

RECHARGE

April 20, 2022

Vestas chairman: 'The current energy crisis must finally teach us the true value of renewables'

Vestas chairman Bert Nordberg Photo: Vestas



The sheer magnitude of the challenges currently being faced by the planet, from climate action to energy security, has still not been fully grasped, but a crisis can also yield good when it pushes us towards solutions says Bert Nordberg

By **Bert Nordberg**

With the release of the latest Intergovernmental Panel on Climate Change (IPCC) report, we have been told (once again) that the window is closing fast if we are to slow global heating to 1.5°C above pre-industrial levels. Global emissions must peak by 2025, otherwise we risk irreversible climate disaster.

That's three years to make some very big changes. In the meantime, there is a major global energy crisis to navigate, with people across the world now feeling the impact of climbing electricity prices. And Russia's invasion of Ukraine continues to demonstrate why vulnerability to geopolitical coercion should cease to be an option in our energy systems.

So where do we go from here? More secure energy systems that can operate at net-zero must be our highest priority. This journey begins with decarbonising electricity production, by phasing out coal, oil and gas faster, and replacing every kilowatt-hour of fossil-based generation with renewables. And beyond that, we must drive electrification to every corner of our global energy ecosystem, so the decarbonisation can reach beyond power and into areas like transport and heating.

The plummeting costs of renewable technologies were featured prominently in the IPCC's communication. Costs of wind, solar, and batteries have decreased by 85% since 2010, and political pledges in support of reducing emissions have grown increasingly ambitious. The deployment of renewables, however, has not kept pace with these trends. Of the 32GW of added wind capacity required in 2021 to stay on track with climate goals, the EU successfully installed just over half, 17GW. In nations that lack the resources to support a green transition, progress is even slower.

What's the hold up? Investment patterns are one thing. Last year, more money was spent on fossil fuels than on renewables and electricity networks combined. Until recently, the EU was paying around €1bn (\$1.1bn) a day to Russia for imported fuel. Permitting is another. A lack of digitalisation, and a general misalignment with the reality of renewable project development are just some of the factors that can lead to timelines of up to ten years to secure a permit.

If we are to overcome these roadblocks, we need more directed policies designed to support the mechanics of the energy transition. And here is precisely where political treatment of renewables must be broadened.

Renewable technologies are more than just a pathway to net-zero. In Europe, every wind turbine put in the ground can drive up to €10m of economic activity. At a global level, renewables are projected to drive around 4% of gross domestic product growth if we can meet the timeline to reach 1.5°C. And this growth will lead to a more prosperous socioeconomic future for the nations that participate. In Europe, renewables create three times as many jobs as their more carbon-intensive counterparts.

To overcome these roadblocks, we need more directed policies designed to support the mechanics of the energy transition.

During the pandemic, when supply chains and transport pathways for fossil fuels were crippled, renewables stepped up to keep the lights on, and consequently, carbon emissions went down. With expanded grid networks, and increased system flexibility in place, this model could be scaled up: 60% of the EU's energy depends on fuel imports, many of which are supported by gas pipelines that quite literally tie one nation to another. An expanded renewable infrastructure would ease this pressure, and with enough scale, eliminate this 'third-party' dependence entirely.

Stabilising our energy systems must be a key short-term priority for governments the world over. With a stronger foundation of supportive policies to stand on, renewables can step in and bolster our shaky energy systems by reducing their vulnerability to geopolitical coercion. At present, however, this foundation does not exist, and three years is an alarmingly short amount of time to build it.

Overall, increasing demands for renewables is crucial in the journey towards more resilient energy systems. Developers are currently compelled by limited volumes and auction designs to submit low or – in the case of some offshore projects – even negative bids. This has in turn increased the pressure on profitability across the industry, and we must find solutions to reverse this development, including removing red tape and pricing renewables right. Without a viable and sustainable business case for renewable technology companies, decarbonisation can't accelerate.

There is a silver lining. For more than four decades we have worked across the renewables industry to drive innovation, and enable the decreased costs heralded by the IPCC. To our critics who lean on seasonality and variability to question our viability, we have more and more innovative responses. Our focus now, is ensuring we capture enough value to reinvest back into building scale.

The sheer magnitude of the challenges we are currently facing has still not yet come to full fruition. But crisis can also yield good, it can push us towards solutions. The wind industry as we know it was born from the oil shock of the 1970s, when the need for commercially viable alternative energy became too pressing to ignore. It could be that a similar moment is upon us, we just have to be willing to see it, and willing to act. The true value of renewables is not their cost, or even their emissions reductions. It's their potential to build more resilient and more prosperous nations. When formulating policy, or pricing models, we must remember this potential. If we don't, the future of our energy systems, and our planet are at risk.

Bert Nordberg is the chairman of the board at Danish wind energy company Vestas