We Can't Solve Climate Change Without the Energy Companies

By Ted Halstead

It has become all too common among climate activists and their political allies to demonize oil and gas ~~fossil fuel~~ companies and portray them as enemies of climate progress. But this will not get us any closer to solving the problem. To the contrary, we could achieve far greater and faster emissions reductions if environmentalists and energy companies work together.

Most oil and gas companies recognize the threat of climate change and want to be part of the solution. As a sign of their seriousness, five of the largest – BP, ConocoPhillips, ExxonMobil, Shell and Total – are backing a concrete plan to cut U.S. CO_2 emissions in half by 2035. They are not only lending their names to this environmentally ambitious solution; they are putting their money and political muscle behind it.

This marks a turning point in U.S. climate policy and politics because the energy majors are an indispensable part of any successful clean-energy transition. Those who are serious about hastening climate progress need to understand why the industry's technological, economic and political support is so essential.

For starters, oil and gas companies have the scale, R&D budgets, expertise and infrastructures needed to expand low-carbon energy sources and pioneer new technological breakthroughs. Their research and development budgets are many times larger than those of companies focusing only on renewables, and their venture divisions fund many of the nation's clean tech start-ups. They increasingly understand the clean energy industry and are among its largest investors.

Active participation from the energy majors is also essential in ensuring a smooth transition to a low-carbon future that avoids major supply disruptions or price spikes. The majors cannot – and should not – abandon their core oil and gas business overnight. Nothing would be more harmful in our drive to reduce emissions – or create a faster public backlash – than blackouts, gas station lines or price spikes in electricity and transportation fuels. The public wants a green future but not one that disrupts their lives or puts their economic wellbeing at risk.

No doubt the oil and gas industry can do more. But the industry cannot move faster than technology, the market and public policy permit. Oil and gas companies are not all powerful and cannot defy the market, which is driven as much by demand as by supply. It is not as if the industry's products are sitting on the shelves. In fact, global energy demand ~~for conventional energy~~ is still increasing rising 2.3% in 2018, the fastest pace in the last decade.

Most importantly, producers and consumers can only do so much in the absence of supportive government policy. Energy majors need stable public policies and predictable pricing signals to accelerate long-term investments in low-carbon products and technologies. That is why many in the industry have long advocated for carbon pricing.

Commented [JPH1]: Could make the point that our core business is managing megaprojects and risk – political, technology, policy, operational, etc. There is no riskier or more mega-project than addressing climate change.

Commented [RJ2]: is there an opportunity here to give examples of what companies have already done – and continue to do – to reduce emissions and introduce innovative technologies for cleaner energy? As written, it sounds like industry's role is aspirational rather than live and active now.

Commented [JPH3]: Could make point that continued revenues from O&G will be essential to fund the transition.

Commented [RJ4]: Not sure why this needs to reference conventional energy. Global energy demand is rising. I suggest a specific data point to emphasize this. Source: IEA: https://www.iea.org/newsroom/news/2019/march/global-energy-demand-rose-by-23-in-2018-its-fastest-pace-in-the-last-decade.html

Last year, the CEOs of ten of the world's largest ~~fossil fuel~~oil and gas companies issued a joint statement – following a meeting organized by the Vatican – calling for meaningful carbon pricing. The five companies mentioned above have gone further by joining as founding members of the broadest climate coalition in U.S. history, which has spent the last two years refining the details of an ambitious national climate solution that would cut U.S. carbon emissions in half by 2035.

This coalition, convened by the Climate Leadership Council, includes corporate sector leaders from a wide range of industries, top environmental organizations and opinion leaders from across the political spectrum. The Council's framework is also supported by the largest and most prominent group of economists in U.S. history.

The Council's bipartisan carbon dividends solution calls for a national carbon fee starting at $40 per ton and increasing at 5 percent per year above inflation. This would establish the highest carbon price of any major emitting country. If enacted in 2021, it would enable the United States to exceed its 2025 commitment under the Paris Agreement by a wide margin.

The plan's environmental ambition is matched by equally strong pro-consumer, pro-business and pro-competitiveness provisions. Specifically, its other pillars include returning all the revenue directly to the American people, reducing less cost-effective regulations that become unnecessary in the presence of a robust carbon price, and border carbon adjustments to level the economic playing field.

The corporate financial backers of an advocacy campaign to promote this plan range from oil, gas and nuclear interests to solar, wind and geothermal interests. If such diverse energy and environmental leaders can agree on a breakthrough solution, political leaders on both sides of the aisle should be able to as well.

Movements for positive change often fail not just because of the resistance of entrenched interests but also because of divisions within the movement itself. It is time to overcome unnecessary divisions and work together in promoting an ambitious and politically viable climate solution.

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