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Fitch: SCOTUS EPA Ruling Will Not Stop Public Power Decarbonization Plans

Fitch Ratings-New York-08 July 2022: The recent Supreme Court of the United States (SCOTUS) ruling that limits the Environmental Protection Agency's (EPA) authority to cap greenhouse gas emissions will not materially affect public power utilities' credit quality or the move away from fossil fuels, Fitch Ratings says. The ruling is mildly favorable for those public power utilities that own and operate coal- and gas-fired units, as they will have more time to develop transition strategies and amortize investments in coal and gas plants. However, any benefits should be short lived. Moreover, the decision may slow decarbonization trajectory but will not reverse its course, as state and local government directives, investor preferences, and increased affordability continue to drive the transition toward renewable energy and lower carbon-emitting strategies.

Decarbonization strategies have largely been driven by states that have set their own clean energy standards, filling the void left by the absence of federal legislation. According to the National Conference of State Legislatures, 23 states and territories adopted renewable energy standards or goals that apply to public power and/or cooperative utilities. The transition could accelerate for these issuers if states with no standards or expired standards adopt new or expanded rules.

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