area's carbon footprint could substantially decline if TVA combines decarbonizing electricity generation with electrifying appliances, heating and cooling systems, and other household uses of energy." TVA could promote the climate-friendly goal of "electrifying everything," drastically reduce its carbon emissions, and still improve financial stability.

Vandenbergh, Rossi, and Faucher conclude with a vision for a "New Private Bargain" for TVA. From its establishment, TVA has been concerned with conservation. Many of its first projects were related to ensuring resource sustainability. By enacting PEG policies, TVA could "recommit… to its dual primary goals of economic development and resource conservation" without the pressure of legal requirements. Between internal and external pressures, TVA has ample motivation to shift towards more green energy. In this scenario, TVA could help fill the gap left by public inaction while increasing its market share, decreasing its emissions, and reducing its long-term risks from climate change.