

## Brad Freden: USA welcomes competition in energy

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When Barack Obama became president of the United States of America in January 2009, the biggest polluter in the world drastically changed its course in energy policy. Its turn from oil and gas to green technologies and energy efficiency was greeted with joy in countries that had been trying to reduce their carbon footprint, while the US was preferring business as usual. Although the country previously refused to commit to the Kyoto Protocol, prospects for a Copenhagen agreement in December are looking much better.



Energetika.NET talked about current American positions regarding energy and climate change with Brad Freden, the chargé d'affaires at the embassy of the United States in Ljubljana. Freden comes from California, the state that has a history of good practice in environmental and energy issues; he is a member of the Sierra Club, the oldest and largest grassroots environmental organisation in the United States, which also traces its roots to California.

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**The US's new administration has made some big changes in energy policy – cap and trade law, green jobs, more budget financing for energy efficiency in renewable energy sources. What are the administration's goals?**

The overarching goal domestically is to transform the US economy in to a much more energy-efficient green economy. That starts with some of the measures President Obama has introduced this year in really a dramatic break with the past, to try to put the US at the forefront of green technology and renewable energy, in order to put our own domestic house in order. And then, in order to be able to say, when we go to international negotiations, that we are doing our part as, historically, the world's largest producer of greenhouse gases, we have an obligation to take. That is what we see when we look at the stimulus package, an \$80 billion investment in renewables and green energy. The tough new targets for fuel efficiency and emissions that the administration has imposed on automobile industry, the law that has been passed by our House of Representatives to set a firm target for reducing greenhouse gas emissions by 17 or 18 per cent by 2020 and 83 per cent by 2050.

It is a real effort to try to take a difficult situation in terms of a global economic crisis and challenges from global warming and turn it, in some extent, into an advantage. By promoting new technologies, programmes that will generate jobs in the green industry, and research and development of green technologies.

We are also partnering with other countries to try to increase the trade and economic context in this sector. Our embassy in Stockholm has developed a programme there of really intense co-operation with

the Swedish government in the run-up of the Swedish (European Union) presidency to promote US green energy and technology firms in Sweden and vice versa. So by promoting Swedish technology in the US, and US technology in Sweden, they have generated something like \$150 or \$200 million in business. I think that this is kind of a model of making environmental technology and green energy economically profitable, so you can create incentives on all sides to move towards a cleaner, greener economy.

### **This is quite a change in policy. How do people in the US take it?**

There is some concern over what is going to be the economic impact of producing our carbon footprints. Does this mean that jobs are going to be lost? By directing so much new investment into this sector of the economy, the administration is saying no, this is going to create jobs. And it is going to open up whole new areas for economic co-operation, job creation and trade, so I think that people are generally optimistic. And Americans certainly recognise, far more than they did ten years ago, that global warming is a real and present danger, something that we all have to work on together as a society in the United States, but as a global community, too. It is not like any one country or small group of countries can solve the problem; it is really going to take international co-operation. I think that Americans recognise that.

### **Is the level of awareness getting higher? In Europe we have a lot of EU-led campaigns to increase the level of awareness...**

The biggest eye opener was Al Gore's documentary film, *An Inconvenient Truth*, which really grabbed people's attention and started a wave of public interest in ensuring that, at an individual and societal level, we are part of the solution rather than part of a problem. And Americans as individuals are much more conscious of their own carbon footprints. The fact that reducing your energy footprint and carbon footprint saves money is also a factor. They can feel virtuous at the same time that they can save money by making their homes more energy efficient, buying hybrid vehicles, recycling... all those things are really becoming a part of day-to-day life for so many Americans.

The difference maybe is that in America, more is going on at the community level, at the grassroots, the grassroots are pushing the government more than vice versa. It is a very decentralised system, so a lot is going on at the level of cities and states, as well as the federal level.

### **When we look at the US from a European point of view, we see them using a lot of energy in irrational ways – driving big cars with a bad mileage, building big inefficient houses... Would you agree with such an assessment?**

That is kind of a myth or a caricature of the United States. If you compare, side-by-side, a major economy like Germany with a mayor economy like the United States, you are not going to see that much of a difference in a trend in per capita energy use. At one time, what you said may have been true, but Americans have become much more aware and concerned about producing environmental footprints. I think that we are converging. There is no point in trying to make comparisons; we have to work together. The US and EU, I think, are going to form the core of the developed world's effort to fight climate change.

### **You feel that the EU and the USA should be the ones to lead this climate change revolution?**

We can not do it alone, without the other; it is a very natural partnership.

### **We often hear that the US should take the lead in climate change. We in Europe are not really satisfied with this, after, all we, have been working for so many years on the issue and then you come and take first place...**

I know exactly what you mean. We are not interested in hogging the spotlight on this issue. We have a lot to do at home. I think that we are very open about the fact that, in the past, the US was the largest emitter of greenhouse gases in the world and we have a special responsibility to take a leading role, not the leading role but a leading role in reaching an agreement. But this is very much seen by us as an equal

partnership, not a competition to see who is in the lead. That is really the tone of this whole administration, it is very much towards co-operation.

**How do you see co-operation on the global level, how do you see the outcome of negotiations in Copenhagen?**

We are making all our effort to ensure that Copenhagen results in real, meaningful reductions of greenhouse gases. The developed countries, the USA, Europe, Japan, etc, are going to have to reduce their greenhouse gas emissions by an absolute amount by a target date and they will have a firm and very clear target. The second group of countries are India, China, Brazil – the fast-developing countries that, in the future, are going to produce something like 80 per cent of the world's greenhouse gases. Recognising that these countries have every right to develop and to raise their standards of living, we see a set of targets that will aim to reduce the rate of growth of their emissions. Unlike the developed countries that will have an absolute decline, most likely we would like to see more advanced developing countries agree to targets to reduce their growth. And for the less-developed countries, we are going to have to get together as part of Copenhagen, to agree on a financing package that will help these countries to transition their economies, because they cannot do it alone, to a more carbon-neutral, sustainable model of development. We are doing something already in terms of providing assistance to companies that want to invest in green technologies in the developing world through our Overseas Private Investment Corporation. That is about half a billion dollars that OPIC has to support these kinds of technologies. But we are looking for a broader agreement.

**China's and India's position is that the developed world has to finance their efforts, as they are not to blame for emissions. And negotiations will come down to financing. Do you see the economic crisis as not only a problem, but also a point where we cannot reach an agreement?**

I think it is broadly recognised that we cannot not reach an agreement. We really have to reach an agreement at Copenhagen. But it is essential to have China and India, in particular, as a part of that agreement. And that is going to be the toughest part from now until December, I think, working with countries such as China and India to reach an agreement on a target that will contribute to solving the problem but also allow them to continue growth. I wish I knew what the answer was. There are a lot of people that are a lot smarter than I that are working on this issue. I don't know what the agreement is going to look like and what is acceptable for those governments in terms of their commitments – that is maybe the hardest piece of this puzzle. But it has to be done; there is no alternative.

**Solving our own internal economic problems and also helping these countries with climate change obligations that we are obligated to do because we have been the main emitters historically – this balance can be difficult to find...**

It can be. One answer is, maybe, and I am speaking off the top of my head, sharing green technologies. Technology transfers. So that it may come down to the question of developed countries financing the transition of the Chinese and Indian economies. I don't think it is, but (instead) helping them to adapt green technologies. These are countries with strong economies. And if you look at the less-developed countries, that is where we are going to have to come together and provide assistance. But China and India are dynamic, developing countries with strong economic growth and I think that it is going to come down to more of a partnership with them. So that they don't make the same mistakes we did.

**Some of the states in the US have passed their own laws on green electricity. But the technology they use is mainly imported from Europe. How is the administration going to boost industry in this sector?**

I would dispute the assertion that most of the technologies come from Europe. I think that there are significant investments and cases where European technology has been adapted and used in the US. That is great. We said all along that we can't let the search for a cleaner and greener economy lead to protectionism, so we are committed to keeping our economy open. But I think that we are very

competitive in that sector, too, in terms of our exports. We welcome the competition and Americans are not very frightened by the fact that we are buying European technology to solve some of these problems. Because we are also very actively promoting American technologies and I think it is not a threat, it is something that we have to recognise. If we are going to succeed, we have to keep our markets open and utilise the best technologies, regardless of what countries they come from.

**Another important issue in Europe is energy security. What is your view on this struggle in Europe to secure enough energy for its future needs?**

We are very supportive of diversification of energy sources regardless of whether it is in Europe, the US or anywhere else. The fundamental foundation of our policy is that diversity and competition keeps prices down and encourages competition. To the extent that Europe can move towards renewables, we strongly support that. To the extent that Europe can diversify sources of fossil fuels, as long as they are using them, we strongly support that. Looking to other countries, other sources just to create a market that is competitive. We are doing the same in the US, trying to diversify our sources so we are not depending on one country, one region for energy, and looking for all kind of alternative sources.

**So you think that this kind of energy interdependence in the world is a good solution?**

I don't think that it is a bad solution, I think we have to be interdependent in a number of ways. If we are going to be interdependent in terms of the future of our climate, we have to also be interdependent in energy. There is no doubt that Russia is and will continue to be a major source of gas for Europe. That is natural. We are not by any means anti-Russian or saying that Europe should not buy Russian gas. On the contrary, we think that this energy relationship is going to continue for decades and decades. But what we are looking at, really, is the diversification that will keep prices low and supplies constant. It is about creating more sources, not any attempt to limit existing sources. It is the South Stream – Nabucco (gas pipeline) thing. We are not against South Stream by any means. We think that whatever pipeline projects are economically viable and help Europe maintain reliable efficient source of energy are good.

**The South Stream vs Nabucco competition is currently a big issue here...**

It is not a competition. I think that folks in the media like to look at them as competition, but they are not mutually exclusive. Nabucco will never compete with Russia as a source of gas because it is going to be only a small percentage of the overall supply, so it is really just a question of ensuring as many different sources as possible.

**But they are competing for the same sources of gas.**

In a sense. The Central Asian countries. It is up to those countries to make a decision on a transparent basis. And that really is the message to those countries and to our Russian friends: let's compete and whatever country or company offers the best product at the best price should be selling. As long as it is done on the base of market principles, we have no problem with that.

Unfortunately there has been a couple of cases – Russia blames Ukraine, Ukraine blames Russia, one doesn't know precisely where the truth lies but the fact is that the source has been cut off more than once. That is another reason to be looking for diversification, the sources have to be reliable. Again, energy should not be a political weapon. That is one of our concerns.

**President Obama announced a nuclear conference at the beginning of next year. There is a lot of talk on a nuclear renaissance, and nuclear power has strong supporters as well as opponents.**

I think we see it as one source of clean renewable energy. There is going to be a balance of different sources. The US will never be as heavily dependent on nuclear power as, for example, France, but we see it as an element of energy policy with it obvious advantages and disadvantages. Our view is that over-dependence on any source of energy is probably a bad thing. Diversification of methods of

producing energy is a good thing. Sure we have to deal with a question of nuclear waste, we have to ensure the safety of these reactors and those are big concerns.

US has not licensed a new nuclear reactor in 20 years. Not because we are anti-nuclear but because it did not make economic sense. It was too expensive. In the meantime, technology has advanced quite a bit from the 1980s and nuclear reactors have developed a lot of safety features, passive safety features, and they are inherently much safer.

**But in Europe we can see the building problems with the Olkiluoto 3 reactor, the financing problems of Belene NPP in Bulgaria... It really does not look like a good prospect...**

Every country is going to have to decide individually. It has to make economic sense and it is a big investment. As I said, the reason we were not building nuclear power plants was that they were not cost-effective. Most people think that the long-term trend of energy costs is going to be up, although we are in a down spot now, and it is going to make sense to invest all that money up front for production of nuclear energy. Older reactors are going to be retired, that is a natural process, as old technology is going to be replaced with new technology. And the research and development has to continue, to produce less and less waste. It is an ongoing process.

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