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Q&A- 2030 key milestone in evaluating climate policy progress; public support, and international cooperation vital: Philip Lowe, World Energy Council



2030 will be a key milestone in assessing international progress towards zero-emissions goals, but strategies must be reassessed and adjusted as their efficacy is gauged, **Sir Philip Lowe, Executive Chair of the World Energy Council's Energy Trilemma initiative** told the Reuters Global Markets Forum on Monday, May 3.

“The milestone of 2030 is important, because it is probably the last stage before a final push towards a radical reduction in emissions ... but between now and then, we've got to look at how technologies and behavior develop in relation to regulations and taxation.”

Lowe, formerly Director-General for Energy at the European Commission, added that public policies must garner widespread public support across international and social

divides if the transition to more sustainable products is to be successful and inclusive of developing economies.

Following are edited excerpts from the conversation:

Q: What changes have you seen in the World Energy trilemma index post COVID-19? Have you seen a change in countries' commitment to green energy or energy security?

A: COVID-19 has had significant impact costs on trends in energy demand; particularly initial decline in demand in transport and anything to do with social contact, events, etc, and naturally resulted in increased consumption away from the workplace to the home. As far as energy mix is concerned, there has been a fairly dramatic reduction in 2020 in terms of use of, for example, fuel oil for transport for road transport and sea transport. And naturally too, because of the increased teleworking and digitalized patterns of activity, we've seen more demand for electricity and gas prices remained low for that period. So, the immediate impacts have been felt and energy demand is recovering globally in 2021. But in certain regions like China, it has recovered beyond 2019 levels.

But we see some permanent impact of what's happening with COVID-19. This acceleration of digitalization has been very important. That has encouraged companies as well as individuals towards online working, less office occupation, with consequent impacts on patterns of electricity consumption. More are on online shopping and deliveries..

On the other hand, the whole crisis has produced uncertainty in the markets. And this uncertainty has been responsible for some delay in investment decisions, which could lead to more delay in climate friendly systems, implementation of new efficient technologies. So, we're at a halfway house in working out to what extent the impact of COVID-19 has been overall to check the transition towards net zero economy or alternatively, to actually open up new opportunities.

At the moment, I personally would say that there is a scope for recovery from the economic recession which occurred through the pandemic, a scope for recovery which will be greener exemplified by the expression 'build back better'. And with the decline of coal, despite the low gas prices, renewables have become extraordinarily important in the energy system. They have become profitable without subsidy, even offshore wind. Though there are grounds for being optimistic, the transition will require a lot more work in terms of investment in infrastructure. Security of supply, which is one part of the triangle of the World Trilemma Index, is generally better when there are more diverse supplies and those countries that have moved to use renewables more have scored better.

On sustainability too, the use of renewables is going in the same direction as COVID-19 itself, and the impact it has had on society have been so far much harder on those countries who have not been able to support populations. And so, the issue of access, which is the third dimension of the trilemma index – access and affordability is a key one -- it's arguable that the COVID-19 crisis has produced more inequality worldwide. However, I am not able to say today without looking at the statistics we will produce in 2021 report, how these trends have been reflected in a change of ranking of different countries.

Q: Since your tenure at the European Commission, how do you gauge the progress that the EU has made in developing and implementing clean energy objectives? What are some key areas where you see a need for policy adjustments?

A: Well, first of all, the European Union was the first jurisdiction to see the usefulness of an emissions trading scheme to cap emissions and to contribute to low carbon economy. That system has had its ups and downs, but it has capped emissions. There is more reform needed in order to ensure that it actually provides the right incentives to those industries which are affected in order to ensure that progress towards emissions reduction is as rapid as possible.

The European Union has raised its ambitions as far as the targets for 2030 and 2050 are concerned. And at the end of last year, the 27 member states of the European Union actually endorsed these new ambitious targets. And they are back in legal form as a Climate Act this year, on which there is provisional trading fee. The issue is what kind of regulation is needed to enable all the member states of the European Union together to reach those targets.

The burden on each of the member states will be a different one -- that's recognized. The notion of 'just transition' is extremely important. Those countries which have to make (the) most change and sacrifice need to have some support from the rest of the member states. Poland is a very clear example of that, it's basing its energy system for the moment very much on coal.

But I suppose the area which has the most consensus around it in the European Union is energy efficiency. More and more it's possible to implement the existing regulations and directives on that in the European Union and go beyond.

Secondly, there are huge challenges in the area of transport and in the area of domestic heating in most of the countries of the EU. In the latter case, there is a lot of systems based upon gas. But more and more electricity is being used. And, there is a lot of potential in district heating schemes and heating and combined heat and pass schemes, which will help to bridge that gap.

There are challenges in the transport area. It's obvious that there is not just an issue of regulation to ensure that emissions are reduced, but also that changes behavior. And the changes in behavior are obviously, the more difficult to deal with -- from a political point of view everywhere. And they have an impact, which is unequal between people in different social groups and different levels of prosperity. So, governments have to take a lot of care in providing incentives and regulating in the area of transport, to ensure that measures taken really have the support of all the populations concerned... We're dealing with work in a world where, there's a lot of existing infrastructure. Only about one and a half percent of our building stock in Europe is replaced every year. So, the prospects for changing things radically depends on getting support for substantial act.

The COVID-19 crisis has not helped the issue of the move towards the greater use of public transport systems. It certainly helped people to move to their bikes. But those forms and modes of transport depend very much on the proximity of where people are living to where they're working, and where they live.

Q: Do you think a reduction in import taxes on green energy parts by a few countries would help in its wider adoption?

A: Well, clearly if there is a degree of international consensus on the value of inputs being sustainable and green, then every jurisdiction will be more willing to allow for importation of products and services with some degree of favor towards the greener technologies. However behind every green technology, if you look at the circular economy as a whole, we have to make sure that the products and services concerned are not simply green in themselves, but from a comprehensive analysis of their impact on their emissions and on sustainability generally, this is positive.

And secondly, it is difficult to imagine that some countries could feel morally obliged to give such incentives for green imports, but other countries don't provide the reciprocity concerned in those relationships. I think in the world of today, reciprocity has become a much more important factor in negotiations, partly because international negotiations have not succeeded.

Q: Where do you stand on the mobility debate – electric versus hydrogen?

A: Well, we will have our personal opinions on the evolution of different technologies. Frankly, everywhere in the world we need to let "all flowers bloom" in order to see which technologies become the most effective in achieving the emissions targets, but also the least cost ones as well -- the ones which can be most acceptable to the populations. The advantages of electric vehicles have been pointed a lot. They mirror public concern, everyone's concerned to have security, as well as mobility. And they mirror what's happening with fossil fuel-based vehicles. Public transport systems for the moment have not got that advantage.

On the other hand, electric vehicles will have to compete with other propulsion methods including hydrogen and other technologies which will be able to drive vehicles. And even among the electric vehicle world, there are of course a lot of alternatives out there. Some based upon rechargeable batteries, some based upon batteries which can be replaced regularly. And of course, the future of electric vehicles, private electric vehicles in particular, is dependent on the expansion of charging networks, the facility which can get it done and the time it takes to charge battery. We are at the beginning of a trial period or in the middle of one, to see which technology can be the most robust.

It'll be very important to continue to have technologies that are operable, to reduce the danger for those who are innovating so that don't they end up with stranded assets which ... can no longer be used. Also, to enable those who are buying electric vehicles or other renewable fuelled vehicles to not to find themselves in a situation where they can't recharge their vehicles.

The youngest technologies will need some public support in order to reach the pre-competitive stage. But at the moment, things seem to be going quite well in terms of investment globally in different technologies. As I say, public transport systems, ideally, should be more and more encouraged. But this depends also on other factors such as security and safety.

Q: What would you see as the major milestones, both in terms of time period as well as reduction of emissions, that could be seen as on-track to achieving the zero-emissions goals?

A: Well, the targets which should have been so far established in a binding way, have related worldwide to 2050, which is quite a long time away. Perhaps not in life of infrastructures, certainly in the life of commercial activity. And the milestone of 2030 is important, because it is probably the last stage before a final push towards a radical reduction in emissions. But a strategy, such as has been outlined by governments or by companies or corporations, isn't something which you can just implement in relation to a static situation. For example, in 2021, there will need to be several milestones along the way, even to 2030 that will have to be adapted in function of what actually happens on the market, and in society based on how behaviour changes.

Between now and 2030, we've got to look at how technologies ... (and) behaviours develop in relation to regulations and taxation. And things can change very, very easily. For example, if you thought about offshore wind 10 years ago, people used to say, "Oh, this will never be profitable, it's going to be as expensive as nuclear, laws need public support.." And yet today, there are many auctions around the world for NFV (network function virtualization), which allow governments and regions to purchase electricity through offshore wind, without public subsidy. So, if things could change that much in 10 years, and less than that for certain technologies now, I think that we will need to have a regular review, if not every two years or three years. And then we reach 2030 -- we're in the final crunch to move towards 2050.

Because as far as the 2050 objections are concerned, several regions of the world have already started saying "well, we may not be able to do it by 2050, but we can do it by 2060." Then if we go on like that, we'll be postponing the targets over and over again. And that's no good. We've got to calculate that the impact is in terms of the temperature of the atmosphere and the impacts on sea levels, on pollution levels and on natural events. What we've conceived from the last 20 years is that we have ignored the trends, which carbon emissions have produced in the natural environment. And the margin for recovery of the situation is getting narrower and narrower. Therefore, from now until 2030 is a very important time for us to gauge what's needed and to take additional action if necessary.

Q: While renewables can cut the need for fossil fuel energy, how does the world minimize oil's use for derivative products i.e. plastics, packaging etc.? Should there be government directives on alternatives and who foots the bill?

A: This whole area has got many challenges in it, because for many of the products which you mentioned, we have world markets. And so, achieving consensus on binding agreements on the use of certain products rather than others is a big change. If some major jurisdictions like the U.S., China, India, European Union can agree together to move forward, that's a very good start. But the reality is that probably regulations will have to be made ... at a national level, with the hope that other international partners will do the same. Now, this has immediate impacts on international competitors, as the industry that is concerned could go for more costly sustainable solutions, and your firm may be competing against others in different jurisdictions who are not subject to those restrictions...

But I don't think there's any doubt that more regulation will be needed in somewhere areas to cap, to reduce emissions on inputs, products and services. And this will create some degree of tension in international trade. If there is more and more consensus on the need to establish this status everywhere, then we'll be optimistic. But I can expect the countries who are in a stage of development which is less advanced, for example, than the U.S. and the EU, will argue for more time for adaptation of their technologies and more time for adaptation of their products.

And plastic is an interesting area for another reason that there is ... more of an international consensus about the need to do something about plastic, than among those countries who say that carbon dioxide emissions should be reduced... this appeals to all governments and countries. The use of wastes and the disposal of waste is a major challenge which everyone shares. It's a bit similar to the attitudes in China towards production of air pollution, which is a major problem in cities. And that reduction in air pollution goes hand in hand with the commitment in reducing CO2 emissions, but supports that effort. Arguably, within China there has been much more emphasis on moving to pollution free systems, renewable systems. China is of course, the major investor in renewables. But for the government and populations in China, air pollution is as important as the issue of the impacts of climate change. Plastics is another example where that could be more international consensus.

Q: With the developing world set to be the biggest source of emissions growth, what financing mechanisms are already in place/need to be in place to facilitate the move to cleaner energy? And is there an obligation of developed markets to aid emerging markets in the energy-transition process instead of letting them run the full cycle the former did?

A: Well, this is an important issue and is one of the fundamental points to be addressed in relation to any international agreement on CO2 emission reduction or wider sustainability requirements. And from Kyoto (1997 Kyoto Protocol) onwards, there was a commitment to help developing nations and finance offsets ... which contributed in less developed countries. Now, the question as to who falls into the category of developing and who falls into the category of emerging countries is a difficult one. It's very important for countries such as India, Brazil, South Africa, as well as China to continue to develop their economies and to do it in a way which gives them what they regard as a fair share of international trade.

Now, what is the fair share is a very political question. And the issue of what the developed countries feel obliged to, on the basis of historical trends, to contribute to the transition in emerging and developing countries is also a difficult one. In the end, there has to be a negotiation or there has to be some agreement together to achieve common objectives. The idea of just transitions is something which is accepted within the European Union, where, clearly there are countries who are less prosperous than others and who need to develop and need more time to reach the overall objective. The same is true (on a) world level. But the degree of solidarity which is needed to finalize a system where developed countries are prepared to enter into relationships of this kind with emerging and developing countries - that degree of solidarity depends genuinely on a consensus that things must be done internationally through international institutions with common rules.

In recent years, in some countries -- whether the developed or emerging -- there's been no commitment to international consensus. There has in fact, been a move away from it. And if we want to get back to that kind of genuine negotiation about the respective efforts of developing countries and developed countries to achieve the overall targets, then we've got to re-establish that sense of solidarity, which has been absent until perhaps a year ago.

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