

SUSTAINABILITY

## Are Countries Actually Committing to Green Energy?

by Daniel Ginsberg



*With energy markets on the verge of a green transition, are governments drafting national policies to reflect this environmental shift? Read more on case studies from the United States, China and the United Kingdom.*

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Is green energy on the precipice of becoming a global norm? Even prior to newfound commitments stemming from the Paris Agreement, 2015 set new records for investments in renewable energy. Concurrently, the world has experienced a drastic price decrease in fossil fuel commodities, unfortunately deemphasizing the sense of urgency for governments to commit to alternative sources of energy production. Developed countries such as the United States, EU member states, and Russia consistently appear at the top of

carbon emission lists, but developing countries such as China and India still suffer from some of the worst air pollution ever recorded. The case studies below take a closer look into the reality of government intervention to promote environmental standards and galvanize green energy production.

## Reemergence of Fiscal Policy – United States

Regardless of the outcome of this truly memorable election, the majority of financial companies predict more fiscal policy stemming from Congress than in the last decade, characterized by an increasingly polarized electorate. Since the 2008 recession, central banks have assumed an unprecedented role in stabilizing the economy. With the Federal Reserve's decision to raise the discount rate, both candidates have pledged to supplant less monetary circulation with greater government investment. Some investment plans aim to address general infrastructure issues, notably the United States' aging power grid and power plant construction. Democrats hope to invest over \$60 billion to support green energy initiatives, whilst Republicans continue to support the utilization of fossil fuels, claiming that green energy still remains a financially onerous alternative. Ultimately, the fate of energy policy within the United States will depend not only on the presidential race, but also on party majorities in the Senate and possibly the House of Representatives.

## Economic Convergence – China

Since Deng Xiaoping's sweeping economic reforms throughout the 1980s, China has maintained unbelievable levels of economic growth. As the country begins its lengthy transition from a manufacturing to a service-based economy, traditionally state-owned enterprises based in heavy industry and factories continue to struggle with the rapid modernization of the economy. Unlike the United States and many other long-standing democracies in Western Europe, the Chinese government can easily pursue wide-ranging interventionist policy (e.g., discretionary fiscal stimulus, currency manipulation) to bolster economic activity. With the government pledging over \$2.5 trillion for investments for green technology research and manufacturing, Xi Jinping certainly has ambitious plans

for China's new sustainable energy sector as a means of a needed economic stimulus. It is no surprise that China's launch of the Asian Infrastructure Investment Bank coincides with the beginning of the country's future in sustainable energy.

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## Brexit's Environmental Ramifications – United Kingdom

With the United Kingdom's historic vote to leave the European Union in June, many conservatives point to the greater flexibility of British industry to operate without cumbersome environmental regulations imposed by Brussels. Although the UK has been forced to accept more stringent environmental standards as a result of EU membership, many of the reforms have incentivized British industry to adopt and implement new technologies such as carbon capture and storage. It is currently unclear whether Parliament will introduce more loose environmental standards, but without the UK's assistance in the common market, many EU-funded sustainability projects might now be unachievable. Overall demand for renewable investments have reached record lows, although increasing offshore wind production still remains an essential part of the UK's future energy targets. Whitehall's budgetary allocations for renewables remains at less than a billion USD. As evinced by Brexit, the UK remains hesitant to fully embrace the green energy renaissance, providing a greater contrast between the island nation and many countries on the continent.



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