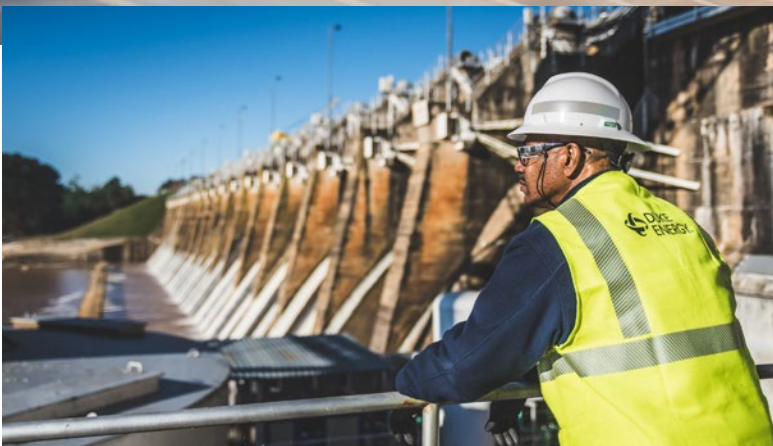




# Trade Associations Climate Review



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## I. About this Report

As one of the largest electric and gas utilities and commercial renewables developers in the U.S., we at Duke Energy embrace our responsibility to power the communities where our customers and employees live and work, as well as to address the challenges associated with climate change. To that end, our corporate strategy is one of clean energy transformation. To deliver on our strategy, we have set aggressive enterprisewide emission reduction goals – to reduce our carbon emissions from electricity generation by at least 50%, to achieve net-zero methane emissions from our natural gas distribution businesses by 2030 and, importantly, to achieve net-zero emissions from electricity generation by 2050. These goals are in line with the goals of the Paris Agreement.

To achieve our clean energy transformation, we will also work to shape the landscape, including (1) partnering with stakeholders and communities, (2) championing public policy that advances innovation and (3) advancing regulatory models that support carbon and methane reductions. Through this clean and safe transformation, we will deliver sustainable value for customers and shareholders.



A necessary component of this transformation will be **durable public policies** at the local, state and federal levels that enable Duke Energy to transition our generating fleet, expand and adapt our electric grid, and adopt new low-carbon and carbon-free technologies that will reduce emissions while keeping energy affordable and reliable. It is therefore essential for us to engage in public policy discussions – both on behalf of Duke Energy and through trade associations – to advocate for the interests of our customers, shareholders, employees and communities.

As member-driven organizations, these trade associations take positions that reflect the consensus views of their members. We may not support each initiative or position of every organization in which we participate or align in strategy in all cases, but in our interactions with trade associations, we work hard to harmonize the organizations' positions and advocacy for climate policy with those of Duke Energy. In our experience, staying engaged in dialogue with those who hold positions counter to ours so that we may test assumptions, clarify views and challenge differences can have a more meaningful and positive outcome than simply abandoning a relationship. It is through constructive and good-faith discussion that we can surface views and move organizations forward.

It is important to note that being an active member of trade associations benefits us in ways beyond engaging in the public policy arena. These groups provide valuable forums for sharing business best practices, technical information, standard setting for the industry, and more.

The purpose of this report is to review the major trade associations to which Duke Energy belongs and their positions on climate policy. In this report, we use the same criteria we have adopted in our corporate political expenditures reports; that is, we include trade associations for whom our 2020 dues exceeded \$50,000.<sup>1</sup>

We begin with a summary of Duke Energy's policies regarding governance and transparency of public policy interactions, and then summarize our position on climate and view on effective climate policy, before turning to the trade associations to which we belong. The report summarizes each trade association's climate policy as well as Duke Energy's engagement with that association on the issue. If a trade association's positions on climate policy conflicted with Duke Energy's, the report discusses actions the company has taken to bring the association's position into alignment with ours. We find that the current climate positions of the trade associations reviewed align with those of Duke Energy.

<sup>1</sup>The associations listed in this report match those in our 2020 political expenditures reports, except for the Nuclear Energy Institute and the American Wind Energy Association, for whom 2020 dues, which were in excess of \$50,000, were prepaid in late 2019.

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## II. Governance and Transparency

The Duke Energy Board of Directors understands the importance of climate policy issues, as well as their significance to our investors, employees, customers and communities. The board also recognizes the potential impact and opportunities for our business and industry. Because climate risks span many different functional areas of our business, the risks related to climate are overseen by a number of different committees of our board of directors, as well as the board as a whole. For example, the board's Operations and Nuclear Oversight Committee oversees the operational risks such as storm response and grid hardening, as well as our carbon-free nuclear fleet. Our Regulatory Policy Committee focuses on key regulatory issues, including compliance with state and federal regulations related to climate. Our Audit Committee oversees the disclosure regarding climate risks in our SEC reports. And our Finance and Risk Management Committee manages overall risk, including risks related to climate, as part of its enterprise risk management assessment reviews. This committee is also responsible for overseeing our investment strategy and execution of those investments, including new renewable and storage projects.

Working in tandem with those committees is the board's Corporate Governance Committee, which has responsibility for the oversight of sustainability and ESG goals and strategies that pertain to climate change, as well as the company's policies and practices with respect to political contributions, legislative lobbying and political activities on the local, state and federal levels. This oversight ensures consistency with the company's best interests, goals and legal requirements. The Corporate Governance Committee ensures that the company's political activities are aligned with the company's strategy and consideration of risks regarding climate change.

In addition to robust board oversight, the company has significant management oversight of political activities. The day-to-day management of our policies, practices and strategy with respect to public policy advocacy is the responsibility of the jurisdictional presidents at each applicable state level and our senior vice president for federal government and corporate affairs, who, along with other senior leaders across the company, make up the company's Political Expenditures Committee (PEC). The PEC is responsible for annually developing the company's political expenditures strategy and approving, monitoring and tracking our political expenditures. The company's [Political Expenditures Policy](#) was adopted several years ago and is reviewed regularly. It sets out the principles governing our corporate political expenditures and the contributions of Duke Energy's political action committee. Under this policy, the senior vice president for federal government and corporate affairs provides a semiannual update to the Corporate Governance Committee of the board. This includes updates on the company's strategy and political expenditures, including payments to trade associations and other tax-exempt organizations.

Having good policies and procedures around political activities has always been important to Duke Energy; however, in 2020, the company, with the oversight and approval of the Corporate Governance Committee of the board, reviewed its political policies and procedures to ensure best practices. As a result, the company has made several significant enhancements to its Political Expenditures Policy, including expanding the practices covered by the policy to include the engagement of political consultants to conduct external lobbying. The enhancements also include a listing of the titles of the company's PEC members who are responsible for the management, oversight and approval of political activities. The company also added certification, attestation, and periodic training requirements for individuals who take part in political activities, including those individuals who hire external consultants or interact with political candidates, campaign committees or advocacy organizations.



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### III. Duke Energy's Climate Position



Duke Energy embraces its responsibility to provide affordable and reliable power to the communities where our customers and employees live and work. The company's commitment to addressing risks from climate change is long-standing and continues. We have a meaningful role to play to not only reduce emissions but also to work with our stakeholders, including customers, communities, investors, policymakers and regulators, to develop plans that suit the unique attributes and economies of the areas in which we operate.

We have adopted aggressive emission reduction goals – to reduce our carbon emissions from electricity generation by at least 50% by 2030 and to achieve net-zero emissions by 2050, and to reduce the methane emissions from our natural gas distribution systems to net-zero by 2030. As affirmed by a review of research by the Electric Power Research Institute, our pathway is aligned with scenarios consistent with the Paris Agreement's goals of limiting global average temperature increase to less than 1.5 and 2 degrees Celsius.<sup>2</sup>

### IV. Duke Energy's View on Effective Climate Policy

Duke Energy has long advocated for climate change policies that will result in reductions in greenhouse gas (GHG) emissions at reasonable costs over time. We support market-based approaches that balance environmental protection with affordability, reliability and economic vitality.

Although it is unclear which policies will receive formal consideration from Congress and the executive branch of our federal government, our analyses have identified some key policy attributes that we believe will allow us to achieve our net-zero goal while maintaining affordable and reliable energy for our customers. These attributes will also help to incentivize the adoption of new low- and zero-emitting technologies. Therefore, we believe climate policy should:

We seek to ensure that the policies adopted to achieve national emission reduction goals are cost-effective, market-based and equitable, promote a broad range of technology development, and include provisions to efficiently address greenhouse gas emissions across all sectors of the economy.

- Incentivize a zero-carbon trajectory at the lowest cost, rather than simply imposing a price or dictating a certain generation mix
- Recognize that continuing to operate existing nuclear generation is essential to maintaining our emissions reduction progress and achieving net-zero goals
- Recognize that, absent a cost-effective technological breakthrough, natural gas generation remains essential, at least for a time, to transitioning to an affordable and reliable net-zero carbon future
- Recognize that regardless of whether (and which) market-based mechanism is adopted, robust and sustained support for research, development, demonstration and deployment of advanced technologies is critical

Additional information regarding our approach, commitments and progress on climate can be found in the following resources:

- [Duke Energy's Environmental, Social & Governance website](#)
- [2020 Climate Report](#)
- [Sustainability Report](#)
- [Investor Relations: News, presentations & events](#)

<sup>2</sup>See discussion in Duke Energy's 2020 Climate Report on pages 30-31.

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## V. Review of Duke Energy's Trade Associations

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### American Gas Association (AGA)

[Summary of trade association's climate policy \(if available\) or mission \(if no climate policy available\), as of January 2021](#)

AGA's position on climate is that the association is committed to reducing greenhouse gas emissions through smart innovation, new and modernized infrastructure, and advanced technologies that maintain reliable, resilient and affordable energy service choices for consumers.

[AGA Climate Change Position Statement](#)

[Aligned with Duke Energy's climate policy?](#)

Yes

[Summary of Duke Energy's engagement](#)

The senior vice president of Duke Energy's Natural Gas Business is currently on the AGA board of directors, and subject matter experts within Duke Energy participate in various AGA committees. This engagement enables us to participate in policy discussions at many levels of the organization and thereby influence AGA's policy positions.

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### American Clean Power (ACP) (successor to AWEA below)

[Summary of trade association's climate policy \(if available\) or mission \(if no climate policy available\), as of January 2021](#)

ACP is a new trade organization announced in the fall of 2020 that is operational as of January 2021. ACP is currently developing its policy agenda. Its stated mission is to "champion policies to transform the U.S. power grid to a low-cost, reliable and renewable power system. By uniting the power of wind, solar, transmission and storage companies, along with manufacturers and construction companies, developers and owners/operators, utilities, financial firms and corporate purchasers, our goal is to make renewables the dominant energy source in the United States."

[American Clean Power Website](#)

[Aligned with Duke Energy's climate policy?](#)

We are working to ensure that ACP's policy positions align with those of Duke Energy.

[Summary of Duke Energy's engagement](#)

Duke Energy is currently represented on ACP's board and has appointed representatives to several ACP committees. Duke Energy is working with ACP's leadership and policy committees to shape its agenda, which will focus on policies to support the effective deployment of renewables and storage.

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## American Wind Energy Association\* (AWEA) (succeeded by ACP as of January 2021)

### Summary of trade association's climate policy (if available) or mission (if no climate policy available), as of January 2021

AWEA's position was that "Wind energy is ready as a solution to the climate challenge. In addition, AWEA believes that climate policy should: ■ Be market-based and designed to create long-term price signals and compliance flexibility in order to drive low-cost solutions. ■ Be cost-effective for consumers while ensuring American families and businesses maintain access to affordable, reliable electricity. ■ Be ambitious enough to effect real change in the energy sector necessary to meet emission reduction targets. ■ Preferably be nationwide in scale but flexible enough to allow regional and state programs to go further should states or regions wish. ■ Be supportive of upgrades to and the expansion of America's electric grid, including transmission investment, which will support the reliable, resilient grid of the future."

### Aligned with Duke Energy's climate policy?

While in some cases AWEA's approaches to specific policy details were distinct from Duke Energy's approach, AWEA's overall focus, like Duke Energy's, was on the deployment of renewables and supporting infrastructure to achieve emissions reductions, as well as on market-based mechanisms to address carbon emissions.

### Summary of Duke Energy's engagement

Duke Energy was represented on several AWEA committees, where we worked to harmonize the organization's positions on climate change with Duke Energy's, with an emphasis on ensuring that energy remains reliable, affordable and increasingly clean for customers.

\*2020 AWEA dues were prepaid in 2019.

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## The Business Roundtable (BRT)

### Summary of trade association's climate policy (if available) or mission (if no climate policy available), as of January 2021

BRT's climate policy states: "Because the consequences of global warming for society and ecosystems are potentially serious and far-reaching, the Business Roundtable believes that steps to address the risks of such warming are prudent and supports collective actions that will lead to the reduction of greenhouse gas emissions on a global basis."

### BRT Climate Change Principles and Policies

### Aligned with Duke Energy's climate policy?

Yes

### Summary of Duke Energy's engagement

The CEO of Duke Energy is a member of the board of the BRT and the company has engaged with BRT in the development of its climate policy.

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## Chamber of Commerce of the U.S.A. (the Chamber)

[Summary of trade association's climate policy \(if available\) or mission \(if no climate policy available\), as of January 2021](#)

The Chamber's climate policy states: "The Chamber believes that an effective climate policy should support a market-based approach to accelerate GHG emissions reductions across the U.S. economy. We believe that durable climate policy must be made by Congress, and that it should encourage innovation and investment to ensure significant emissions reductions, while avoiding economic harm for businesses, consumers and disadvantaged communities. This policy should include well designed market mechanisms that are transparent and not distorted by overlapping regulations. U.S. climate policy should recognize the urgent need for action, while maintaining the national and international competitiveness of U.S. industry and ensuring consistency with free enterprise and free trade principles."

[U.S. Chamber Approach to Climate Change](#)

[Aligned with Duke Energy's climate policy?](#)

Yes

[Summary of Duke Energy's engagement](#)

Duke Energy is represented on the Chamber's Global Energy Institute's Leadership Council and the Task Force on Climate Actions. Duke Energy participates in review and discussions of the organization's climate policies.

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## Edison Electric Institute (EEI)

[Summary of trade association's climate policy \(if available\) or mission \(if no climate policy available\), as of January 2021](#)

EEI's position is that global climate change presents one of the biggest energy and environmental policy challenges this country has ever faced. EEI member companies are committed to addressing the challenge of climate change and have undertaken a wide range of initiatives over the last 30 years to reduce, avoid or sequester GHG emissions. Policies to address climate change should seek to minimize impacts on consumers and avoid harm to U.S. industry and the economy.

[EEI Climate Policy](#)

EEI also recently authored an op-ed that stated "EEI and the investor-owned electric companies we represent are committed to getting the energy we provide as clean as we can as fast as we can, without compromising on the affordability or reliability that our customers value ... we are joining the growing call for a 100% clean energy future ... With the right policies and the right technologies, a 100% clean energy future can be more than a goal. It can be a reality."

[EEI Climate Op-Ed](#)

[Aligned with Duke Energy's climate policy?](#)

Yes

[Summary of Duke Energy's engagement](#)

Duke Energy's CEO was the chair of EEI during 2018-2019 and serves on the EEI Executive Committee; this provides an opportunity to advance the climate policy discussion and drive toward a common position. Duke Energy also serves on several EEI executive advisory committees and environmental committees, where we provide input on EEI's position.

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## Interstate Natural Gas Association of America (INGAA)

[Summary of trade association's climate policy \(if available\) or mission \(if no climate policy available\), as of January 2021](#)

INGAA's climate policy states: "We support equitable, efficient, effective, and flexible federal policy designed to minimize and reduce emissions across the entire economy, and a recognition that all sectors of the economy should contribute to any new federal emission reduction policies. Policies to address climate, including any policies that include a price on carbon or clean energy standards, must also diminish potential adverse financial impacts on consumers and avoid harm to the U.S. economy ... INGAA's members commit to ... working as an industry toward reaching net-zero GHG emissions from natural gas transmission and storage operations by no later than 2050, supported by necessary technology advancements and sound public policy initiatives."

[INGAA 2021 Vision Forward: Addressing Climate Change Together](#)

[Aligned with Duke Energy's climate policy?](#)

Yes

[Summary of Duke Energy's engagement](#)

The senior vice president of Duke Energy's Natural Gas Business is currently on the INGAA board of directors, and subject matter experts within Duke Energy participate in various INGAA committees. Engagement in policy discussions through this participation allows Duke Energy the opportunity to influence INGAA's positions.

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## Nuclear Energy Institute (NEI)\*\*

[Summary of trade association's climate policy \(if available\) or mission \(if no climate policy available\), as of January 2021](#)

NEI's climate policy states: "We need deep decarbonization to hit our climate goals. Nuclear power can get us there. As our largest source of clean energy, nuclear power is critical to reduce carbon emissions. Wind, solar, and geothermal are on the rise, but the smartest policies will ensure these technologies complement, not replace, the clean energy that nuclear produces. Protecting and growing our use of nuclear technologies are important ways to make a dent in greenhouse gases and help us make meaningful progress to address climate change."

[NEI Climate](#)

[Aligned with Duke Energy's climate policy?](#)

Yes

[Summary of Duke Energy's engagement](#)

Duke Energy currently serves on NEI's board of directors, the Executive Committee of its board, and several NEI committees. Engagement in policy discussions through this participation allows Duke Energy to work to influence NEI's positions.

\*\*2020 NEI dues were prepaid in 2019.

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## VI. New Trade Associations

In our next report, we anticipate reporting on new trade associations for whom 2021 dues will exceed \$50,000, such as the Zero Emission Transportation Association (ZETA). ZETA's focus is advocating for 100% of vehicles sold by 2030 to be electric vehicles. Consistent with other engagements, we will work in good faith with these trade groups to advance our corporate objectives and achieve our climate goals. As these groups develop climate policies and positions, we will work to ensure that they align with those of Duke Energy.

## Cautionary Note Regarding Forward-Looking Information

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions and can often be identified by terms and phrases that include "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," "target," "guidance," "outlook" or other similar terminology. Various factors may cause actual results to be materially different than the suggested outcomes within forward-looking statements; accordingly, there is no assurance that such results will be realized. These factors include, but are not limited to:

- The impact of the COVID-19 pandemic;
- State, federal and foreign legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements, including those related to climate change, as well as rulings that affect cost and investment recovery or have an impact on rate structures or market prices;
- The extent and timing of costs and liabilities to comply with federal and state laws, regulations and legal requirements related to coal ash remediation, including amounts for required closure of certain ash impoundments, are uncertain and difficult to estimate;
- The ability to recover eligible costs, including amounts associated with coal ash impoundment retirement obligations and costs related to significant weather events, and to earn an adequate return on investment through rate case proceedings and the regulatory process;
- The costs of decommissioning nuclear facilities could prove to be more extensive than amounts estimated and all costs may not be fully recoverable through the regulatory process;
- Costs and effects of legal and administrative proceedings, settlements, investigations and claims;
- Industrial, commercial and residential growth or decline in service territories or customer bases resulting from sustained downturns of the economy and the economic health of our service territories or variations in customer usage patterns, including energy efficiency efforts and use of alternative energy sources, such as self-generation and distributed generation technologies;
- Federal and state regulations, laws and other efforts designed to promote and expand the use of energy efficiency measures and distributed generation technologies, such as private solar and battery storage, in Duke Energy service territories could result in customers leaving the electric distribution system, excess generation resources as well as stranded costs;
- Advancements in technology;
- Additional competition in electric and natural gas markets and continued industry consolidation;
- Changing customer expectations and demands, including heightened emphasis on environmental, social and governance concerns;
- The influence of weather and other natural phenomena on operations, including the economic, operational and other effects of severe storms, hurricanes, droughts, earthquakes and tornadoes, including extreme weather associated with climate change;

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- The ability to successfully operate electric generating facilities and deliver electricity to customers, including direct or indirect effects to the company resulting from an incident that affects the U.S. electric grid or generating resources;
  - Operational interruptions to our natural gas distribution and transmission activities;
  - The availability of adequate interstate pipeline transportation capacity and natural gas supply;
  - The impact on facilities and business from a terrorist attack, cybersecurity threats, data security breaches, operational accidents, information technology failures or other catastrophic events, such as fires, explosions, pandemic health events or other similar occurrences;
  - The inherent risks associated with the operation of nuclear facilities, including environmental, health, safety, regulatory and financial risks, including the financial stability of third-party service providers;
  - The timing and extent of changes in commodity prices and interest rates and the ability to recover such costs through the regulatory process, where appropriate, and their impact on liquidity positions and the value of underlying assets;
  - The results of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings, interest rate fluctuations, compliance with debt covenants and conditions and general market and economic conditions;
  - Credit ratings may be different from what is expected;
  - Declines in the market prices of equity and fixed-income securities and resultant cash funding requirements for defined benefit pension plans, other post-retirement benefit plans and nuclear decommissioning trust funds;
  - Construction and development risks associated with the completion of the company's capital investment projects, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules and satisfying operating and environmental performance standards, as well as the ability to recover costs from customers in a timely manner, or at all;
  - Changes in rules for regional transmission organizations, including changes in rate designs and new and evolving capacity markets, and risks related to obligations created by the default of other participants;
  - The ability to control operation and maintenance costs;
  - The level of creditworthiness of counterparties to transactions;
  - The ability to obtain adequate insurance at acceptable costs;
  - Employee workforce factors, including the potential inability to attract and retain key personnel;
  - The ability of subsidiaries to pay dividends or distributions to Duke Energy Corporation holding company (the Parent);
  - The performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities;
  - The effect of accounting pronouncements issued periodically by accounting standard-setting bodies;
  - The impact of U.S. tax legislation to our financial condition, results of operations or cash flows and our credit ratings;
  - The impacts from potential impairments of goodwill or equity method investment carrying values; and
  - The ability to implement our business strategy, including enhancing existing technology systems.

Additional risks and uncertainties are identified and discussed in the company's reports filed with the SEC and available at the SEC's website at [sec.gov](http://sec.gov). In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than described. Forward-looking statements speak only as of the date they are made and Duke Energy expressly disclaims an obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.