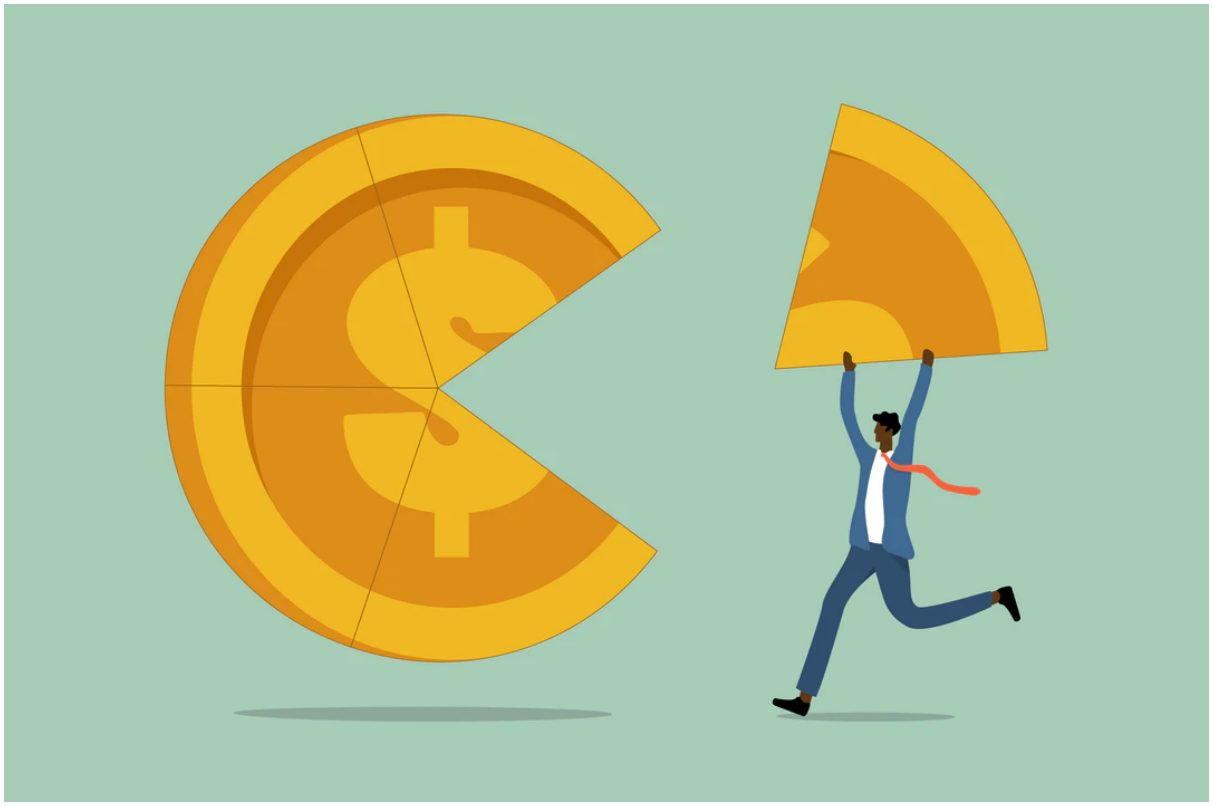
THIRD WAY

BLOG *Published June 17, 2020 • 6 minute read*

Five Reasons We Need a Clean Energy Stimulus



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In April 2020, US industrial production dropped the most in the 101-year history of tracking this activity. Economic activity contracted by 5% in the first quarter. As of June 9th, the Atlanta Federal Reserve Bank's "Nowcast" warns of a near 50% drop in the second quarter, the largest quarterly decline on record. The recession will weigh on employment and economic activity for years: the Federal Reserve said on June 10th it expects the unemployment rate to stand at 9.3% at the end of the year and output to come in 6.5% lower than in the final quarter of last year. All of that assumes no further lockdowns if the novel coronavirus resurges.

By these counts, employment will be top of mind for millions of Americans for years to come. We need to implement policies supporting dynamic sectors that can jumpstart the economy and create jobs quickly, and the clean energy sector is a perfect candidate.

Clean energy jobs were already growing at twice the rate of overall employment before the recession. Technology costs have dropped precipitously. Clean energy investment funds are outperforming the overall market. And all these perks don't even take into account the massive gains in public health and environmental equity from reduced air pollution, which disproportionately impacts people of color.

Congress has a once-in-a-generation opportunity to turn an economic crisis into an impetus for making future-oriented reforms that create jobs and new businesses while advancing clean energy and definitively starting to address climate change.

Five Reasons Why Clean Energy and Recovery Go Hand in Hand

1. Clean Energy Creates Jobs Fast and Grows the Economy

Clean energy has huge job creation potential. Renewable energy and energy efficiency are more labor-intensive per amount of electricity produced than are fossil fuels, giving lawmakers more impact per dollar. One study found that putting $1 million toward renewable energy or energy efficiency results in 7.49 new clean energy jobs—about three times as many as competing fossil fuel investments.

Clean energy projects also create jobs faster in the short-term than projects in other sectors. Most of the labor and expenses for these projects are frontloaded, occurring during construction and manufacturing rather than during operation. That's great news, since creating new jobs up front boosts household spending and short-run GDP multipliers right when jobs are most scarce.

2. Clean Energy Starts the Long Process of Addressing Environmental Injustice

A history of institutionalized racism and redlining has left people of color at increased risk of the effects of pollution near their homes. Reducing this pollution by replacing fossil fuel generation with clean energy resources begins to address these inequities.

People of color deal with 66% more air pollution from surface transportation in the Northeast and Mid-Atlantic than whites, and African Americans have a 54% higher burden from soot than the overall population. Exposure to soot is also associated with a greater risk of dying from COVID-19; people of color are disproportionately exposed to this and other types of air pollution and are dying at faster rates from the coronavirus. House Democrats included funding in their HEROES Act stimulus bill to investigate why this is happening and take action.

3. Clean Energy Is More Profitable Than Ever

Dramatic drops in the cost of technology coupled with a low cost of capital have made clean energy a prudent business investment. For instance, utility-scale solar costs are down 82% and battery costs for electric vehicles have fallen by 84% over the last decade alone.

That's a far cry from 2009, when renewables were seen as risky bets for investors. The American Recovery and Reinvestment Act helped the fledgling renewable and electric vehicle industries weather the Great Recession, supporting the first US utility-scale solar projects and enabling then-start-up Tesla to flourish into a legitimate automaker with a valuation of over $180 billion as of June 16 that represents half of US EV market share.

Added to that, today's low capital costs are an opportunity for clean energy that we shouldn't waste. Clean energy projects are particularly profitable when interest rates are low, since developers can then borrow capital at reduced cost, and capital is one of the main expenses for renewable projects.

Investors are starting to recognize the value of these industries; most clean energy stock funds have been outperforming S&P broad market average by at least 20% over the past months. Now, the perilous scale of both the recession and the climate crisis, in addition to improvements in these technologies, demand that lawmakers go much bolder on clean energy stimulus this time around.

4. Clean Energy Is Politically Popular

Support for non-fossil energy is widespread and bipartisan. Nine in 10 Democrats and those leaning Democratic say the country should prioritize developing alternative energy over expanding fossil fuels, but so do 62% of Republicans and Republican-leaning adults. Strong majorities of US adults told Gallup in March 2019 that the country should place more emphasis on producing power from solar (80%) and wind (70%); far fewer respondents said the same about oil (28%) and coal (22%). Meanwhile, 60% of adults favored establishing policies targeting a dramatic reduction in fossil fuel use in 10-20 years to reduce emissions.

US voters are looking to Congress to take action on climate change: sixty-three percent say Congress should be doing more to address global warming. And in April 2020, 87% of voters expressed support for funding more research into renewables like solar and wind, on par with results from April 2019.

5. Climate Change Is an Enormous Problem We Need to Tackle Today

Clean energy's credentials to provide short-term economic solutions are reason enough to

include it in a stimulus. But it's also a make-or-break moment for addressing climate change. Many countries have already put forward infrastructure-heavy stimulus plans—textbook solutions to stimulate the economy during a recession.

But not all infrastructure is created equal when it comes to climate change: any infrastructure we build now could either lock us into decades of carbon-heavy power emissions or transition us to a clean energy economy. The choice is ours. More than 230 G20 economic experts and officials said in May that "progress on climate change will depend significantly on policy choices in the coming 6 months; the right choices could drive a long-term downward trend in GHG emissions." As former Fed Board of Governors member Sarah Bloom Raskin recently wrote, addressing climate change creates jobs; investing instead in fossil fuels risks our ability to reduce emissions.

The evidence in support of fiscal stimulus is strong and widespread. We know that even in the rosiest of pictures for containing COVID, we will still have a jobs slump.

There are dozens of ways Congress can invest in clean energy infrastructure alone that would create jobs, support businesses, and help our economy recover. And many of these jobs can be well-paying union positions: Sen. Jeff Merkley (D-Ore.) and his colleagues have proposed legislation that would encourage energy companies to meet strong labor standards by providing new tax incentives and would offer grants to small and midsize manufacturers for energy efficiency improvement projects.

Democratic lawmakers understand this and have made clear that they support passing a stimulus that invigorates clean energy.

Clean energy investments are good economics even in the absence of climate risk and runaway air pollution. But stimulating the economy while delivering on our climate goals and cleaning up our air is an offer we can't refuse.