

For Climate and Clean Energy, This Crisis Is Different Than 2009



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With the COVID-19 crisis upon us, Democrats in Congress, former Obama Administration officials, and those of us in the think tank world are dusting off their notebooks of takeaways from the American Recovery and Reinvestment Act to develop a response to the pandemic. This is particularly true in the clean energy and climate community, which was among the key beneficiaries of that 2009 law.

This economic crisis, however, has little overlap with the Great Recession that President Barack Obama inherited 11 years ago. The state of the clean energy economy and the make-up of the federal government have since shifted significantly. As a result, this emergency requires a different response from policymakers – one that scales investment in clean energy resources, ties infrastructure upgrades to job growth and

emissions reductions, and sufficiently expands COVID-19 testing to eventually return us safely to normal operations.

The Clean Energy Sector Is Different

A little over a decade ago, investors viewed renewable energy as risky and exotic; there were only about a dozen firms willing to make tax equity deals. Commercial debt for utility-scale wind and solar projects was virtually non-existent. Battery storage was barely even an industry. Virtually the only electric vehicle on the road was the Tesla Roadster, a six-figure sports car. When the financial crisis toppled the economy, the fledgling renewables industry suffered alongside other manufacturers and construction companies that stalled as capital markets froze.

In response, Congress enacted a stimulus that injected tens of billions of federal dollars into the establishment of robust clean energy businesses to drive down costs, reduce carbon pollution, keep more money in people's pockets, create new jobs, and lay the foundation for a new set of clean energy industries. The Recovery Act moved capital into those construction projects, funded weatherization work, and provided critical investment in companies like Tesla to help develop the first widely popular all-electric vehicles (EVs). It helped many of these companies transition from start-ups to mature businesses by unlocking frozen credit markets, providing the loan guarantees necessary for large-scale wind and solar projects to go forward and demonstrating to private capital markets that these investments were safe and prudent. Guarantees for automakers gave them the financial backing they needed to develop some of the most popular hybrids and EVs on the market today and the factories to manufacture them.

By virtually all accounts, those efforts worked. Today, investors are choosing renewable energy projects because they are now viewed as "safe." Battery pack costs have dropped dramatically, from \$1,000 per kilowatt-hour in 2009 to \$120 kWh today. Tesla's market capitalization remains near \$100 billion, and the company can readily access private capital markets to fund its growth.

The Politics Are Different

Even though in 2009 Democrats held the White House and majorities in both chambers of Congress, budget and spending concerns paired with Republicans' opposition to clean energy support severely limited the scope of the Recovery Act. That said, Democrats passed the 2009 stimulus without a single Republican vote in the House.

Gridlock and Republican intransigence have only since intensified. Congress has passed four economic rescue packages in response to the pandemic – not through a revival of bipartisan behavior, but through the recognition that inaction would wreak cumulative catastrophe. Senate Republicans don't merit credit: Senate Majority Leader Mitch McConnell and his colleagues refused for weeks to free up further funds desperately needed for hospitals and testing. Close cooperation between House Speaker Nancy Pelosi and Treasury Secretary Steven Mnuchin ultimately clinched much of the rescue response to date.

McConnell has made clear he does not support moving the kind of comprehensive infrastructure stimulus this crisis calls for, which isn't surprising. Republicans consistently oppose even basic measures like the investment and production tax credits and credits for EV purchases, and Congress hasn't debated a comprehensive climate bill since Waxman-Markey in 2009. Sadly, outside of a few rogue Senators, the GOP has not shown interest in anything that rebuilds our economy back stronger, much less that helps our clean energy companies stay the course or that confronts climate change.

Ironically, since 2009, the GOP has given up its pretense of concern over blowing further past the deficit. Constraints on federal spending have all but vanished, and just in time. Democrats need to start actively advocating for the boldest stimulus of the modern era. The country requires a stimulus large enough not only to help dig us out of this economic hole, but also to start shielding us against future economic shocks. Unlike in 2009, the government in its current make up cannot enact anything close to the size of stimulus needed. At the very least, a Democrat will need to be in the White House to help us recover and build back with a climate-constrained future in mind.

Technology Needs Are Different

The Recovery Act helped bolster the solar and wind industries sufficiently to weather the current crisis. But the climate challenge we face requires a future-oriented recovery effort that significantly invests in additional, critical clean energy resources. We need to think bigger and broader about how we invest in energy innovation to develop quickly enough the technologies we still need to address climate change, including advanced nuclear, carbon capture and removal, large-scale energy storage, and next-generation biofuels. Developers of these resources, many of whom are start-ups, risk languishing without the kind of thoughtful support offered to renewable generation technologies in 2009. If we are to emerge stronger from our economic crisis, scaling RD&D investments that enable innovative work to continue unabated will be as important today as supporting wind, solar, and EVs was a decade ago.

A climate-minded recovery effort will require massive amounts of infrastructure investment, from new transmission lines, clean power generation facilities and mass transit expansion to research and development (R&D) infrastructure at national laboratories, new EV charging

infrastructure, and low-carbon jet fuel fueling stations. Infrastructure funding will help the US recover economically and start to shock-proof us from the effects of climate change.

How to Respond to This Crisis

The Great Recession and the COVID-19 crisis are not 1-to-1 comparable, so the recovery responses will differ. Congress should focus on fixing and modernizing our infrastructure and investing in the entire suite of America's clean energy technologies. Ensuring that such upgrades create jobs and lay the foundation for lower emissions, we can get America back to work and turn our response to this crisis into insulation against climate change.

Our economic health is inextricably tied to our public health. In order to recover, this unique crisis necessitates significant investment enabling faster and more widespread testing for the virus. For clean energy businesses to return to normal, developers must be able to engage with local governments and get their construction crews back to work. Manufacturers need the pandemic to end so they can get their assembly lines moving again. That can't happen until Americans have confidence that they can safely return to the public sphere.

TOPICS

POLITICS OF CLIMATE 38