Moral Money **Renewable energy**

Al Gore's latest inconvenient truth

China's clean tech growth poses challenge for US policymakers

Al Gore, former US vice-president, is now the chair of green investment firm Generation Investment Management © Bloomberg

Simon Mundy SEPTEMBER 18 2024

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Welcome back. The chief executive of Chevron, the second-biggest US oil company, has delivered a blistering attack on the Biden administration's moves to limit exports of liquefied natural gas, saying that they are "undermining energy security" for the country's allies.

US trade policy around clean energy is under scrutiny too. This week FT climate correspondent Attracta Mooney and I spoke to former vice-president Al Gore, who added his voice to complaints about unfair Chinese state support for clean tech. But as I highlight below, there is a crucial tension here between trade concerns and the need to accelerate the global energy transition.

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CLEAN ENERGY

A trade-off between competition and clean energy growth

Al Gore is hardly taking a neutral approach to this year’s US presidential election. A victory for Donald Trump would be “very bad” for global climate efforts, Gore told us bluntly on Monday.

But the former vice-president is broadly aligned with both major parties on a rare point of bipartisan consensus: that China’s extraordinary production growth in green technology has been driven to a large extent by unfair state support, which needs to be tackled.

“Leaving aside the question of what capacity the world needs right now, I would say that unfair subsidies do continue, based on the evidence that I’ve seen,” Gore said. “Way under-market prices for loans is a big part of it. It’s a challenge for the US and for the rest of the world outside China to react in a sensible and appropriate way.”

Whether the US has been reacting in a sensible and appropriate way by slapping huge import tariffs on Chinese clean tech products is a matter for debate. So too is the precise level of Chinese state financial support for its green industries, and whether it counts as unfair, especially in the context of large-scale green subsidies rolled out by the US, EU and other major economies.

What’s incontestable is the tension between these fair trade questions and the world’s need for low-cost green products on a large scale — the “capacity the world needs right now”, as Gore put it.

That’s made plain in today’s Sustainability Trends Report published by Generation Investment Management, the $33.8bn green asset management business where Gore is the co-founder and chair. The report repeatedly highlights China as an unrivalled driver of green production, notably in this passage:

> *China is the world’s most important manufacturer of advanced batteries; it is the only country able to refine some critical minerals; and*

> *it is by far the largest producer of solar panels, electric cars, electric buses and electric scooters. It is installing more renewable power than the rest of the world combined, and as a result, may reach peak emissions years earlier than expected, possibly within the next year or two. The brightest spot of the energy transition — the tremendous fall in the cost of solar panels — can be laid at China's feet, with a big boost from Germany, which created the first large market for the panels.*

Yet that extraordinary growth, to many politicians in the west, looks like a strategic threat to their economic competitiveness in industries of the future. President Joe Biden's administration has slapped import tariffs of 100 per cent and 50 per cent, respectively, on Chinese electric vehicles and solar cells. The EU is poised to impose tariffs of up to 48 per cent on Chinese EVs.

A key term that China's critics have deployed in this debate has been "overcapacity" — an economic term meaning that production capacity is larger than the market requires.

But as Columbia University's Adam Tooze put it recently, "to say that the world has got too many photovoltaic panels" can sound absurd in the context of the climate crisis. Especially when these panels are helping to drive a massive acceleration in the growth of renewable energy, including in cash-strapped nations like Pakistan, where the growth of distributed solar has been "remarkable", Gore noted.

While China has significantly scaled back many of its green subsidy programmes, state support remains hefty. BYD, the country's biggest EV maker, alone received purchase subsidies of €1.6bn ($1.8bn) in 2022, according to a study by Germany's Kiel Institute for the World Economy.

The US has also rolled out large-scale state support for green industry through Biden's $370bn Inflation Reduction act, but it has made far less progress in shifting its balance of energy investment away from fossil fuels.

In China, $3.20 was invested in clean energy last year for every dollar invested in fossil fuels, despite its continued development of coal-fired power plants, according to the International Energy Agency. In the European Union, that figure was $10.90. In the US, it was just $1.23, well below the global average of $1.80.

Gore suggested that the US's ratio is set to improve. "We lost four years under a previous administration, and the signature accomplishment of the present administration took a while to put together, and it takes a little while longer to get the money out the door to the recipients," he said.

Worldwide, the IEA forecasts total energy investment of $3tn this year, with a split of roughly 2:1 between clean energy and fossil fuels. That ratio is up from 1:1 five years ago — but this still means a trillion more dollars deployed towards extracting and burning fossil fuels this year.

While he decried that continued investment as a reflection of the inordinate political power of the oil industry — "the wealthiest and most powerful special interest in the history of the world" — Gore expressed confidence that "the direction of travel for the global economy" is now firmly set in the direction of cleaner energy. But on how other major economies will decarbonise while managing their reliance on Chinese industry, the questions remain very live indeed.

Smart read

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