

Putting Knowledge Into Action

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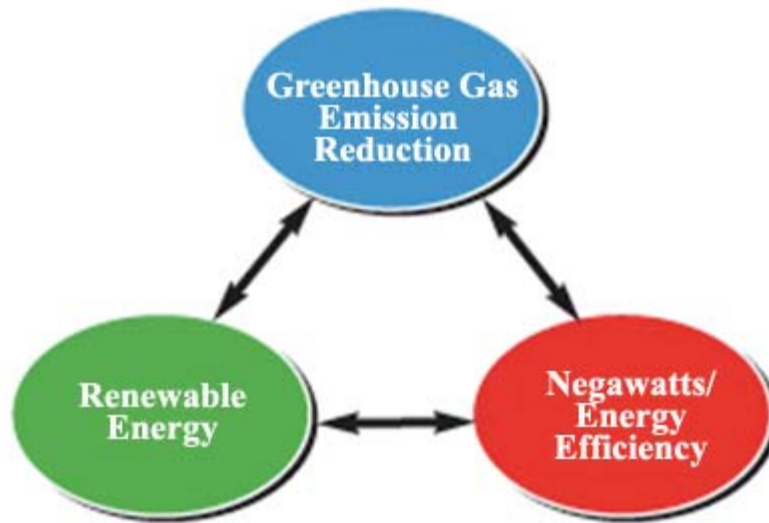
America Needs Its Energy Frontier Spirit

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A New Year and new Presidential Administration may be just the right dynamic to renew America's energy future. The energy problem has been sharply identified and also over-analyzed. The time has come to deploy capital, revitalize American ingenuity and buckle down to old-fashioned hard work. In my travels throughout the United States energy and environmental patch, there is a clear consensus that leadership is the key ingredient for change and hope. With billions of dollars to be unleashed for renewables and cleantech, real leadership will be there for energy for the first time in 30 years. Older energy hands are seeing the same problems and offering the same solutions that were proposed many energy crises ago. That's okay. The key is to rebuild the U.S. economy now, and, by example, lead the global economy into becoming a smooth-running economic green machine. Now is the time to get the job done!

A policy framework is most important. This framework includes Federal cap and trade legislation on carbon, national renewable portfolio standards, regulation of tailpipe emissions, and renewable tax credits. It may also include an effort towards national electricity decoupling, which will incent electric utilities to sell energy efficiency. Money will be flowing for this green transition once the rules are crafted. Regulatory certainty provides economic certainty.

The Green Stimulus package will bring to this policy a necessary framework: increased energy efficiency, deployment of more renewables and reduction of emissions. The graph below outlines how all these elements work together and converge.



Source: Global Change Associates Inc.

To accelerate reduction of the carbon footprint, energy efficiency will be targeted in buildings and transport. Action in the transportation sector may go beyond tailpipe emissions of cars, trucks and buses to all modes of transport including marine, train and aviation to reduce their emissions footprint. Renewable energy in all its forms from small scale to large scale encompassing solar, wind, hydropower, geothermal, biomass, and tidal will be financed and deployed. Carbon reductions that extend economy-wide to reduce the carbon footprint now becomes mainstream, stepping beyond first-movers and tree-huggers.

Opportunity is *great* in a highly energy-*inefficient* U.S. economy. There will be lots of low- hanging fruit for deployment of today's technology and from labs and start-ups for tomorrow's economy.

Price for Carbon Unlocks the Future

Besides setting an economic price to measure the cost of carbon reductions and a number for *pro forma* project finance in renewables and cleantech, there are two other things that U.S. carbon regulation brings: Enthusiasm and entrepreneurialism. If you spend any time among young people under 30, you will experience their “green gene.”

Environmentalism is a passionate issue and that is a very good thing. This is the time for rapid experimentation and discovery. The past is not prologue at all. The energy industry will buy the technology, not create most of it, but the real end users are consumers.

Consumers are on the front lines of game-changing. Green will *cost* more and that is a good thing. The price for a cleaner environment puts an economic value on it. Healthcare is intimately linked to the rising tide of environmentalism. Price discovery is a good thing and so are much maligned financial markets. The politicians need to be straight with their constituents that there is no free lunch, and it will cost more for cleaner environment.

That means higher electric costs, higher fuels costs, and higher costs for goods and services.

A New U.S. EPA Will Rise

Despite the decimation of EPA's mission over past decade, it can and will be revitalized. The best and the brightest will be the front line people in the environmental trenches. Clearly, intellectual capital is needed to activate this impending transformation. Specifically, a Federal agency is needed that protects the environment and human health as its legislative mandate. This also means an agency that is compliance driven and will enforce environmental law, with financial penalties for non-compliance. Passing legislation is only the first step in the regulatory process. The law must have regulations written by which the industry must abide. There has to be an enforcement mechanism, too. The Federal Acid Rain program is 14 years old and has had one noncompliance event due to the financial sanction for polluting. This is the “polluter pays principle” in spades, a media black eye for *not* being green and sustainable cannot be considered good corporate stewardship in this heightened era of media scrutiny.

The American Green Dream

America was nourished and built upon successive, continuing waves of immigration, renewal and imagination. It's never been business-as-usual place. Failure and risk-taking have been an accepted part of that societal maturation process. The best result of the current financial crisis is an awakening. The complacent behavior of the past must dissolve and make way for the creation of a new, green-committed future. Broken business models touting short-term quick fixes don't work any more. Behavioral fear has created a dynamic for change. The real test of American resolve will not be to wage more wars but to change its economic and societal behavior. To create “The New” and to foster its adoption on a global scale requires commitment and time. Climate change brings us together, like it or not. The frontier society was innovative, adaptive and at survival's precipice. We are not anywhere near that today. We still have great wealth as a nation. This is not the Great Depression with apple sellers on every corner and soup lines around the block. There is *no* mass destruction of a world war. There *is* opportunity right now to learn from the past and create a sustainable energy and environmental future. That is not unlike what the founding fathers of this country professed. America will continue to be the experiment that is strong enough to fail, vital enough to be reborn and important enough to endure. Now is the time for that singular leadership of spirit to gather itself again, rebuild and renew!

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