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World energy markets will eventually convince all of the wisdom of renewable energy, author says

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By Dan McCue

L. Hunter Lovins is no conspiracy theorist, but when it comes to the roller coaster ride-like momentum of the renewable energy sector, she concedes it not always easy not to succumb to bouts of dark speculation.

“Certainly, the way I see the renewable energy field is that it’s a sector that’s sped up and, more recently, slowed down, particularly here in the US, and I think that’s shaken the confidence of people interested in fostering its development,” said Lovins, an author and promoter of sustainable development for over 30 years, during a recent interview with Renewable Energy Magazine.

“I know a number of people today who are saying, ‘Every time that renewables are almost there, something kills them.’ And it almost looks like, if somebody’s not doing this intentionally, it’s the biggest inadvertent conspiracy in history,” she said.

As president and founder of the Natural Capitalism Solutions (NCS) Lovins has made a career of educating senior decision-makers in business, government and civil society on how to restore and enhance the natural and human capital while increasing prosperity and quality of life.

Over the years, she consulted with clients ranging from International Finance Corporation, Royal Dutch Shell and Wal-Mart to the Pentagon, Environmental Protection Agency and Department of Energy in the US and the governments of Jamaica, Australia, and Afghanistan.

Her forthcoming book, [Climate Capitalism](#), will be published in April by Hill and Wang. In it, she and co-author Boyd Cohen strive to show how a host innovators, entrepreneurs, and companies are proving that it’s possible to profit from sustainability.

Obviously, it’s a perspective that resonates with the renewable energy community. But Lovins said it’s understandable that confidence of entrepreneurs in the sector gets shaken sometimes.

“I mean, look at what happened here in the US,” she said. “[The Renewable Energy sector] was really gaining speed until the economic collapse in 2008, and I think quite counter-intuitively, renewable took a harder hit than the economy as a whole.

“I mean, here you had companies that had very good business models, that had good technologies, that were commercial, that were forging ahead, and suddenly they found their investors getting scared and selling out.

“Now that’s happened before with slumps in the economy, but this loss of confidence was particularly pernicious,” Lovins continued. “Then at the same time, the saw the dramatic shoot up to \$150 a barrel, and then the equally dramatic drop to \$40-a-barrel oil.”

To those who might have been rendered paranoid by this confluence of events and feel a twinge of lingering trepidation, Lovins first quoted a friend, the science fiction writer Neal Stephenson, who has said, “Everything looks like a conspiracy in hindsight.” Then she referred to the state of California’s energy crisis of 2000 and 2001, an infamous example of energy market manipulation in the US that

ultimately led to the collapse of Enron and the convictions of several of its corporate officers on a litany of fraud charges.

“That crisis stripped California of billion of dollars, but even in that case, it clearly wasn’t a conspiracy; if it was, the conspirators would not have crashed the situation,” Lovins said.

“What actually occurred was you had a situation where seven power generators in California were big enough individually to game the so-called market, and then you had one of these weird, perfect storms, where all of the vested interests got together and everybody was looking solely at what they wanted: the Enviros, the big industrials, the generators, the incumbent utilities, the state regulators, the consumers, everybody sat around this negotiating table – metaphorically -- and said I want this and I want that and I want the other, and the system found a way to give everybody what they said they wanted,” she said.

“The result, was California’s statewide short of electricity. Where conspiracy theorists get these situations wrong is they assume there are people who are smart enough to pull off these massive scams over the long term. The truth is, in this case, there weren’t. Everybody gamed the market for his own benefit and ultimately crashed the system,” she continued. “That’s not a conspiracy. That, in hindsight, is a wholly predictable set of interactions that collectively had a disastrous result.

“I think we saw much the same in 2008. As investors were, perhaps rightly, worried about the financial stability of the entire economy, they pulled back their support, and the net effect was the crashing of the renewable sector here,” she said.

European investors had a more steady hand during the global economic crisis

Of course, Lovins readily conceded that the reaction of investors in renewable energy companies was different – and far starker – in the US than in Europe.

“Very much so and on several counts,” she said. “One, the Europeans have signed Kyoto and are bound by carbon caps; two, the Europeans are just smarter.

“When I was living in London from 1978 through 1982 and working extensively on the continent, the conversation about climate change was already well underway -- Hell, it was a European scientist who identified it back in the 1800s -- it was taken seriously, the science was reasonably well understood and Europeans have put in place policy measures to deal with it,” Lovins said. “That includes everything from the European trading system to the German feed-in tariff system, which, in my opinion, is far and away the best policy in the world for driving a transition to a stronger economy, creating jobs, delivering prosperity, solving the climate problem and giving us a renewable energy industry.

“By comparison, here in the United States, we believe in [Renewable Portfolio Standards], which have been used to create an inconsistent investment climate and the fumbling sort of situation that we see,” she said.

But if Lovins is an unreserved fan of European policies on renewable energy as a whole, she was sharply critical of the current situation in Spain, which has adopted retroactive cuts in solar feed-in tariffs and a cap on the number of hours arrays can charge for their output.

“The Spanish situation is a clear example of policy lunacy,” she said. “By pulling some of the supports they cost themselves greatly more in EU support than they saved by not continuing the support for renewables.”

Markets bat last

Throughout *Climate Capitalism*, Lovins repeatedly refers to market dynamics and uses language that wouldn’t sound force coming from the mouth or pen of a member of America’s Republican

establishment, a group that is typically seen as resistant to the concept of climate change and that many expect will refrain from providing additional incentives for renewable energy going forward.

Lovins acknowledged that while that perception is likely true, it likely won't rule the day in the end.

"It's a little like the phrase, 'Nature bats last and owns the stadium,' which likens the situation we're in to baseball," she said. "Markets bat last."

"The reality is, economic realities will in due course intrude themselves, even in centrally planned economies, like the former Soviet Union and China," Lovins said. "The fact that efficiency and then the various available, commercial, cost-effective renewables are so much cheaper than any of the alternatives will eventually win out.

"Now, of course, we can make it much more difficult on ourselves, and have done so globally -- The International Energy Agency (IEA) reckons that we now spend, each year, something like \$550 billion in the developing countries to make fossil energy look cheaper than it is," she continued.

"At the same time, as best anybody can reckon, all subsidies for renewables over all time is somewhere in the \$20 billion to \$40 billion range; Now that's been changing, in the last year or so; renewable are starting to get more significant subsidies, but still a tenth of the incentives that are given to the incumbent industries. This is not a market. This is corporate socialism.

"The lesson of history though, is that he who innovates rules the world," Lovins said. "Go back to the first industrial revolution, when we created markets and capitalism and commerce as we know it today. Britain was at the epicenter of innovation, in using water power and steam power and so forth, and when you look at what was going on, geopolitically, Britain ruled the world.

"Then innovation drifted across the Atlantic," she went on, warming to her tale. "Some fool found oil in Pennsylvania (in the US), and Henry Ford built a car, and Thomas Edison built a light bulb and General Electric. And then we moved on to petrochemicals and the space race. And then the IT revolution gave us all these little things in our pockets that give us access to 30,000 songs, and I really didn't know I needed one until I couldn't live without it."

Lovins paused, but only momentarily.

"So who's innovating now?" she asked rhetorically.

"To some extent, Europe is, particularly Germany, and as a result the German economy is the healthiest in Europe, but the really answer is the Chinese, and this ought to be a sobering lesson to those in the US Congress who are most fond of American hegemony," Lovins said.

Don't believe in climate change, that's okay

Another persistent theme in Lovins' latest book is that its time to disentangle the conversation about renewable energy from that of climate change. Whether or not one believes in climate change or not is irrelevant, she said. In fact, the debate over it may well be one of the biggest distractions from fully developing the renewable energy sector.

"What I always say is, 'Assume climate change is a hoax,'" she explained. "Now, frankly, I wouldn't go to Las Vegas [the gambling capital of the US] and bet on the odds of that being true, but if all you care about is being a profit-maximizing capitalist, if all you care about is American national security, or American hegemony, or any of these impeccably Conservative American ideals, you'd do exactly the same thing you'd do if you were scared to death about climate change or loved solar.

"To those people I say, 'We know how to solve the climate "problem" at a profit. Let's go.' 'Let's go after profit. Green only matters if it's in your wallet.'"

“This is what the smart companies are doing,” Lovins said. “Siemens’ for example, with its work with many collaborators on a plan for a pan-European Smart grid; DONG Energy, which has been teaming up with Renault and others to bring electric cars and electric fueling stations to Denmark; London is incorporating free parking for electric vehicles and electric charging stations into its downtown; the harnessing of wave energy off Scotland, which reckons to get all of its power from renewable energy sources by 2020; Then there’s the development of ‘big wind’ off the north German and Danish coasts, and ‘big solar’ across the north of Africa and the South of Europe.

“It’s pretty amazing,” she continued. “And then there’s the development of biofuels across the south of Europe, and distributed generation everywhere – all feeding into a smart grid, smart houses, and smart cars. Again, this is innovation. And then you get to the Chinese, whom we really haven’t even mentioned.”

Which begged the question, from the American perspective, of if, and how the US is ever going to catch up.

“Americans at this point get stuck in whatever the last technology was and march lockstep ahead,” Lovins said. “The Chinese are intent on innovating and, of course, they have all of our money, so they have the capacity to do that.

“What’s really daft is that Americans persist in spending something like \$1 billion a day that we borrow from the Chinese and the sovereign wealth funds of the Middle East, buying imported oil, in competition with the Chinese and from the sovereign wealth funds in the Middle East,” she said.

At this point Lovins mentioned another friend, James Woolsey, the former head of the US Central Intelligence Agency.

“James Woolsey says we’re like somebody with emphysema that’s got a burglar crawling in the lower story window,” she said. “Yes, the emphysema, in this case, climate change, will kill us, but not today. The burglar crawling in the window, peak oil, oil vulnerability, is the problem that we need to deal with right now.

“Let’s at least drop a flower pot on the head of the burglar and get off of this oil addiction,” Lovins said. “Incidentally, Jim also drives a plug-in hybrid car that he fuels off solar panels on his roof, and he’s got a bumper sticker on the back that says ‘Osama Bin Laden hates my car.’ Jim sees this as a national security issue and I think he’s right. Which again has nothing to do with climate change, it just happens that if you solve one problem you go a long way toward solving the other.”

(This is the first part of a two-part interview)

For additional information:

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