

Putting Knowledge Into Action

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Missing in Action: Effective U.S. Energy and Environmental Policy

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It's sad to take a hard look and observe the lack of any effective or comprehensive energy policy over the last 30 years, since the oil shocks of the 1970s. While energy continues to be in the headlines, the solutions proposed by both Republicans and Democrats are piecemeal, self-serving and ineffective. Listening to the hype of the "greening" of America from the "food for fuels" proponents is nonsensical. Does America suffer from Attention Deficit Disorder, experiencing too many distractions to actually contemplate long-term solutions to complex problems? Solutions require heavy lifting and don't have the immediate political pay off of a ribbon-cutting ceremony. A green initiative for wind and natural gas proposed by one self-serving billionaire doesn't cut it either. The media vortex needs grist for the mill. So, if it sounds half good, it may be worth a try. This is intellectual laziness.

The Carbon Denominator

The most important piece of energy and environmental legislation under the next president of the United States will be climate change. A legislative mandate that will create the impetus to deploy more capital in cleantech, renewables and energy efficiency but will also provide regulatory certainty is essential. Regulatory certainty (having the rules in place) will provide financial certainty for investment. Moreover, the **price for carbon** will create *pro formas* in green project finance that will be viable and material to scale more investment. So, the pieces are now on the table and need to be arranged to complete the energy and environmental puzzle. The opportunity to scale technology is global. The marriage to infrastructure is sustainable for those of you who think that this is another dotcom flameout. The reality is that Wall Street is preparing for this tsunami of investment despite the turmoil in the mortgage markets. Over \$250 billion has been accumulated by KKR, Blackstone, Goldman Sachs *et al* to deploy on the nuts and bolts of infrastructure. This can be a green infrastructure since technology is changing and so

should engineering business practices. Most importantly, to a battered U.S. Treasury and deficit ridden state governments, it will be private sector funded and a net gain for the economy. Cap-and-trade legislation on greenhouse gas reductions will be a *defacto* carbon tax, We still need metrics from the business sector to deploy green capital effectively and economically—not government. Privatization of infrastructure will be the way forward.

How to Create Those 5,000,000 Green Jobs

In a recent interview to *Grist* magazine, I defined where the five million green jobs are, saying that today they number in the tens of thousands in financial services and venture capital for cleantech, renewables, energy efficiency, and carbon trading and finance. But, in the future, we are going need more engineers, technicians, construction workers, and others to lay the green foundation to rebuild America once again.

Ten Practical, Effective Proposals that can be Implemented Now

Rather than wait around to be asked, a colleague of mine, Alex Rau of Climate Wedge, and I have assembled a realistic list of practical proposals on which the next U.S. president and Congress can act. Here they are:

- **Decoupling:** Remove the link between utility profits and volume of electricity sold nationwide. Give electric utilities incentives to sell energy efficiency and make energy efficiency a profit center, thereby reducing greenhouse gas emissions. This policy has already been implemented in California. We have a model.
- **Plant** one billion trees like the Civilian Conservation Corps under FDR. Trees absorb pollution. Create a national tree planting corp and employ young people.
- **Promote** more CFL and LED lamp deployment. In 2007, Wal-Mart sold 145 million CFL lamps, which led to the avoidance of building three coal-fired plants. It is a simple consumer choice issue and more sales will drive costs down.
- **Incent** energy conservation in buildings coupled with greenhouse gas credits. Buildings represent nearly 50 percent of U.S. greenhouse gas emissions! Policies to promote more energy efficient materials and utilization of renewable energy will have a disproportionate impact on nationwide emissions goals. The building sector should also be allowed to generate greenhouse gas emissions credits from energy reduction measures.
- **Push** a national incentive program for plug-in hybrids to transition the 250 million conventional cars and trucks to cleaner and more efficient technology. The infrastructure already exists for gasoline and diesel so we should leverage **that** infrastructure, not biofuels. Normally it takes 17 years to turn over that fleet of vehicles and this must be accelerated. Major benefits exist in energy security by reducing oil imports and major benefits in greenhouse gas reductions by attacking tailpipe emissions.
- **Retire** gasoline clunkers *en masse* and replace with plug-and-play hybrids on a national scale: create American jobs and reduce oil dependency and greenhouse gas emissions. This was done by Unocal in the early 1990s when 7,000 clunkers were removed from the road in southern California. Again, we have a model.

- **Boost** CAFÉ to 50 miles per gallon. Set targets that incent industry to raise the bar. Engineers do amazing things when challenged.
- **Dedicate** Federal funds on an equivalent scale to the Federal highway budget towards modernizing and upgrading our national electricity grid to remove bottlenecks and increase capacity for renewable energy generation, in particular from the solar-rich Southwest and the wind-rich Central Plains states.
- **Create immediately** a national greenhouse gas emissions registry. We can only manage what we can measure, and a federal registry of emissions from all feasible sources in the economy provides the backbone of all types of carbon regulation, whether cap-and-trade or carbon taxes. Starting a registry today can be done in parallel with debate over legislation in Congress, and will help speed the rollout of any final climate legislation. Under the DOE is there is a registry called Section 1605 (b), but it has no teeth and has been involved in endless policy debates. Make EPA the repository of such a registry, not DOE.
- **Push** for increased efficiency of use of water resources. Water accounts for as much as 15 percent of energy consumption in many parts of the country. By increasing efficiency through water conservation and recycling measures, we can dramatically cut our energy consumption and preserve a scarce resource that is starting to become the next crisis issue

This is just a starter kit and not exclusive, but we need to **start thinking bigger and longer-term** and not hyping nonstarters like CNG vehicles and hoped for breakthroughs of advanced biofuels. We have to stop pandering to lower gasoline prices when Europe pays up to \$12 per gallon. This can be accomplished today and doesn't have to wait for a science experiment.

Green is Just Starting to Become a Serious Business

Despite all the media hoopla about “being green,” the reality is that green is going to cost money. That is a fact. But for a cleaner environment, better health benefits and job creation, I don't think you could find a better bargain. The next president and Congress must find their voice on a coherent long-term energy and environmental program that is sustainable! That means looking beyond the next two-year and four-year terms of election cycles. Energy projects typically take four to seven years to deploy. The problems require long-term solutions with a comprehensive plan, not the piece-meal sound bites of today's debate.

Peter Fusaro has been engaged in the energy and environmental debate for over 30 years, and is ever hopeful that things will change from the business-as-usual inertia of the inside the beltway crowd. Peter is holding his next Introduction to Carbon Trading and Advanced Carbon Trading Seminars at NYMEX from October 14 -16 (go to <http://www.pgsenergy.com> for more information).



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