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5 on 45:
On the energy industry and climate change

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PARTICIPANTS:

Host:

ADRIANNA PITA

Contributor:

SAMANTHA GROSS
Fellow, Energy Security and Climate Initiative
Foreign Policy
The Brookings Institution

PITA: You're listening to 5 on 45 from the Brookings Podcast Network: analysis and commentary from Brookings experts on today's news regarding the Trump administration.

GROSS: I'm Samantha Gross, fellow in the Energy Security and Climate program at Brookings. I'm reporting on CERAWeek, a conference I've heard referred to as the Super Bowl of the energy industry. I've been listening to speakers and talking to folks around the venue about how they are responding to the new administration's skepticism about climate change.

The main message I've been hearing this week is that they aren't responding. Energy industry leaders are staying the course on low-carbon investments and strategies, both in the U.S. and globally. There are three main message I'm hearing here. Policy support for low-carbon energy continues, even in the U.S., there are attractive investments in low-carbon energy, and there's support in the energy industry for a price on carbon.

First, policy and people continue to recognize the challenge of climate change, and support low-carbon energy. Patricia Espinosa, Executive Secretary of the U.N. Framework Convention on Climate Change, pointed out that the Paris Agreement entered into force only 11 months after it was signed, a very fast turnaround for such a complex agreement that involved so many countries. Here in the U.S., much policy support for low-carbon energy is at the state level, and those policies aren't changing with the new administration. In fact, several U.S. red states, including Texas, Oklahoma, and Iowa, are hotbeds for renewable energy development. Additionally, energy industry assets are long-lived. Four or even eight years is a short time when you're making investment decisions about assets that will lasts for decades, and investors need to consider how policy may change over the life of the asset. One power industry CEO stressed this point by saying that he “doesn’t base his strategy on tweets.”

My second point is that low-carbon energy continues to provide attractive investment opportunities. Power utilities are finding value in low-carbon investments as technology costs fall. One power industry executive said that he expects renewables to be completely competitive when the current U.S. incentives expire in 2020. Fatih Birol, head of the International Energy Agency, said that renewables are no longer a rich man’s fuel. During the week, I heard of billions of dollars of investment in wind and solar, and of continuing research into carbon capture, storage, and use.

My third point is that there’s support among energy industry executives for a price on carbon. Speakers from the oil, gas, and power industries pointed out that a carbon price provides greater regulatory certainty, an important factor when the industry makes long-lived investments. The CEO of Total, a multinational oil company based in France, even got a round of applause during a speech when he said that a price on carbon was the right thing to do.

Despite what’s happening in Washington, focus on climate in the energy industry continues. Innovation was a strong theme throughout the week, both in technology and in policy and funding mechanisms, to further the transition to lower-carbon energy.

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