CLIMATE AMBITION VS ENERGY REALITY

JASON BORDOFF of Columbia University talks to **STEPHEN POWER.**

WHEN IT COMES TO EXPLAINING ENERGY AND CLIMATE POLICY, NOT MANY academics are as comfortable fielding questions from Stephen Colbert as they are a panel of US senators. Jason Bordoff is one of them. Since founding the Columbia University Center on Global Energy Policy in 2013, Bordoff has become the go-to authority on energy policy for politicians, journalists, corporate heavyweights—and the occasional late-night comedian. Columbia's President, Lee Bollinger, cited Bordoff's skill at making energy research "accessible" to non-academics in recently naming him a co-dean of Columbia's new Climate School—the first new school at Columbia in more than 25 years.

In an interview with Brunswick's Energy & Resources team, Bordoff—who served as special assistant to President Obama on energy and climate change—discussed what he sees as the widening gap between climate ambition and energy reality; why energy and climate policy is likely to become "messier" and more "disruptive" for businesses; and how growing up the son of a gas-station owner and an immigrant influenced his career. Below are highlights from the interview, which has been edited for brevity.

Saudi Arabia and the United Arab Emirates had a falling out in July over oil policy that caused prices to spike to six-year highs. What does this conflict between traditional allies say about the state of energy policy globally and in the US?
One thing it's revealed is the fragility of the Organization of Petroleum Exporting Countries [in a carbon-constrained world]. When oil demand may be barely rising in the future, it changes the dynamic about whether oil producers think it makes sense to participate in a cartel or not. It's also exposed the tension between energy policy and climate policy. You have, on one side, people criticizing the Biden administration for coming out in favor of a deal to increase oil production, on the grounds that we're supposed to be moving away from oil. But if the administration hadn't taken the position it did, other people would have said, "oil prices are rising because of your Green New Deal policies." I'm not characterizing it that way, but others would. Administration officials are sort of damned if they do push for more production and damned if they don't.

What's been the biggest surprise of 2021 so far when it comes to energy policy, markets and technology?
The Exxon board shareholder vote was pretty surprising. I wouldn't have expected a company of that scale to lose three seats on its board and that the world's largest asset managers would get behind that effort. A question I have is whether it would have happened if they had been more profitable and paying a hefty dividend.

What is a misunderstood aspect of energy and climate policy?
I don't think people realize how different it is to go from setting a goal of holding temperature increase to 2°C to setting a goal of 1.5°, and how quickly things need to change. Another thing that's not fully understood is the way that issues of environmental justice and racial equity are going to change climate and energy policy. It's a fundamental shift that has hugely important consequences for what climate policies will be on the table, what environmental advocates can support and what philanthropies will fund.

Can you give an example?
If you look at the recent report of the White House Environmental Justice Advisory Council, you'll see there is complete opposition to carbon capture, direct air capture and a whole range of other technologies that many energy companies are advocating as solutions to climate change. This is a new dynamic that will affect how people, particularly on the left, think when they design climate policy.

What should energy corporate leaders—and their advisors—be keeping an eye on?
The growing gap between climate ambition and energy reality. I think this is going to be the major focus of the next decade and that it has to reach a breaking point.

It's easy for me to see why people in oil and gas corporate boardrooms might look at rising energy demand in Southeast Asia and Africa and the mix of GDP growth and population growth and feel complacent about the risk that climate change poses to their business. But in order to feel complacent, you also need to believe that in five or 10 years the world's going to be totally fine with falling completely short by a very large amount of the climate goals everyone's talking about. Something has to give, and I don't think it's going to be the ambition. I think it's only going to increase.

What does that mean for energy businesses?
The risk is that instead of getting smart, cost-effective, predictable and gradually more stringent policies, businesses are going to find themselves facing more disruptive, messy policy measures. Like every day, some new city wakes up and bans the internal combustion engine. I don't think we're going to see a linear policy-making process of bringing oil demand down. And that's going to be a challenge for people trying to make long-term investment decisions.

You've said that to address climate change, governments must reduce demand for oil, not just supply. What's the best way to do that?
Any economist will tell you the most cost-effective approach is to put a price on carbon, so people have incentives to buy a Ford F-150 Lightning instead of a Ford F-150 or take mass transit instead of driving.

What are the prospects for pricing carbon in the US?
Let's put it this way: Five years ago, a carbon tax was the centerpiece of Bernie Sanders' campaign for president. Today, the Biden administration is barely willing to talk about it or support it at all.

So if the US isn't willing to put a price on carbon, what are the alternatives?
I think the answer, increasingly and for reasons of politics, is that people are looking to governments to finance the cost of the transition. And I think that's going to be hard. There's a lot of focus in Washington on whether we can spend a few billion dollars here or there and whether governments can come up with the $100 billion pledge on climate finance that was made as part of the Paris climate agreement. But the International Energy Agency just told us that investment in the global energy sector will need to more than double its current level of $2 trillion to get to $5 trillion by 2030 to guarantee a reliable and economic supply of low-carbon energy. So, the things we're fighting about are rounding errors compared to the amount of capital that needs to be put toward clean energy. What you need to do is put policies in place that will shift how private capital moves.

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What are you hearing from your contacts in publicly traded oil and gas companies about how easy or hard it is to attract capital now?

Most investors I talk to are trying to figure out where they should draw the line between what's acceptable and what's not in a world that still uses 100 million barrels of oil a day and where they still are expected to deliver returns that track various indices. There is more and more pressure on financial institutions to back out of oil and gas.

At the same time, there's a lot of capital out there. If there's money to be made, a lot of capital will shift from large publicly traded companies to private equity.

What role—if any—do you see for oil and gas companies in addressing climate change?

I think this is a fundamental challenge for the industry: helping people understand what their businesses will be in a world where they're producing less oil. There's an understandable skepticism, a view that these companies have a financial interest in the world continuing as usual, and that behind the scenes they will try to prevent change. At the same time, if you want to build a hydrogen economy or carbon-capture at scale, I don't see how you do that without some of the world's largest oil and gas companies being part of that, given the amount of infrastructure, pipelines and capital you need, plus the project management skills and engineering expertise it requires.

Why has Columbia established a new Climate School?

Our President, Lee Bollinger, likes to say that universities have traditionally had three purposes—education, research and community service—but that they can't maintain their social license to exist in the 21st century unless they are deeply engaged in addressing humanity's greatest challenges. That's what he means by the "fourth purpose" of universities. And it's the idea behind creating the first climate change school in the country.

With a challenge as complex and all-encompassing as climate change, you need to bring together multiple disciplines and fields under one roof—science, engineering, technology, law, policy, business, finance, ethics and culture—rather than addressing it piecemeal.

What does success look like?

We're going to measure our success not only by whether we're publishing in the best academic journals and handing out degrees, but whether the knowledge being created at this institution is actually being deployed in the real world, in the form of new technologies being deployed, new business models being created and new policies adopted.

What's an example of energy research with that sort of real-world impact?

About two and a half years ago, I was thinking about what might happen if you had an administration that wanted to scale up government investment in energy innovation. When you're in government, it's easy to spend money but hard to spend it well. You need evidence and research to know where you'll get the greatest return on your dollar. So we said, "Let's work on this for the next year."

We put out a book called *Energizing America* which was a detailed point-by-point roadmap on how to go big on clean energy research and development. What we found is that if you really want to make a big dent in clean energy, you should triple the size of the federal R&D budget for clean energy. We went into detail about how the government should put that capital to work. And I'm pleased that the Biden administration is doing a lot of what was in that book.

What other questions do you want to tackle?

One thing we're working on is better understanding the connection between climate and equity and justice. I think the most staggering statistic in the International Energy Agency's Net Zero by 2050 Roadmap is their projection that world energy use in 2050 will have to be lower than it is today. I don't know how that can be true if history continues as it has. Historically, when economies grow, energy demand increases. You need to fundamentally change that relationship. The question is, how?

You studied at Oxford and Brown universities, graduated from Harvard Law School and clerked on the US Court of Appeals for the DC Circuit. Why did you pursue a career in energy policy?

I grew up in Brooklyn, New York in the 1970s. My dad owned a gas station and an auto repair shop, and my grandfather owned a Texaco station. I remember after school seeing my dad and grandfather dealing with long lines at the gas stations, and seeing the impact that energy has on the economy and what it meant for our household if gas prices were up or down. And from my mom, who was an immigrant from the Middle East, I was aware of the extent to which energy shaped the geopolitics of that region.

In general, I'm interested in a lot of things and I can't think of anything that brings together economics, science and geopolitics like energy does. You get to learn about the environment, wildfires, oceans, sea level and the dynamics of relations between countries. Energy connects all those things. ◆

STEPHEN POWER is a Partner with Brunswick in Dallas. He leads the US Energy and Resources practice and has worked with clients including Saudi Aramco and BP. A former journalist with *The Wall Street Journal* and the *Dallas Morning News*, he has written for *The New York Times* and the *Boston Globe* and appeared as a commentator on the BBC, CNBC, Fox and other networks.