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# Everything is Different: Reflections on the States

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# **A time of challenge**

# **A time of innovation**

- Trade war threatens supply chains
- Pandemic stalls economy
- Shooting war disrupts global energy and food
- Globalization and Nationalism in tension
  
- Governments specialize in resolving dilemmas

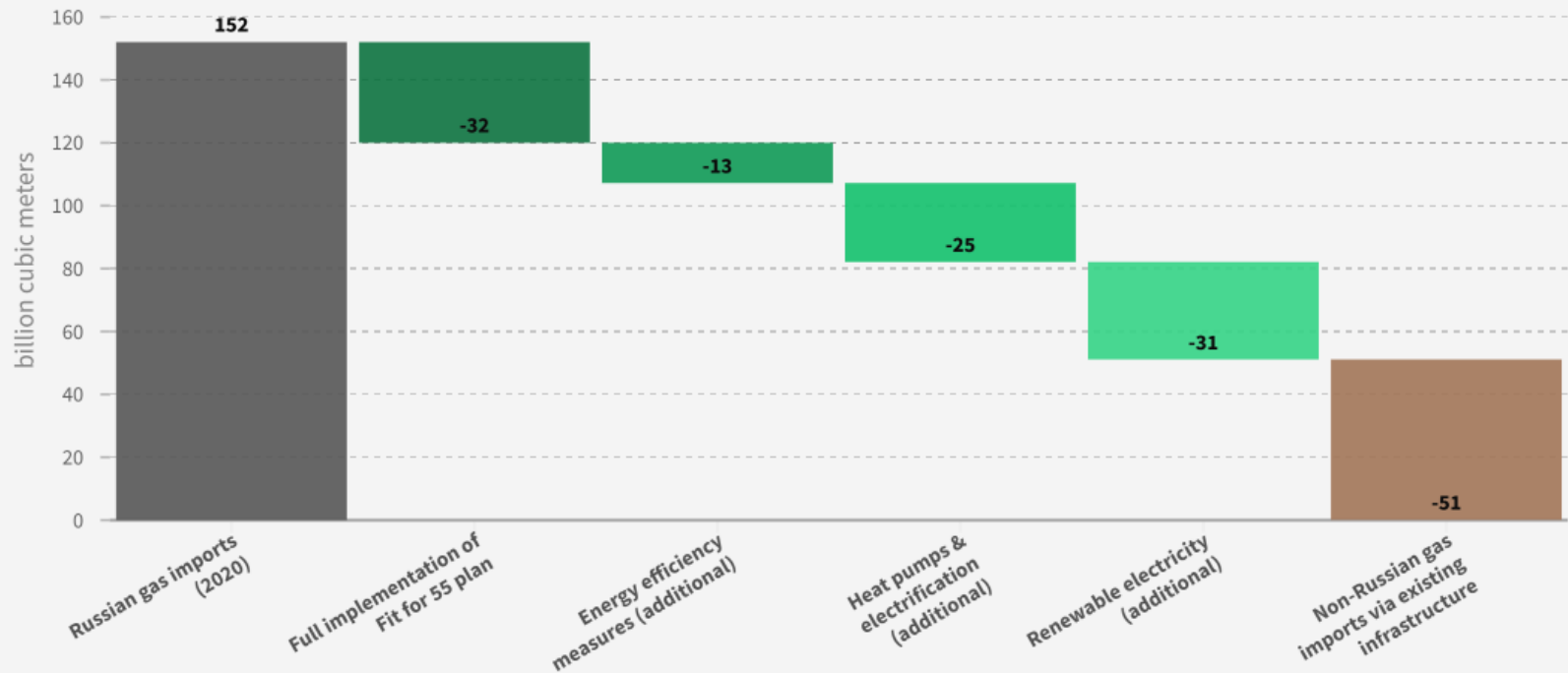
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# A Path for Europe Consistent with Climate Action

- Present unity rests on a foundation of commitment
- Accelerate the course for Fit for 55
- Utilize existing gas facilities more fully from non-Russian sources
  - Significant reduction of gas use by 2025
- Accelerate energy efficiency, building electrification (heat pumps), demand management, renewable power

# EU can stop Russian gas imports by 2025

Russian gas imports cut by 2025 through the implementation of Fit for 55 plus additional clean energy solutions



Sources: Analysis by Bellona, E3G, Ember and Regulatory Assistance Project (RAP) • EU Commission model-based projections supporting the Fit for 55 policy initiatives (MIX scenario)

What will become of poorer countries that cannot “pay the most” for gas?

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# Gas – a two-sided story

## But first an interlude of poetry

### **There Was a Little Girl**

BY HENRY WADSWORTH LONGFELLOW

There was a little girl,

Who had a little curl,

Right in the middle of her forehead.

When she was good,

She was very good indeed,

But when she was bad she was horrid.

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# Gas – a two-sided story of the public interest

## Gas: A backbone

- Available
- Flexible
- Usually cheap
- Easily used
- Established industry

## Gas: An obstacle

- Volatile prices
- Increasingly global
- Counter to climate action
- Industry politically strong

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# Very Rare Events



- Hard or impossible to predict
- Bad consequences
- Tend to be rationalized later
- Scenarios
  - What can go wrong?

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# Resilience



- Avoid going down, accelerate coming back, protect most important
- Scenarios identification:
  - what are you worried about?
- Gaming – cooperation, practice, awareness
- Insurance – protect against the worst, recover



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# US ambiguity on climate action

- Unlike Europe with its constitutional commitment to climate action, the US approach goes back and forth depending on who is President

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# States lead on climate

- States generally are the consistent voices acting on climate
  - Those states that are committed (New England)
  - Despite increasing popularity and corporate commitments, some states remain unmoved
    - Producing states are especially vexed
  - Result is a “climate market” of business responding to demand

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# Implications for natural gas as an energy resource

- Producing states are locked in supporting gas use
- Consuming states leaders concerned about climate action (or concerned about the risk that climate action will become necessary) are also concerned about further investment in gas infrastructure
  - And will it be obsolete well before its useful life?

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# US Response to Ukraine War (and pandemic and trade war ...)

- Markets useful, not adequate
  - Some bad outcomes will not be protected against unless **government prioritizes, invests and stays the course**
  - Some Vulnerabilities
    - Seasonal Gas Storage
    - Spare transformers
    - Pre-staging for disaster preparedness

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# US Response to Ukraine War (and pandemic and trade war ...)

- Markets useful, not adequate
  - Strategic investments need government to prioritize
    - Is this likely?
  - Attention to prices and spikes and social effects
  - Idea: Shock absorber inspired by Australia
    - Consistency with markets, government

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# Messages to States

- Trust the UN IPCC science process
  - And their findings that climate action is imperative
- Plan to reform those economies dependent on fossil fuels
  - Including consideration for using the expertise of gas companies
  - Consider measures like a Clean Heat Standard

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# Messages to States

- Use evidence-based process to consider the feasibility of manufactured gas and hydrogen from renewable fuels at scale and competing uses
  - Including present supply chain challenges
- Long duration reserves or storage, yes
  - Prioritized using resilience problem solving

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# Messages to States

- Avoid the prospect that those who can afford it will electrify first, leaving the gas system to those with fewer means to pay for it
  - Instead, affirmatively transition low and moderate income buildings to electric heat



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# Leadership

- Embrace realism, probabilistic practices, resilience
  - Resist magical/wishful thinking
- Collaborate regionally, note “control” & “advocacy”
  - Game out scariest scenarios
- Consider Europe tactics, collaborate
- Invest in buildings, in processes, in data
  - Enable people to do more with what they have
- Attend to most vulnerable
- Celebrate success

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# Suggested Readings

- How Europe Can Rapidly Reduce Gas Dependency (2022)
- EU Can Stop Russian Gas Imports by 2025 (2022)
- Price Shock Absorber (2022)
- Under Pressure: Gas Utility Regulation for a Time of Transition (2021)
- Practicing Risk-Aware Regulation (2012)

# About RAP

The Regulatory Assistance Project (RAP)® is an independent, non-partisan, non-governmental organization dedicated to accelerating the transition to a clean, reliable, and efficient energy future.

Learn more about our work at [raponline.org](https://raponline.org)



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