

Pieter de Pous Interview

Sat, Dec 24, 2022 7:49AM 1:06:01

SUMMARY KEYWORDS

germany, gas, renewables, energy, people, region, hydrogen, eu, coal, commission, transition, building, big, eastern germany, lng terminals, russia, target, bit, power, point

SPEAKERS

Pieter de Pous, Michael LaBelle



Michael LaBelle 00:03

The big conversation on Germany's energy crisis interview with Peter de Pous was episode 72. Welcome to the My energy 2050 podcast where we speak to the people building a clean energy system by 2050. I'm your host, Michael LaBelle. What went wrong with Germany Europe's leading renewable energy is now building LNG terminals to make up for lost Russian gas. Germany had no LNG terminals before Russia's war in Ukraine. Now it's making deals in the Middle East and building LNG terminals. This activity exposes how much Russian gas was used to make the miracle the energy vendor, Germany's rollout of renewables in the energy transition, where he got away got rid of coal and nuclear are almost as we will discuss in this conversation, as you'll hear with Peter to pause, he's the E three G senior policy adviser on the fossil transition team. We have a broad discussion on the background to Germany's energy transition, and the switch away from Russian gas. We also delve into the world of EU politics and the fit for 55 package. I've titled this episode as the big conversation on Germany's energy crisis for a reason. Peter was kind enough to sit with me back in October of 2022. So it's been a few weeks, but this is weathered very well, our conversation, and he shared his knowledge and how well Germany and the EU are dealing with high gas and electricity prices, and the impact this has had on the energy transition. Our conversation is why a label is the big conversation covers a wide field of the energy issues. I was really impressed by Peter's knowledge about the policymaking process. And the balancing act that politician Strettle was also very knowledgeable, he is very knowledgeable about the workings in Brussels. I've done minimal editing as I usually do. Because usually I screw up what I edit. But this episode unfolds in a general conversation style where a lot of topics are discussed, they're both clearly connected. And other times maybe it seems a bit random, but we do make progress over the hour. By the end, I'm convinced you'll have a greater understanding of the politics behind Germany's energy transition, and a new perspective on energy security that the German government holds, as Peter describes, maybe Poland and its cautious stance against Russian energy interests was justified. Certainly Germany and the EU are now adopting the Polish energy security position. And we have a lot more to say about this in our conversation. Before moving on, we have big news this week. As I mentioned last week, we are launching the repowering leadership in European energy and food summer school. This is done with a Central European University summer university program. And with the Open Society university network, you can find a link to the call for applications in the show notes. It's gonna be fantastic at the end of July 2023. So

get your application in before I think February 14 is the deadline. A final note This interview was done for my current role as an open society University Network Senior Fellow at Chatham House, the Royal Institute of International Affairs, funding was generously provided to produce the podcast I get a whole bunch of episodes, I'm still going to be getting out in 2023. So stay tuned for those. And now for this week's episode. I'm here today with Peter de Pous is the E 3g senior policy adviser on fossil transition on the fossil transition team. Peter to start off, first, I want to say thank you for making the time to be on my energy 2050 podcast. Thank you. Okay, great. Now it's a good start. But my first question is really working here at ie 3g, how did you get this job? Because part of my audience are students and people that are interested in to move into energy. And I would say the environmental sector as a whole, and how did you end up here?

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Pieter de Pous 04:11

That's that's a slightly potentially longer story. But I've I've I've a background in conservation, science or policy. And I, I've, I've started out working at an environmental NGO in Brussels. And once you get into sort of the broader environmental agenda, and then climate and energy is one of the biggest topics, fights is going on. And yeah, that's how I sort of got sort of gradually into into the topic of energy and climate, but it was through a background in fact, forestry conservation, then policy then rather green agendas.

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Michael LaBelle 04:54

Okay, excellent. And for those that don't know, could you maybe describe a little bit about E three EEG itself as an organization, and

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Pieter de Pous 05:03

so, So energy is, is it we call ourselves a European think tank we're headquartered in in the UK. But we really work. In the whole of Europe, we got offices in Brussels, Berlin, we got a new office in Washington as well, which, since the Democrats got back into power has grown a lot. And they have a lot more to do than before. And now we have quite a number of associates around the world that we work closely with. So we have a global focus or global perspective, but we really worked through the European. And now to a large extent us trying to shape basically global climates policy. And from there, we're getting into topics like energy, keen economy, broader green finance, and the area I'm working on is really previously was started off as a call to clean transition program, but it's really become a fossil to clean transition program.

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Michael LaBelle 06:11

So more broader than just cool.

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Pieter de Pous 06:15

So I think one of the things we've noticed when we started off the work on the coal transition

So I think one of the things we've noticed when we started on the work on the coal transition isn't that gas was enough, indeed, we're going to talk about that a lot more shortly, was still widely seen and believed to be by many a transition fuel. And yeah, so the more we advance on the call face out, we realize we need to address the call to gas transmission risk. Yes, much more explicitly. And that's where we're at now. So we're trying to basically go away from just getting out of coal to basically getting out of all fossils. Our work is focused on the power sector. Okay. Yes. But, yeah, the the, the, the approach we're taking is there once you want to decarbonize the power sector through electrification that can help electrify a lot more of the economy as well.

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Michael LaBelle 07:09

And so when we're talking about phasing out gas, so maybe we'll talk within a European context on this. When talking about phasing out gas within the within the EU, is it perceived? Maybe we'll avoid the Russia question and the gas for the moment. But which for only a moment, we can't avoid it for long. But is that seem to be happening quite quickly, or we had kind of pre war and post or middle war? I think we're.

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Pieter de Pous 07:42

So I think one thing that was really important to point out is that energy policy was always a national competence, right? So the US involvement in energy was always indirect through you know, climate policy, clean energy, promotion, policy, etc. But your choice of your energy mix. particular questions, like nuclear or not, are very much national competence. So I think the EU conversation on this was always dominated by the sort of that dynamic, you'll stay out of that. Yes. Attitude by member states. And one of the interesting things is that when when we realized that Europe was actually getting out of coal, Zin, a huge decline in coal power generation Europe, there was a gas industry that was public speaking was loudly about that and cheering it on and saying, Look, yes, we're here we are, we're going to take off so but it's not an EU wasn't an EU conversation was very much a scattered national, different dynamics and guess was always and I think the gas industry has been always very successful in positioning themselves as a as a bridge fuel. I always said that's just, I mean, bridge is just wrong. Metaphor. It's a ramp. It's just, it's just going down a little bit. Okay, the length of the ramp going down is a little bit longer than call. Yes, it doesn't make you a bridge. Okay. So you're still you're still you're still going down? You're just going down a little bit later than coal. Okay. Yes. But I think gas has always been very successful in positioning themselves as know where the bridge where the transition, you're gonna need it. And, and I think that just that's the one thing that's just changed overnight. I mean, of course, ones that were you know, and it will say explicit escalator didn't it didn't start in February, right. It just, yes. Got it expanded massively. Of course, a lot of people saying, well, we've been warning you all the time about Russia. Yes, it's true. But this it had to come to this before Europe actually woke up and realize how bad things were. Yes. And of course, what it did is it completely destroyed the whole notion that guys was there as a bridge fuel. And I think this is One of the basic dilemmas that you have now is the whole business model of Germany, of him to be going to be an export master of being a big producer was all, you know, hinging on since the 70s, since they replace coal with gas from Russia, depending on that cheap gas from Russia, and the an obvious new business model isn't there yet. And Germany thought they were going to have years? Yes, but it's okay. It's to change that.

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Michael LaBelle 10:31

Yeah. It's so obvious now that how dependent Germany was on Russian gas,

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Pieter de Pous 10:37

it's all I mean, it was always obvious I think, okay, Germany just managed to get away with doing it, regardless of all the criticism that they received. They've been very, very good. And just blending out. You know, I mean, when we were I started here, I think four years ago, when we tried to sort of cautiously point out that maybe there may be other things you might want to worry about other than building more gas pipelines. Nord Stream two, we tried to be very subtle. Yeah. Okay. Because we nearly if you weren't going to be very clear about look, it's a stupid idea. Don't do it, then you lose the you lose the attention, you lose the focus your your your the people in the Foreign Office, and it was so deeply ingrained this this is, this is the way we do it. This is a gym, probably we know better. There was no way of getting through there. And that I think is is changing. Now. It's not going easily. By the way. I think a lot of the debate in Germany right now, a lot of this almost a frustration people have with the war, particularly from SPD. There's a lot of people just finding it very hard to admit they they made a mistake. I mean, Schultz just now is gone. Even on record saying I always knew they were going to weaponize energy, which is really bizarre because he was actually as a foreign has been as even offered. It was a point he offered a 1 billion euros of support to LNG terminals to bribe off Trump Xi using sanctions on Germany. It's all recorded. I mean, yeah, yeah. Like, we'll know what they were. But so that so he's so just, I guess, you know, the a lot of people are having a really hard time, pivoting away from what they've been doing into. Yeah, we all know, and that's still very much going on.

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Michael LaBelle 12:29

Does this explain why Germany is planning to build so many LNG like two or three LNG terminals?

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Pieter de Pous 12:37

I think, to be honest, I think that was a bit of a knee jerk reaction, like okay, so no Russian guys, whereas guess it's LNG. Let's get it. The thing that hasn't been thought through is that if you if your approach is replacing your Russian guests, one on one with LNG and think everything can continue as normal, that that's not going to happen. And I think that's what they're starting to slowly realize. I mean, harvick went on record a little bit a little while back ago saying, complaining about the high prices being charged by friends like the US. Which went down really badly with a lot of people who said they'd be happy. There's any guests for you. Yes, yes, yes. But he thought he seemed to think it was a good idea to make those comments. So I think that realization is sinking in a little bit too late too slowly. But it seems to be sinking in that that's not a viable strategy. That's not a way for Germany's whole business model to to have a future is not going to run on expensive LNG, you need something different. I think Germany is getting ready to go into a sort of we need 100% renewable power sector, they're accelerating on that.

The question, how do you make sure that is actually not for a, you know, completely decarbonized Fossil Free industrial power that they want to remain? There hasn't been that as that's being discussed as being fought about, but it's not at all clear yet. I think how that will.

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Michael LaBelle 14:14

Okay, how does this where hydrogen comes into play? Or?

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Pieter de Pous 14:19

Why Germany so obsessed? Obsessed with hydrogen and looking everywhere around the world to get it? Yeah, I think but again, you know, the factors? No, it's completely unclear whether that is at all going to be an alternative in terms of you know, just the mechanics of the of the export. Do you go for pipelines? Do you do shaping how much of it what's the economics of it? Yes, no, that has been cleared and it's not at all clear that that will actually happen. Yes, I think the first speaker was I think it was Irena who did it. Interesting analysis basically say the, the global hydrogen market is not going to be like the global gas market. margins will be very low, it's not gonna be a lot of incentive for countries to do a lot of trade in hydrogen itself, it's much more likely people are going to the ones who are going to produce a lot of hydrogen will, I would say that they'll use that to build up their own industries, you know, develop their own green steel, the other, and then, you know, you trade in a high value added products. Some people seem to speculate that, you know, it could transform hydrogen, again into ammonia, and then that's something you could transport. But again, you lose a lot of energy in the process, meaning it's going to be quite expensive. So, it's, yeah, I think that the German obsession with hydrogen explains that, for me, it's more of a signal that that that sort of whole, you know, debate on his future as an industrial power hasn't been hasn't hasn't concluded at all. Yeah, I think it's just starting. And like I said, at the beginning, they thought they were going to have 1015 years to figure it out. And now they need to figure it out in like, months. Yeah, a few years. I mean, the, the, the commission, that sort of German approach is always if you need to saw somebody appointed commission and just had a gas commission that made a proposal on how to implement the what they call a gas price cap. And one of the things they said that just brought out a first report on Monday morning, very early after spending the whole weekend, over out one of the things they said when they presented the report is we had to make an assumption about what is a new normal gas price we need to factor in. Yeah, into the future. And they said that was a really hard question. So it was it was a really important part of the deliberation. And then they

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Michael LaBelle 16:48

get wants that because they need to know how much it costs. Exactly. So you need to start.

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Pieter de Pous 16:51

Exactly. So they had to make some assumptions on that. And that they were very explicit, the message basically is, well, this is what we think you're going to have to get used to, yes, we're gonna give you health for the short term for anything that goes above it. But if you're not able

to, if you're not able to cope with those new prices, you can't get used to that. You might need to rethink your your future here. Yes, yes. So I think that's where it starts to.

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Michael LaBelle 17:21

Yeah, I mean, but real. Does this, put it maybe we can talk about the energy vendor? Does this put it in different light than both in terms of like, because this was always the big story, I would say internationally, look at what Germany is doing non renewable solar wind, and then it kind of covered up this gas reliance, growing gas reliance on Russian gas reliance. And but then now, industry, maybe I just ended up like that. And because I really want to go back to the industrial policy or impact on the industry, but with the energy vendor, because the industry wasn't involved in that, too, are so much more. Well,

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Pieter de Pous 17:59

I mean, I think I mean, the end given there was always I mean, I think the big achievement of the any given that was that it made renewables cheap, it helped create and scale renewables. And that that I think, is one of the probably biggest historical achievements Germany has made, because this is what China helped a lot as well, of course, but yes. They did a lot of heavy lifting, you know, brought down the cost curve, and puts us into a situation where this is now available for the whole world. Okay, to have that cheap and cheap renewables. I think the whole irony of Germany's any given is that they, they did that, in order to get rid of coal, but then they, if you look at some of the growth graphs, for example, solar in Germany, you know, what was going on? You know, it was it was it was an exponential growth curve, and then it collapsed in the early tense.

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Michael LaBelle 19:02

I don't know how to say it either. Yeah.

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Pieter de Pous 19:04

1220s is when you can start.

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Michael LaBelle 19:09

Yeah, I started actually using so.

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Pieter de Pous 19:14

So there wasn't there was a real collapse for a variety of reasons. Some were linked to, you know, problems with grid developments, permitting, etc, but also political opposition. So there was a real pushback against you know, faster growth of renewables in Germany. So any given in Germany was never a sort of done deal or a you know, this huge man, there was always an a

particular on the question of how long do you stick with your call and your guests? Okay, assets. Coal was incredibly sensitive in Germany because of the political structure concentrated in a few regions. So very powerful, dominant utilities that had no intention whatsoever to it has stopped running. Call and clauses. One on One doesn't even put a new coal plants on line like three years ago. So it was it was. So it was never sort of a picture was always wasn't very black and white. I mean, it was a that was a big step forward. But then right when renewables were getting cheap and Germany could actually benefit from the whole, they've really sort of missed out on that they've been holding back on their, okay, renewable addition replacing, not just nuclear with all also the fossil and gas source renewables. That's that's what basically, I always talked about the last decade, Germany's had and that's why gas basically came in, okay. Okay. And that's why, you know, gas dependencies actually went up, coal kept going down, renewables were going up, but not far enough, yes, to actually also replace gas. And that's where I think this government is trying to course correct there. I mean, they are definitely trying to, you know, pick up where you know, where things started dropping off 10 years ago. It's a very steep growth path they need to get the country on. And a lot of a lot of the issues that I mentioned before, of course, are still there in terms of permitting and just just securing the whole supply chain. The other things to be said about that, maybe we can come back to later but so that's a huge task, the government has had its hands, and they were going to go for that they were going to do that. Anyway, that was sort of the big plan of the greens. I think what the war has done basically is it's it's accelerating that I think Germany has said, Well, we're going to respond to this by I mean, in autumn, sorry, Easter, at Easter, they brought out a package that said, we're going to aim for 100% renewables or near 100%, renewable energy system. Power System, sorry, yes. Power System by 2035. The final law that transposes that is not explicitly any longer saying 100%, renewables by 2035. But it does include all the elements that will deliver it. So Germany is going to go on that track, it is responding to that. So I think I think to some extent, you can say yes, then you given his back, but a last 10 years. Yeah. And we're paying the price for that now, in terms of the energy crisis we have, and and, of course, the whole nuclear debate right now, which is, yes, it's just three plants. And you know, it's it's not a it's not a good look, to be honest, for the greens.

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Michael LaBelle 22:49

They're arguing to still shut down the nuclear or

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Pieter de Pous 22:52

how much they want to shut down a nuclear and are willing to actually accept them. I think in Lower Saxony, they're even now arguing with we're gonna have a few oil ships. Oh, okay. Okay, bringing oil to replace. So I mean, it's like burning

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Michael LaBelle 23:07

oil. Yes. What's wrong with that? That's how they did in the 70s, or 60s and 50s. Right.

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Pieter de Pous 23:13

So So yeah I think I think if the Greens had just said look look we don't like it But this is an

30 30 year, I think I think if the greens had just said, look, look, we don't like it. But this is an emergent situation, we'll let it run for another year. Two years, and then in return for that get some concessions from the liberals like speed limits, and, you know, bigger spending more fiscal space to spend more, invest more and yeah, that would have been smarter politics, I think, yes. It would have still, you know, the nuclear face, I would still happen. And the whole debate would have been, but now it's really, yeah.

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Michael LaBelle 23:46

I'm interested in this last decade. And because I know, we should get to some of these questions. But yeah, but it almost goes to that, because this last decade, who was industry pushing for the for the gas, rather than going with renewables? Or how How did gas become such an important?

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Pieter de Pous 24:06

I think industry was the guest story starts a long time before that. Okay. It's part of what I was politic. Yes. Germany was, you know, a lot of its minds were, were stopped producing in the 6070s lost their competitiveness and had to look for alternatives. And then of course, they made a very bold

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Michael LaBelle 24:27

Yes, the Soviet Union I was

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Pieter de Pous 24:30

gonna get from Russia from Soviet Union. Yes. I'm and of course, it worked for a number of decades. And of course, that's that's then that becomes a really big deal for particularly the Social Democratic Party that at a time push for that against a lot of opposition from other countries. And yeah, I mean, you know, you had like almost direct pipelines going from the from the field into the factory where they were using it like in the case of ASF and in Orion area, so I mean, that It just worked really well for them, allow them to produce all sorts of stuff, you know, create a trader surplus, and yes, so that into the rest of the world rest of Europe. So that was already there that that whole dependency on gas, I think what? So I always say, the best way is to compare it with a frog in the in the pan that you know, when the temperature slowly a little bit a little bit then yes, you don't really respond. So you know, when they invaded church yesterday, that's horrible, but far away and yes. For them Georgia happened Syria happened the Crimea happened like there are all these sort of ins

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Michael LaBelle 25:48

that Russia is not going in the right way.



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Pieter de Pous 25:51

You might want to rethink these things, but it just totally did not. Those hints were just always sort of explained away as well, you know, Russia has legitimate interest and is legitimate, and it's fine. And that we should always expect, you know, take that point of view. And all of those people were still very active in the debate right now arguing for, you know, Ukraine to give up some of its territories or not to give weapons or drop the sanctions. I mean, it's okay. Yes, yes, there's a whole ecosystem. So

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Michael LaBelle 26:24

there's still there's political pressure for that opinion for that approach in Germany.

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Pieter de Pous 26:28

I mean, it's, I would say it's, it's more in the fringe now. I mean, the people who push for these things are generally seen as slightly fringe. Yes. But the mean, the way the media system works, that fringe voices do get a lot of attention. And they do, those views do get shared by particularly SPD, in the coalition. And that's what's I think, also one of the reasons that that Germany has been acting very hesitantly. And my sense is my my suspicion has been that it's also linked to a Sumption, that at some point, Germany may go back to getting Russian gas. Yes, that did. I suspect there has been, I think, away from that. Now, I think they have understood that it's not going to happen, but I think definitely the first months, that was yes,

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Michael LaBelle 27:18

that is just maybe temporary. And not complete.

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Pieter de Pous 27:23

Yeah, so. So to just come back to your question on on the last decade, I think, because option was always there that was, you know, well established. An easy. Yeah, it's green, it's an easy option, they were very good in selling themselves were not as direct as coal. And, and renewables. It's all complicated. A lot of planning issues, a lot of Yes. You know, you get all the local resistance, you need to work on the grid, or all sorts of, you know, convenient reasons to say, well, you know, we're gonna take it easy there. There was some measures put in place that, you know, things were, you know, there was a cap on the auctioning of solar capacities for a long time that people are ever trying to get rid of the work. Actual measures put in place like these sort of planning rules that don't allow when power to be close to settlements, and insulin is sometimes defined as, like five houses. Yes. Eliminate half most of the country. So there were all sorts of things that, you know, made it easy to hold back on the renewable so made it politically easy to, you know, go with the, you know, the Kool Aid of gases, transition fuel, yes. The big fight in a sort of climate movement in energy scene wasn't called for good reasons. I mean, yeah. Jeremy has a lot of lignite. Okay. Yes. And so that was the and I think that the compromise, again, was a very slow, expensive phasing out of coal. Right up until 2038, was the initial plan. And they're still trying to, I mean, this government has said they're going to move that forward to 2030. But they're still in the process of negotiating that with utilities and

regions. It's not completely done deal yet. Although it's, I think, with all the, you know, actual developments going to happen in the marketplace renewables, what's going to happen, but the actual, you know, agreement with the regents that they should start planning for getting out of coal by 2030 hasn't been

M Michael LaBelle 29:36
inserted building the power the infrastructure for the replacement,

P Pieter de Pous 29:40
exactly. So that that is that is still ongoing. And of course, you know, if you if you do if you have a very slow coalface then you have a long very long off ramp for for

M Michael LaBelle 29:56
in the meantime in relation is cheaper. I don't want I like labeled coal as cheap because there's still the ETS price. What? It's secure and stable at the moment.

P Pieter de Pous 30:08
I think I think that's that's, I mean cheap. It's not I mean it's whether the hard coal is expensive because it's it's traded globally and again, markets are as tight as LNG. I think the problem there is more that's the Yeah, the mixed signals Germany is getting given to the rest of the world, right. So some of that hardcore was still coming from Russia. It's no longer since it's summer. All German mines are closed. So now they're basically going to Columbia or South Africa. Consciousness. Oh, actually, we do need a bit more of your call. At the same time, we're trying to help you all get out of college just like we're doing so of course that is.

M Michael LaBelle 30:52
So there's no no mines operating in German hardcore mines hardcore. Yeah.

P Pieter de Pous 30:58
So all the mines still operate in our liquid lignite. And those are the ones that of course, we're saying, Yeah, we're, we're still. I mean, it's local, it's those arguments are being made. Most of the problems, most of them don't actually meet, you know, environmental standards, this huge water issue. I mean, the holes they've dug up right now are basically impossible to fill with this area.

M Michael LaBelle 31:28

Okay. Yeah. Yeah.

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Pieter de Pous 31:30

So they're, you know, none of those issues have changed or gone away. So I think that the bigger problem of that region, particularly Eastern Germany, is that they're just they're just just particular local politicians have dug themselves so deep into a hole of saying, Look, if we close down call this the end of the region, yes, it's a disaster, which you'll never do it. Yeah. So we'll ever do it. Because we've been forced to by those people in Berlin, the greens, you know. And if you force us to do it any faster, then you know, the far right will win because, you know, they just, you know, they don't care anyway about reality. So they'll just go and promise ridiculous things. Yes, some people will go for that. So it's really hard for the politicians in the region to pivot and away from, it's a disaster trashed, you know, life's gonna be fun without call. And yeah, it'd be better opportunity,

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Michael LaBelle 32:28

then maybe this takes us to the EU policy realm, basically, then, and now in the fit for 55 or the repower EU. It's all there's the I just had the climate transition fund. That's not great. Just transition just transition fund. And Park some of that money, a lot of the money will go to regions like that, that are transitioning away from, say, lignite. And how do you see this impacting especially this is a great example is Eastern Germany. And so jealous, this relationship

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Pieter de Pous 33:05

with Eastern Germany is not so strong, because it's mostly funded by your German funds. Okay, so the just transition fund is really almost a European wide solidarity mechanism for some of the countries that don't have the means to pay for those kind of things like Germany debt, okay. Doesn't necessarily need to be as expensive Germany, I think Germany made it expensive, simply by way of, you know, how they organize negotiation. So it wasn't just a compensation, we're facing a cold was also a part of the broader solidarity, that richer regions, okay. Provide to the poorer regions. And so, so the justification fund is really fall out of the coal regions in Central Eastern European countries, okay. And that's why it actually you do see making a difference. I want one of the coal regions in Poland. So Oscar Polska, yes. Very early on, came out and said, Yeah, we're going to be out by 2030. With a whole plan here. We're going to turn to the cells into an energy family and big, big ambitious plans. And so the money was there. And other region around the Turo mine in I think that's still silicea sort of took the opposite approach and said over our dead body, we're just going to sue everyone to find everyone to expand this mine. Yes. And then the Commission said while the no justice no funding for you guys, yes. So I think that is helping those regions, at least one to do something to actually progress and then those who sort of stay stuck in denial, they'll, you know, run into the wall that okay. So the just research funds been helping. The other thing that's been helping us to recovery funding, actually. So what do you see in countries like Romania, Bulgaria is that while we're Garia is still an ongoing discussion but Romania right Recovery funding has been basically the way in which Romania has said, Yeah, we're getting out of coal by 2030. And we're going to use the recovery fund to invest in coal regions into alternatives, etc.

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Michael LaBelle 35:12

Yes. So So yes, it's more to benefit the Eastern member states, then. Yeah. For this. And then but are there? Because actually, this comes up a few times with people that I know they're looking at projects? Are there some good examples? Is Germany, people? Yeah, I get I get requests for this. Is Germany, like, is there a good example of a region that has redeveloped it has shifted away or is in the process of shifting away where they took the money? And they used it well, to transition a region or foster new? Yeah, a new economy? Or is it really still a struggle?

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Pieter de Pous 35:52

Yeah. So I think, I mean, this really goes into the sort of some really fundamental questions about how realistic is it that a region that has been very specialized in one way? Yes. Mostly for geographical reasons, core regions are core regions, because there happens to be coal in the ground? Yes. So people move there and build all sorts of structures, then on top of that, you take away the call, why would that? Why would there still be a reason for that region to be the place to do everything you did? Because there was to call? Yes. And I think there is a bit of a high bar being put there for Korean. So if you look at transitions in the past, every region that sort of came to blossom flower on, you know, particularly industry linked to certain technology linked to certain launches, certain regions, at some point went into decline, and then they just declined and things moved on, and people move on. And the place that used to be rich, is less rich. So I think that's been. So I think the whole notion that in the case of coal regions, which were trying to close, because otherwise the whole planet is going to fry. Yes, we go with sort of, well, we can only do this when everyone here has the exact same job in the same field in the same place and is happy about and until every single one of the coal miners has that we're not going to close anything is it's ridiculously high bar that I think has been put out there and purpose by some of the unions have been using that to try and just delay things. So I think when you're talking about what's a good example, I think you first have fun, it started about well, what is a realistic option for region and you know, even even Western Germany, where the hardcore mining already, when did domestic decline decades ago and last ones closed? A few years ago? Yeah, I mean, some regions or some parts of that are doing okay, some are less. Okay. And that's, that's, you know, very centrally located, highly populated lots of infrastructure, and relatively wealthy region of Germany. Yes. And not all of those bits are still doing fantastic as well. So, you know, is that a good example? Well, I don't know. But I mean, at least it's, it tells you about what what's what's, what's a plausible scenario? Yeah. And I think, you know, you also need to be a bit more realistic in terms of what you tell people as they will, you know, jobs, you know, here in the east, now, Tesla has opened a new factory, you know, needs about 1020 to 20,000 people maybe to work there. But it's a two hour drive from where the people who live who work in the coal mines and may not necessarily be the exact skill profile that they're looking for in a Tesla factory as what you need in a coal mine. Yes. Is that okay? People ask me, I expect people to start, you know, commuting for two hours or move there or, you know, I mean, industrial, you know, these kind of landscapes change. Yes, they always will. And I think, you know, East has a huge potential. I mean, what you do see happening is that Eastern Germany is starting to become almost like a new center of electromobility there's always not just Tesla as a lot of battery produces car produces Volkswagen is building its electric cars in East the link to ICT because with electric cars, the software is much more important in a way Yeah, hardware. So so definitely industrial future for

Eastern Germany, but it may not be exactly the exact same place at the same time. So you're gonna have to ask people to and help them to to to adjust and, and offer them options there. But I think beyond that. That's,

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Michael LaBelle 39:51

yeah, looking to in a former coal mining region. I mean, people can stay or what what can the local economy support

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Pieter de Pous 40:00

And also what what what are your so so one of the big plans for them is to turn this into a massive lake district and turn into big recreational area. Okay. Job is just not gonna be enough water for that to fill those lakes. So

M

Michael LaBelle 40:12

we got I think you've heard of this plan before actually. So so I didn't know there wasn't enough water for it. Okay?

P

Pieter de Pous 40:18

No, okay. It's it's, it's. So if you don't have enough water, then you're going to recreate you're going to create a swamp, which is fine for fine furniture, but that may not be what the region has in mind. Right,

M

Michael LaBelle 40:30

right. Right. Okay. All right. Well, okay. But let's, let's shift a little bit. Sure. I'm just wondering, more on the the EU policy side of things we how let's go to gas, but then let's transition away from gas is what I'm trying to say is because the EU was considering gas, as we'll just say, as a greener fuel, as you know, it's a viable position in transition fuel. How much how much did that how much influence or kind of this perspective was communicated? Through? I would say, the European Commission or the European Parliament, that gas was a bridging fuel and was acceptable? And that's my question.

P

Pieter de Pous 41:16

I mean, like I said, So energy policy is very much shared competence or more at Nash. So so it was always in Iraq. But I think one of the ways that came up most clearly was in the infrastructure planning. So the US is has this bunch of regulations that regulate what not just LNG, but also road railway, telecom infrastructure, so the energy infrastructure, it's got 10 Each as European networks have priority projects. Yeah. And then under those, you you identify priority projects, and for example, what you see there's a huge over representation of gas

projects, which has been a known problem for years. And every time these PCI lists were revised, everyone said there's too many gas projects in there the committee said, Yeah, we're sort of No, but as the member states, we're proposing them. What can we do? But I think that's chausures sort of wasn't mended. The problem was both in Brussels and at the national levels, a member state has sent the wish list, I think, full of gas projects commission systematically overestimates projections of gas consumption. That is a very big mistake the commission did. The other big mistake that we have is that the tourney regulation effectively mandates the guests, network operators to provide those estimates of guests. Oh, consumption. So you're basically asking Turkey when should we have just Christmas dinner? I keep saying well, the year after? Yeah,

M

Michael LaBelle 42:40

yes, yes. Okay. Because guys, but

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Pieter de Pous 42:44

we've been pointing out this for years as you rigida. Your your, your gas estimates assume we're not actually going to achieve any of our climate targets?

M

Michael LaBelle 42:52

Yes. Yeah. Especially with keep building the infrastructure for it. Yeah. So

P

Pieter de Pous 42:57

one of the one of the things we've been pushing in the revision, the reform of attorney regulation is going on right now. So we need to don't put those people in charge. Yes, he knows estimates, right. Yes. That's why it goes wrong. And that's why we saw so that those are the things where you basically see that there's this notion of Yes, gas, is transmission fuel sort of having material impact. Of course, then, you know, the commission has to defend that, because in the end, it's their proposal. So then yes, that's, of course, why they go into well, yeah. But to me, it's a breakthrough, right? Yeah,

M

Michael LaBelle 43:32

we can we can do it. And but there's probably pressure, there's realization on the part of member states that they want it. And so they don't maybe challenge it.

P

Pieter de Pous 43:42

That's why I say it's not just a commission. Yes. Say yes. So I mean, it's a design problem in the sense that guess network operators are mandated to, yes, make those decisions. Yes. You should not ask them, you should get an independent body to do that and says, This is a realistic

estimate. That's, by the way, all the way the whole hydrogen ready? Yeah. And since comes from because when you know that that became the arguments while Yeah, okay. We don't need it all for guests, but it's going to be hydrogen ready, right. So it's all gonna be fine. Just keep building this stuff.

M Michael LaBelle 44:15

And so what about let me just stop you right there. What is this hydrogen ready, because no one knows. That's the point.

P Pieter de Pous 44:21

Okay, it's just just sounds good. It's gonna be 100. Ready? No one knows. What are we going to use hydrogen in that like, the whole notion that we don't even know where that hydrogen is going to be produced? And it's going to be used and what's the infrastructure to get it from A to B? It's all completely not there yet. We haven't. So I think in here in Germany, I Gora in a given has said, let's take a pragmatic approach. They said, we're probably going to have clusters. So you've got to have production on the not too far away from where that stuff has been produced. So let's, let's develop hydrogen clusters, then and then local infrastructure that organises that. Yeah. And then they made a did a mapping exercise a few years ago. So if you're going to put money into hydrogen should at least do it like that, instead of just running it which I think is it's a pragmatic approach. But apart from that, you know, there's just no, so it's complete. It's I mean, I think, Patrick, I can do your job and state secretary, I think at some point, if y'all send in public look, I have no idea what that means. Okay. Yeah,

M Michael LaBelle 45:29

I already. Okay. Okay. Yeah.

P Pieter de Pous 45:31

So I think that's.

M Michael LaBelle 45:34

So it reminds me I bought this washing machine, and it has this Near Field Communication, you know, with your phone, you can talk to your phone, and I have an app,

P Pieter de Pous 45:41

I don't have a machine.

M Michael LaBelle 45:43

M MICHAEL LABELLE 45:43

I do. Not like I paid extra because I can control the washing machine with an app on my phone. But it's almost like this gimmick to, you know, to buy it. Oh, you can control it on your phone, your washing machine and having a gas system. Okay, maybe it's not quite the same thing. But it's hydrogen ready? It sounds good or gas is a bridging fuel. Yeah. And it's a good political industry statement that the infrastructure we're building gas, for example, will be hydrogen ready, or LNG terminals will be hydrogen ready? Yeah. But is that future coming? Is what nobody knows.

P Pieter de Pous 46:18

So I think that's where you see those kind of, yeah,

M Michael LaBelle 46:22

yeah, overlaps. And then maybe we can talk about fit for 55. And maybe the transition to repower EU. And these are all kind of big, abstract. So let's see how we go about this. But

P Pieter de Pous 46:37

it's not so abstract, right. 55. It's just a horrible name that the commission is almost obliged. I mean, I don't know why. But it sounds like a fitness primer, right? Yes, yes. If I could ever get this. That's just a label, right? Yeah. What's under the label is basically a whole bunch of EU clean energy laws and regulations that were already mostly on the books, and we're just going through revision, and a few things were added or approved. But it's effectively a different way of labeling, an ongoing revision process of ongoing EU legislation. That's it. And all of that most of that was on the books already, right? We already have renewables directives, efficiency, energy, Performance of Buildings, equal design, LWCF, etc. It's all there. Yes, it's just being revised now. And the Commission said, we'll call it 55. That's the target as part of this whole Neil agenda. European Green Deal is the first time ever the commission puts climate and the green agenda, its top priority. Okay. Never had them before. The commission has always gone with a simple, you know, jobs and growth agenda, which sort of keeps everyone happy, because suppliers like it because, you know, usually means deregulation and industry friendly and the union's like it because it also comes with investment and, okay. And growth. So that's sort of easy, common denominator. political agenda Commission has basically been running with for like, 20 years. Okay, so this is the first time that actually make a genuine efforts to prioritize a green transit, the green transition gets serious about this stuff. So I think it is it is a really big deal issue. Okay. Shouldn't be dismissive about it. So the fifth fifth five was just what they thought they were going to be able to get agreement on with the member states. Yeah, that point 5% reductions in greenhouse gas emissions. And what the other thing I think, always keep in mind is that the EU, in most areas, the EU over promises, and under delivers, but that's not the case. And climate is the opposite in climate, the EU actually, under promises and over delivers. Okay. So I think, and that's, that's why then, you know, social legislation comes in so we have a climate law that sets 55% target, but then we have sectoral legislation. That also all gets decided through court decision. And that's why parliament has more influence. Yes, as well. Ambition comes back in. Yes, climate inhibition is set unanimously by the heads of state, which means it's always very low, and very

difficult to get, but then you through the colonization process, usually able to go higher. And that's sort of the way the EU has been rolling for for a while. What then happened is that the work came in, and all the assumptions that were made going into fit for 55, including about you know, how long we're going to stick with gas, and yes, all these things were shaken up. And, and the Commission basically said, right, we need to do this faster. So the commission effectively amended its own proposal had to just put out, yes, and this is where things get really complicated. I don't even understand how it's Okay, here's his working with basically looks like we're going to have two parallel processes whereby the commission is negotiating with parliament and Member States separately on the original fit for 55 proposals for a revised efficiency and renewables directive. Okay? And then again, on those very same proposal for the same group of people on the basis of the repower EU proposals, okay, and then at some point that needs to be brought together into new laws that then will be in the books, the New Deal adopted, revised renewables and efficiency directors and they will set the ambition for 2030.

M

Michael LaBelle 50:39

Okay, so just so unclear, then I mean, so they're great. What you said was, they're going to negotiate still in the fit 55 packages. Yeah. In different areas, like transport energy efficiency. But at the same time, there's parallel negotiations on the more ambitious targets. repower. EU. Yeah.

P

Pieter de Pous 51:01

But that there will become the,

M

Michael LaBelle 51:04

it will replace the 5055. Yeah. Okay. And with these new targets, maybe we can go like energy efficiency. I don't know how much. Yeah. Let's, let's test your knowledge on this. So an energy? Yeah, because I know a lot of these areas are very specialized. So it's specialized, specialized knowledge of how much work has been done energy efficiency, and certainly that's a member state competency, just like the other areas, but it's very specific. So but But I guess my question on this area is for the energy efficiency, what what is the plan? And how does that look to you?

P

Pieter de Pous 51:52

So it's on efficiency, there's this directive, the Energy Efficiency Directive, and that, for the first time would set a binding target you want, and the member says all need to make a contribution to achieving that. And then you need to make sure that it's up to the overall binding target. This is a big deal. I think what again, one of the things to keep in mind is that I used to work on this and back in Brussels is that the commission for a very long time tried to push for the one target one instrument approach. So one climate target one instrument ETS was crap, everything, no renewables, no efficiency policy, none of that. Okay, nobody could design the Eco level energy level, just Korean crap, get rid of that. Just one. So we, we were at the time I was working at Intel, we were really trying to basically fight our way back in on the Efficiency

Directive, have it their habit as a target. So first of all, we managed to get that but only as a non binding target, now, rather than as a binding target. Okay. So it's sort of slowly being strengthened. This is my point. I think the level of ambition is okay. It's I think that the trouble with a lot of these policies is that the modeling the commission uses to decide what is a cost effective optimal target is is very much flawed, it makes some very strange assumptions about the cost of borrowing interest rates, then doesn't work in favor of ambition. former colleague who is now working at Raghu has said like the commission assumes it's as it's as risky to invest in efficiency as it is to invest in war time Iraq, assuming like a 70% interest rate, okay. Yeah, perfect. So, so there's some big flaws behind the way the commission develops these proposals. So ambition. And I think even the ambition that currently considering are 13%, which is confusing, because it's calculated in a different way the previous efficiency targets were in the range of 39% 40%. Primary versus end use. Okay, this 30% is a different way of calculating it. And it's making a bit a bit confusing that basically, it brings you a bit in the higher end of the sort of, I think it's sort of it's the equivalent of 40, somewhere in early 40s efficiency, calculated the old way. Which is not not bad, but that's still the assumption it makes about energy prices in the next 10 years are incredibly Yes. optimistic. Yes, we're likely to have much higher energy prices, which would actually also then mean that it's much more cost effective to be much more ambitious on the energy saving side. So there's probably a lot more room for more action on that. Yes. But I my my sense is that we're probably gonna get, you know the targets there on the table now And then, you know, as the situation develops, then that we might need to get back to that.

M

Michael LaBelle 55:05

You have a now I'm just gonna Yeah, keep keep it back basically. But But now, energy efficiency completely pays for itself, right? I mean, that's now yeah, really ambitious. Yeah. But these high prices, and knowing that gas is not coming back up or cheaper, we're gonna say lower price Russian gas coming back to Europe. And even in those countries like Hungary, which continues to rely and want to rely on Russian gas, there's such the security risk is so high that to build and to maintain their energy system based on Russian gas is foolish, then yeah. And so the case can completely be made. I just express my opinion I be made. Yeah. Energy efficient. So

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Pieter de Pous 55:51

no, I'm just be clear. I'm describing that.

M

Michael LaBelle 55:54

Yeah, no, I

P

Pieter de Pous 55:55

the debate. I'm not. I'm not sure. I completely agree with you. Yeah.

 M

Michael LaBelle 55:59

But they can really go for it and ambitious target. Yeah. And make it happen, then.

 P

Pieter de Pous 56:06

Yeah. That's that's basically the argument we're putting for what's bad. But so what I was describing is what we're canceling that argument, which is, yeah, yeah, but it's all. And to be honest, I also think that a lot of people haven't really accepted. That point about energy prices are going to remain high for what basically until we go complete renewables. Yes. Because because it's fossils that are dry, setting your price. And as long as long as we are fossils in the system that is setting the both the Power Price and,

 M

Michael LaBelle 56:40

but do do. So let me ask you some more questions. Let's start trying to finish a little bit. But but but maybe we live in a different world? Do people see that we live in a different world now where it's no longer? Well, there's a lot of supply out there, there's limited supply, or people are playing with the price of the supply, like OPEC, plus, with the price of oil, right? Like it. For me, it seems like we're in a different world. And you can't rely on the price of fossil fuels being low anymore, that you have to take the high price scenario.

 P

Pieter de Pous 57:14

No, I think I think that's that's the key question. I think rationally, a lot of people are there. But I don't think it's really been internalized or really thought through what that actually means. And I think that's where it gets difficult, you know, and I think Eastern Europe is particularly interesting, because they, like no others have understood security situation where it with Russia. Yes. And I can completely understand the frustration. And I was telling, you know, Germany should just go with it look up right. And we were wrong on that. And we're sorry, we're gonna listen to you from now on. And in return Eastern European should tell Germany. Look. That's appreciate it. Don't ever do that again. In the meantime, you're right about the renewables. Yes, yes. Kuwait. Yeah, work on that together. And I think that's sort of the kind of political rearrangement we need now between Western Eastern Europe is that we need to become much more Eastern European on issues of security and Russia policy. Yes, yes. And we need to become more Western European or German on the issue of energy policy, in the ideal sense of the world. The rolling out of the renewables and yes, see going to freedom energies, even some people in Poland at some point, yes, set. And I think that's where it's very interesting to see how these debates going to unfold, unfold now in Poland, so how much is that not being internalized? Like? Well, actually, yeah. Yeah. Renewables are our way out of this dilemma with I mean, it can also help us, you know, bring Germany on board on the security question. Yes. It first of all, get out of fossil dependencies, the easiest will for all of us be to, you know, have a much more realistic approach to in this case, right now, Russia that we might need this for other countries as well. I think that's the yeah, that's, I think, where it's gonna be really interesting for



Michael LaBelle 58:14

M Michael LaBelle 59:14

Yeah, as it as it unfolds, maybe the real, so maybe it does take people time to realize that the high price these high prices are here to stay for

P Pieter de Pous 59:23

a few days. And it depends on on what your domestic resources are. So the Polish coal miners, for example, apparently, from what I've heard their conclusion from the whole thing is, see, you need us. Yes, yes. It was stupid to agree to close the eyes even in late 2014. That's yeah, that's too soon. So Poland is not it's not an easy, it's not like the debate is becoming easier. But I think the difference is that there is a debate happening in Poland on this and Poland is actually having some reasonably ambitious, not super but reasonably ambitious plans to build out its own debate. Steve newable is bass and my sense of I think I think Paul is just gonna do exactly what Germany has done. But they're just a bit more, you know, in terms of their power mix. Okay. Yeah. Germany's, you know, maybe 10 years ago, and you know, they're going to just quietly transition and then at some point, I'll probably make an official. Yes. When it's completely convenient. And until then they'll probably be the contrarian. Yes, they've been so far.

M Michael LaBelle 1:00:32

Yes. Wait, wait till it's done. And then. And to

P Pieter de Pous 1:00:35

be fair, that's how Germany did it. So I don't think we should also be true. That's true.

M Michael LaBelle 1:00:39

That's true. That change. But do you think maybe this gets us into the area of, of solidarity? Or how do you see solidarity developing energy solidarity, because this is kind of like the new new old term, but energy solidarity, because there is this, this point in time now, how do you see that developing in the future? All right, if you're, if you're not optimistic, I'm trying to No, no, no, I

P Pieter de Pous 1:01:06

think I think I think it's so first of all, I think there's huge there's a huge tailwind on the side of technology. I think Greece just last week had its first five hours, but still a moment of 100% renewables in the power system like zero coal, zero gas. That's great. But they're not they had like 40%, or lignite in a power mix until very recently. Wow. So. So I think, you know, we're going to see probably a lot of that kind of developments of huge growth, I think we're going to have a huge amount of growth of that, in a lot of countries could change the dynamics? I mean, the whole dynamic of Germany versus sovereign Europe could change really, because, right? Yes. And so now Germany was lecturing sovereign Europe or Reagan example, and should be

more like us. And then everyone goes, like, maybe you just had cheap gas from Russia, that's why you mentioned, send us all that stuff and run a trade surplus. So So maybe, you know, Germany's relationship with Southern Europe needs to change in a way that, you know, it needs a much more look at Southern Europe as an energy supplier for its own industry, and then that could rebalance relationships and reset them in a way that are probably much more equitable and unhealthy. So yeah, I mean, but it's very hard to just I mean, this is very speculative. At this point, I think we just need to see how, how these things. How these things play out, I think, you know, Northern Europe will need to start showing a bit more generous solidarity on the issue of, you know, how do we get through this crisis, joint borrowing, etc. I suspect that's going to happen in the end, I mean, shorts made some we said last week, he was open to it and immediately denied it. I guess, we'll come to some kind of agreement at some late council session in Brussels. That will, you know, probably, you know, show progress there. So, yeah, I guess it's a combination of just trying to sort of do at least the minimal right things in the short term now, that improves solidarity, builds trust, and then keep that keep that growth curve going, and then, you know, you're coming to situation where, you know, relationships really can start. Start maturing and growing. And I think Ukraine is a very interesting example, their respect, because they're not just, I mean, I think, you know, at some point, it becomes, should be happy for them to want to join us as a Yeah, I mean, I think what they've done for Europe is beyond anything anyone has ever I mean, it's, it's, it's incredible. And if they managed to successfully, you know, win this war, protect themselves, reconstruct themselves build back using the full potential of their renewable energy sources. Because it could become a massive green driven powerhouse of Europe. Yes. Going forward. The wind potential to solar potential, its land area is incredible. So we should we should already start thinking in those terms. Fingers crossed. Yeah, I think I think that we're

M

Michael LaBelle 1:04:43

Excellent. All right, Peter. Thank you. So I know this is quite wide and diverse conversation but but it was an excellent discussion. Thank you.

P

Pieter de Pous 1:04:51

No, thank you. It was great.

M

Michael LaBelle 1:04:53

Thank you for joining us. For this episode, we produce the my energy 2050 podcast to learn about cutting edge Serge and the people building our clean energy system. If you enjoy this episode or any episode, please share it. And remember, each episode is equivalent to consuming 10 journal articles one book and 500 charts and how to implement the energy transition. And you get it all in less usually then 60 minutes for each podcast guarantee. I can actually say no other podcast makes us guarantee. The more we spread our message of the ease of an energy transition, the faster we can make the transition. You can follow us on LinkedIn where we are most active on the My energy 2050 page or on Twitter and Facebook. I'm your host Michael LaBelle. Thank you for listening to this week's episode.