Plus, rising US solar costs could hamper the country's energy transition plans

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Energy Source

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Make the COP boring again

Myles McCormick, US Energy Reporter
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The COP26 UN Climate Change Conference in Glasgow is set to begin on November 1 © Jeremy Sutton-Hibbert/FT

Welcome back to Energy Source.

Joe Biden's climate agenda is coming apart at the seams.

West Virginia senator Joe Manchin has made it clear to the president that he will not support what many consider the most important climate element of the president's sweeping $3.5tn spending bill: the Clean Electricity Performance Program.

The CEPP, as regular Energy Source readers will know, is a carrot and stick system designed to wean power producers off fossil fuels.

Manchin — whose home state is one of the US's biggest coal producers — has always been a sceptic. But now his clear opposition to the provision suggests it is likely to be gutted from the package, which needs the support of every Democratic senator in order to pass.

It also increases the chances that the president will arrive at the pivotal UN climate talks in Glasgow in two weeks' time with little to show in terms of domestic wins on climate. That will hurt his credibility as he looks to cajole other nations into raising their game on emissions cuts.

Activists are up in arms. Michael Mann, professor of atmospheric science at Pennsylvania State University, said the West Virginia senator had thrown a "hand grenade" at the negotiations that could lead to their ultimate collapse.

The climate talks are the focus of today's ES. In a guest column, Morgan Bazilian, director of the Payne Institute for Public Policy at the Colorado School of Mines, argues that the talks should steer clear of pomp and stick to substance.

Our second item looks at rising solar costs in the US, which risk a slowdown in growth in an industry key to the country's energy transition plans.

Thanks for reading.

Opinion: Make the climate talks boring

Greta Thunberg refers to them as "blah, blah, blah". But expect plenty of high-level pledges from world leaders at next month's UN climate conference in Glasgow.

Queen Elizabeth will attend. Billionaires will make pledges. Celebrities will plead for more action. Bespoke-suited bankers will reveal new investment principles. The US government will bring a massive force in a show of strength. Around 25,000 people will attend — just as the UK sees a new spike in Covid-19 cases.

The meeting's build-up is already a festival of pomp. Slogans from PR firms, environmental organisations, the UN, and politicians are ubiquitous. The refrain of "increasing ambition" will be repeated often and in many languages. It's difficult to count how many times the UN secretary-general has called for urgent global co-operation to solve the climate crisis.

How to stop this Davos-like festival of corporate schmoozing and political platitudes — and make the 26th Conference of the Parties actually do something to help fix the climate crisis?

My modest proposal: make the COP boring again.

The buzz and rhetoric haven't much helped recent COPs, which don't have a massive success rate. So great was the fanfare around 2009's COP15 in Copenhagen, for example, that its failure to meet expectations caused a Danish government crisis. It did nothing for the climate.

The last big deal to come out of a COP was six years ago, when a so-called "bottom up" agreement, as opposed to a globally agreed "top down" target, emerged: the Paris climate agreement was a politically savvy way to give countries the political space they needed to find ways to tackle emissions.

But the Paris deal's results have been less impressive than the marketing narrative. While the world's largest economies have announced a proliferation of big climate goals, greenhouse gas emissions have marched upwards. Paris was terrific politics, but the deal's internal machinery and tools — the main ones being the so-called nationally determined contributions that describe how the countries will reduce their greenhouse gas emissions — are insufficient for the urgency of the task.

The COP should become a gathering to check the pace and scale of emissions reductions, look at how the goals are progressing in terms of domestic legislation and budgets, highlight successful models, track data, provide support for policymaking and analysis, and to apportion massive funding for poor countries.

True, many of these activities already exist at the COP. But they tend to get overshadowed by the set-piece political speeches, big delegation requirements, carefully mapped private dinners, glossy strategy launches, myriad new coalitions and crowded communications channels — all of which drain funding and staffing from the less glamorous work needed to fight climate change effectively.

The reality is that most of the world's 200 countries attending these events do not consider climate change a top priority, compared with issues such as food and water security, wars, healthcare and education, and alleviating poverty. Those developing and emerging economies, mostly in the Global South, would benefit more from sober discussions about the support they need to address climate change domestically than the frenzy of slogans they hear for two weeks at the COP. Their clear short-term hope is to be able to offer their citizens Covid-19 vaccines.

The fight against climate change is not going as well as technological optimists would suggest, nor as badly as pessimists fear. Thanks to many dedicated campaigners, companies and politicians, it is now a highly visible challenge for humanity. And the climate talks still hang together, largely owing to the stubborn persistence of the European countries.

But they will not stay intact much longer if constantly assaulted with new and increasing demands to save the world with greater ambition.

So, let's make the COP great again by letting it do its job. Save Davos for the Swiss mountains. Grandstanding politicians — and their jets — can stay home. The COPs are good for tracking progress and improving emissions monitoring, sharing lessons and building capacity, drawing up better rules for international carbon markets, help with designing policy tools, finding ways to increase finance, and increasing clean energy technology transfer.

Celebrities can find another venue to burnish their climate credentials. The COP has more important work to do.

Morgan Bazilian is director of the Payne Institute for Public Policy at the Colorado School of Mines. He was previously a lead climate negotiator for the European Union.

The shadow over US solar expansion

The rapid growth of the US solar industry risks being knocked off course as a "perfect storm" of events causes project costs to rise for the first time in 14 years.

This year marks the first time solar costs have increased since 2007, when energy consultancy Wood Mackenzie first began recording the data. That could spell disruption for solar buildout as inventories dwindle.

"This year is a perfect storm," said Xiaojing Sun, head of solar research at Wood Mackenzie, pointing to a triple whammy of contributing factors: a sharp rise in component prices; tariffs and sanctions; and soaring shipping costs.

Polysilicon, an essential component for solar panels, has tripled in price since January, with increased demand and power shortages in China largely responsible for the rise. The US is now paying a higher price for modules from south-east Asia, where it has historically sourced most of its solar materials.

Polysilicon prices have more than tripled since January

Global average price of polysilicon for mono use

Source: Wood Mackenzie
© FT

Tariffs and import bans have also created an uncertain environment for the industry. In June, the Biden administration announced a ban on silica manufacturers in Xinjiang over forced labour concerns. Petitions for new tariffs may also increase the cost of production.

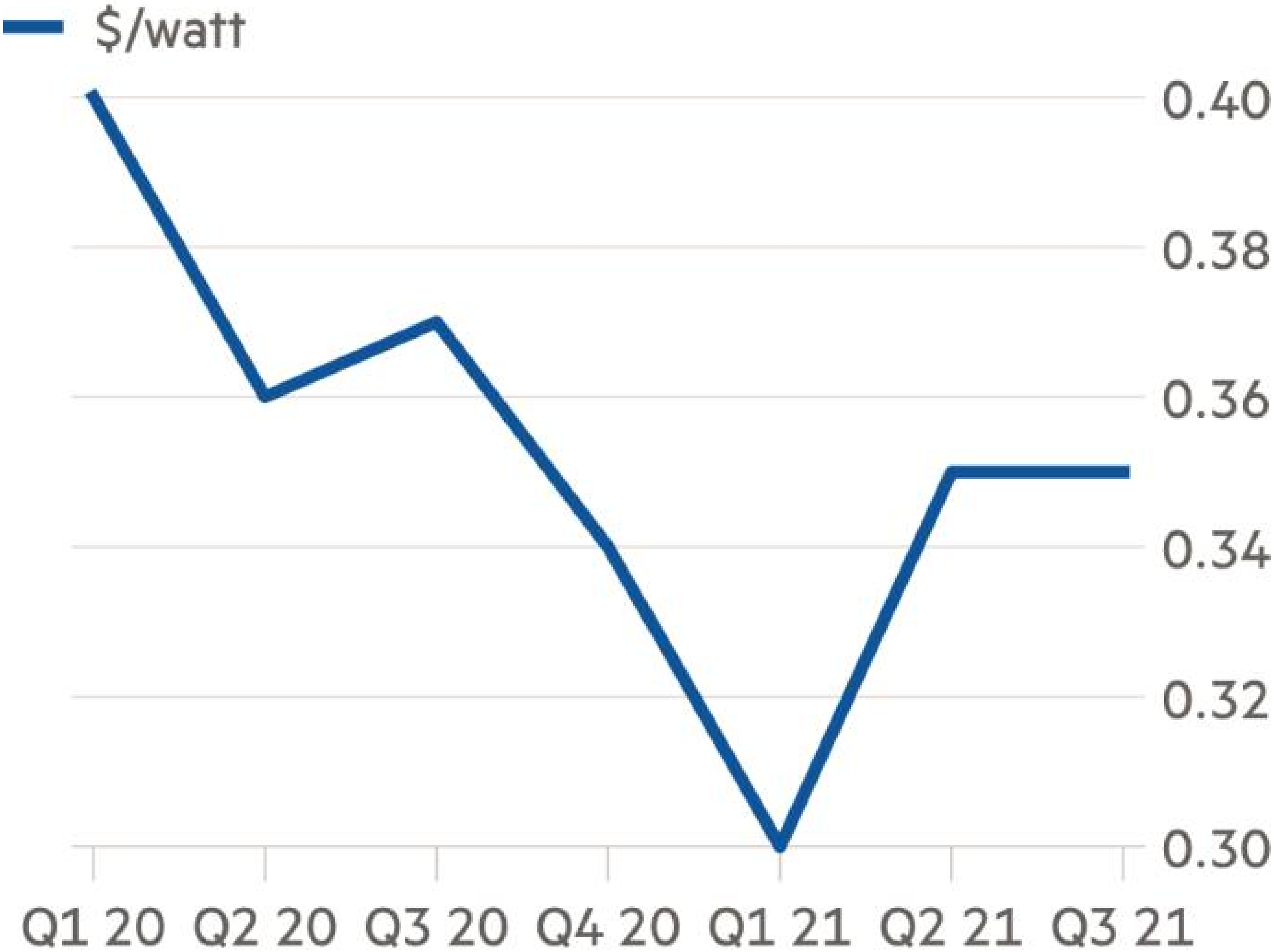
While tariffs on Chinese solar imports have been in place since 2018, an anonymous group of US companies recently petitioned the Department of Commerce to extend these trade barriers to Malaysia, Vietnam and Thailand based on allegations that China has offshored its solar production to these countries.

But the largest driver of solar prices is shipping costs. Owing to labour shortages, increased consumption and Covid-19 disruptions, the global price of shipping a 40-foot container is 10 times higher than pre-pandemic levels.

“The share of shipping of the total [solar] module cost has significantly increased making up 15-20 per cent. It used to be at 2 per cent,” said Frank Haugwitz, a solar energy consultant.

US solar import prices are on the rise

Prices include shipping and tariffs for panels from south-east Asia*



* Mono PERC modules

Source: Wood Mackenzie

The surging costs will add to the increasing climate headaches being faced by the White House, which is betting on the industry's growth as a key part of the country's transition strategy. The Biden administration has said solar power could provide as much as 40 per cent of the US's electricity within 15 years — up from 3 per cent at the moment.

Despite the hurdles, solar made up over half of new electricity capacity installations in the first half of this year, according to the Solar Energy Industries Association. Many US installers and developers have sufficient inventories to avoid problems in 2021.

However, with analysts expecting shipping costs to remain high for two to five years, all signs point to potential disruptions in deployment in the coming months. *(Amanda Chu)*

Power Points

- European gas prices surged again yesterday after Russia's Gazprom damped hopes for additional exports next month
- Belgium's exit from nuclear epitomises one of the key problems in the EU energy transition.
- Glasgow landlords are raising rent prices for COP26.
- European pension plans are slowly going green.
- Toyota and Peugeot announce plans to build battery plants in the US
- Millions in the EU may be unable to heat their homes this winter owing to soaring energy prices (DW)

Join the Transformational Business Conference and Awards on October 26 where we will be honouring and rewarding those who are addressing climate change, harnessing disruptive technologies and business models to achieve best practices in impact and gender-lens investing.