

Case 73

The Energy Foundation

MacArthur, Pew, Rockefeller, Hewlett, Packard, and McKnight Foundations, 1991

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Background. In January 1991, the Rockefeller and MacArthur Foundations, along with the Pew Charitable Trusts, announced the creation of a new partnership. The three large foundations committed \$20 million, with a high likelihood of continuing support, to create the Energy Foundation, a nonpartisan grant-making institution dedicated to developing and disseminating technologies and practices to reduce America's dependence on non-renewable energy, and to boost energy efficiency. The idea for this new consortium was born, according to Adele Simmons, then-president of the MacArthur Foundation, in 1989, when the three foundations agreed "that there was growing public support for the concept of energy efficiency."¹⁰⁷⁰ At the time the announcement was made, progress in energy efficiency had stalled in the United States after the federal budget for energy conservation had been "cut drastically in the early 1980s."¹⁰⁷¹

Strategy. Since 1991, the Energy Foundation has worked to promote increased energy efficiency and sustainability, primarily through a "focus on technology and regulatory solutions."¹⁰⁷² Three "strategic assumptions" underlie all the Foundation's work:

1. New technologies can grow the economy with far less pollution.
2. Policy shapes today's energy markets, determining which technologies thrive or wither.
3. Intelligent philanthropy can influence energy policy with multi-billion dollar payoffs.¹⁰⁷³

The Energy Foundation works in five primary fields: "renewable energy, transportation, utility energy efficiency, appliance standards, and climate change." It makes grants to a wide range of nonprofits working at both the local and national levels. It works to convene interested parties, and, when one city or region is successful in using a new technique, or a new regulation, the Foundation works to export this innovation. Grant requests are assessed by the magnitude of impact they seek to achieve, as well as the likelihood (resulting from a combination of factors: political will, public awareness, leverage points, etc.) that the desired outcomes will be brought about.

The three original funders—MacArthur, Pew, and Rockefeller—did, indeed, renew their support of the Energy Foundation, although Pew and Rockefeller have since ended their involvement. Today, MacArthur supports the Energy Foundation in partnership with the Hewlett, Packard, and McKnight Foundations. The Energy Foundation's annual budget now stands at approximately \$24 million.

Outcomes. That number is dwarfed, however, by the magnitude of the changes wrought over the last fourteen years on energy efficiency and sustainability in the United States¹⁰⁷⁴ as a result—sometimes direct, other times indirect—of the Energy Foundation and its many grantees. According to an independent evaluation of the Energy Foundation, released in May 1998, the Foundation "has been highly successful"¹⁰⁷⁵ in pursuing its goal of "a sustainable energy future."¹⁰⁷⁶

There are many examples of this success. In the mid-1990s, for instance, the Foundation initiated six regional campaigns to promote the use of renewable energy. To date, sixteen states have adopted renewable portfolio standards mandating varying minimum levels of renewable energy use by power companies. In fifteen of these states, the standard can be traced directly to the Energy Foundation campaigns. Energy Foundation research, analysis, and education efforts contributed in the early '90s to the adoption in California of tough new regulations for low-emission vehicles. And in 2002, the California State Assembly passed AB 1493, the first bill to regulate, at the state level, air quality

standards above and beyond the federal standards.¹⁰⁷⁷ The Energy Foundation has worked to keep standards tough in California, and has exported the California regulations to seven other states: New York, New Jersey, Massachusetts, Connecticut, Vermont, Maine, and Rhode Island.¹⁰⁷⁸ Energy Foundation grantees have worked to develop regulations making it more profitable for utilities to invest in energy efficiency, and, since 1992, utilities have spent over \$13 billion “on efficiency programs that saved \$45 billion worth of electricity....”¹⁰⁷⁹ Federal appliance efficiency standards developed and enacted with Energy Foundation support “will cut projected electricity use in 2020 by 8 percent and will net consumers \$186 billion in energy bill savings through 2030.”¹⁰⁸⁰ And in its work to prevent global warming, the Energy Foundation convinced over thirty of the largest companies in the United States to commit publicly to reducing their carbon-based emissions. The reductions pledged by these firms total more than 100 million metric tons.¹⁰⁸¹ Furthermore, according to the 1998 evaluation, the Energy Foundation probably deserves “credit for retaining federal support for efficiency and renewable energy . . . [and] appliance standards” during the mid-1990s.

Impact. These examples bear out the success of the Energy Foundation’s tight focus on funding only those projects that seem likely to achieve substantial impact. The Energy Foundation’s budget is not nearly large enough to underwrite large-scale direct changes in energy use. But the Foundation has used its grants to encourage action by state legislatures and energy conglomerates, themselves the keepers of resources far beyond those of any nonprofit. It has provided support for the advocates of tougher standards, and has shown the way to efficiency gains. In so doing, the Energy Foundation has leveraged the funds of its several grantor foundations to achieve ends far beyond the value of the dollars it has had to spend.

Notes

1070. Kathleen Teltsch, “In Rare Move, Big Donors Push Energy Efficiency,” *New York Times*, 1/11/1991.

1071. *Ibid.*

1072. Julia Parzen, “Evaluation of the Energy Foundation,” 5/18/1998.

1073. “Investing For Change: The World’s Energy Problem and the Role for Philanthropy,” The Energy Foundation, 2004.

1074. The Energy Foundation’s focus is split between the United States—the largest energy market in the world—and China—the fastest growing. This case, discussing the impact of the creation and support of the Energy Foundation, does not go into the Foundation’s work in China primarily because that is discussed in a separate case on the Packard-led China Sustainable Energy Program, which is administered by the Energy Foundation.

1075. Parzen, “Evaluation of the Energy Foundation.”

1076. From the Energy Foundation Mission Statement; see <http://www.energyfoundation.org>.

1077. This bill is currently being challenged in court by U.S. auto manufacturers, who claim it pre-empts federal authority. Whatever the outcome of that action, however, AB 1493 is clearly another example of California leading the national debate about issues the federal government has yet to resolve. JSK notes—see sources.

1078. “Investing For Change: The World’s Energy Problem and the Role for Philanthropy,” The Energy Foundation, 2004.

1079. *Ibid.*

1080. *Ibid.*

1081. *Ibid.*