



**Institute for Energy Economics
and Financial Analysis**
IEEFA.org

IEEFA Energy Finance Conference 2020 (online)

Thursday, July 30

Closing Keynote: Political Leadership on Global Climate Change, Divestment, and the Energy Transition - William Peduto, Mayor of Pittsburgh

Mayor Peduto has called for increased investments in green energy and a move away from fossil fuel-based industries and projects. Despite mounting pressure from the fracking and plastics sectors, his administration has opposed plans for creating a petrochemical hub in the region.

Following the mayor's remarks, Pittsburgh's Chief Resilience Officer Grant Ervin and Matt Mehalik, Executive Director of the non-profit Breathe Project, joined moderator Steven Carbó for a discussion and live Q and A about the ways in which communities can lead the energy transition.

Speakers:

William Peduto, Mayor, The City of Pittsburgh (keynote)

Grant Ervin, Chief Resilience Officer, The City of Pittsburgh

Matthew Mehalik, Executive Director, Breathe Project

Moderator:

Steven M. Carbó, Esq. Principal, Carbó Strategic Consulting

Video of the session: <https://bit.ly/3kuVRSm>

Q & A*

Q: What has your experience taught you both about the best ways to build a successful coalition in support of a green transition? (Bryndis Woods, Researcher, Applied Economics Clinic)

Matthew Mehalik

Our region in Southwestern Pennsylvania has experienced different large-scale trends that have had major impact on our ability to build coalitions and move forward with a green transition agenda. We have needed to adapt our strategies over time to adjust to changes in these trends.

From the late 1990's until about 2010, our region was very much on the same page in support of a green transition because of the promise of that vision for cleaning up our region in the wake of the region's dramatic industrial decline in the last quarter of the 20th Century. During this period we experienced the collapse of high-volume, low-margin commodities that left environmental and health devastation in their path. Our region's institutions really came together in the early 21st Century under broad civic leadership involving philanthropic, corporate, university and political leadership. During this period there were many policy commitments and physical investments and improvements in a green economy in Pittsburgh as the region did a lot of cleaning up, and we were winning a strong reputation for these achievements. In this period organizing meant strong partnerships across many institutions around this brighter future vision for the region.

The election of 2010 became a devastating event in terms of institutional capture, resulting in the emergence of fossil fuel and plastics interests. These interests immediately began eroding the community support system. Collaboration and cooperation fractured. There emerged differences and resentments in urban versus rural or former river town industrial zones away from urban core. We lost the ability to move forward with this broad coalition, and in fact have been battling headwinds as petrochemicals became a regional rallying cry for most of the political and a lot of the corporate civic vision.

In order to respond, our work has needed to focus on building leverage through resident voices directly in an attempt to dislodge this capturing of institutions by petro interests.

Our work began with residents and built leverage from there. It was almost impossible to obtain earned media coverage at first. We organized community events with the intent to create a space for public officials still aligned with the future green vision for their ability to push back. We worked on building up leverage by having voices present at public hearings; by speaking out when key events occurred, such as explosion of Revolution pipeline in 2018. We convened key community events involving art exhibits depicting the impact of petro infrastructure. We organized rallies opposite pro-petro industry events. We did a lot of speaking at libraries and community events on the frontlines, in places such as Beaver (PA), Scenery Hill (PA), Wheeling (WV), Parkersburg (WV), Shadyside (OH), and St. Clairsville (OH).

With guidance from IEEFA, we began sharing information about industry's bad financial management as a foundation of poor choices for economic development malfeasance. We shared information about health impacts, climate impacts, impacts to land, and risks to people and property. And we linked up with other community and environmental initiatives throughout Ohio Valley and Nationally (LA, TX, CA, CO).

Over the course of the last 6 years we have built a broad system of pushback that is able to garner earned media coverage; provide space for pushback from political leaders still aligned with the green future of the region; and begin the process of extracting our region from its state of institutional capture by petro interests during their moment of extreme financial weakness. This is still playing out today, and we are continuing to press forward with a coalition towards this goal.

Grant Ervin

Good research and understanding the implications on systems is imperative. In developing your research, you start to identify the various components of successful coalitions (*i.e.* community leaders, aligned business, policy advocates, etc.) We've modeled what an energy transition looks like through our climate action plan, understanding where emissions are generated and subsequently the technologies needed to reduce those emissions. You start to see how things can work together, not just in a theoretical standpoint, but with real projects...real procurement decisions.

Q: How likely is it that the Shell Cracker Plant that keeps pushing through construction in this area, will go through? (Lois Drumheller, Monroeville, PA)

Matthew Mehalik

It is important to point out how decisions made 10 years ago occurred in a different economic and institutional environment, with over-optimistic projections for the petro industry in the region. It is now time to re-evaluate and replace strategies that are outdated and misaligned with current realities.

This applies to the Shell plant in Beaver County. This summer, Shell needed to write down \$22 Billion of \$126 Billion of assets, because of their poor projections of performance in fossil fuels and petchem. This fits in with trends affecting the entire petchem industry. This year began with Chevron taking a write-down of \$11 billion in assets, \$6 billion of which were wells in Appalachia. EQT posted \$1.2 billion loss for 2019, building off of \$2.4 billion loss in 2018. In March the Mountaineer NGL Storage Hub, Dilles Bottom, OH facility lost its environmental permit and is uncertain about obtaining a loan \$1.9 billion. PTTG has indefinitely postponed its investment decision of whether to invest in cracker facility in Dilles Bottom, OH. Plastics prices today are 40% below the 2010-2013 period when the Shell project was originally proposed and now looks fraught with risks. In May Shell exited the Marcellus Shale, when it lost \$4.1 Billion when it sold off its Marcellus drilling holdings. They sold these holdings for \$541 million, but originally purchased these assets for \$4.7 billion in 2010. In June 2020 IEEFA produced a report showing that the Shell plant is now classified as a risky project. If the facility is ever completed, it is clear it will not be highly profitable, if profitable at all, and will limp along. Shell has pulled the plug on major, multi-billion-dollar assets in the past when the projects' prospects did not look good. That could very well be the situation here.

Q: Can you please offer your thoughts on how we can bring the vision of a clean, green economy to the rest of the state, especially the Ohio River Valley. It appears that state leadership is hanging their hat on oil and gas-based economic development at the detriment of other cleaner businesses. (Meredith Wingate, Energy Foundation)

Grant Ervin

We are working on convening a coalition of city Mayors (Cincinnati, Louisville, Pittsburgh, etc.) We are all working on carbon reduction strategies. Local governments all buy energy, maintain buildings, manage fleets...these are opportunities to invest in energy efficiency, buy electric vehicles, and transition to renewable power sources. Its not easy, but done with intent can make a difference.

Q: Could Matthew be even more specific on bridging the "urban-rural" communities. (Martha Turner, Fossil Free California)

Matthew Mehalik

We need to avoid the trap of urban elites vs. "forgotten" former industrial areas. Industry is tapping into this framing of events to stoke division, resentments, and provoke backlash. The reality is that our entire society needs to have investments that bolster all of our communities, because our society has experienced serious levels of underinvestment across the spectrum, particularly in communities where manufacturing supplied the backbone of those economies, whether these areas are rural or urban in character.

It is clear that everyone believes in a shared goal of prosperity. Everyone wants their families to be healthy. These goals can be achieved through broad investment in communities to achieve diversified opportunities instead of false promises offered by single industries, such as petchem, which seek to force community dependency. At the core involves boosting community esteem to set its own course so that the community becomes immune to false promises of get-rich-quick schemes that the petchem industry offers when it throws fast cash on the table up front but locks into place dependency and manipulation that erodes civic connections and esteem. These dynamics are true for both urban and rural communities. It is a key point of commonality that joins together the fabric across these differences in geography and culture.

Q: What is the level of subsidies provided to the Shell cracker plant; federal vs. state level subsidies? (Heike Mainhardt, Urgewald)

Matthew Mehalik

PA has provided Shell with the largest tax forgiveness plan in state history: \$1.65 Billion in tax forgiveness over 25 years as long as Shell created 2500 temporary construction jobs. These construction jobs are not even required to be PA workers. The plant, if it is ever completed, is slated to employ 400 – 600 workers down the road. The subsidy can be thought of as \$2.75 million state subsidy for each permanent job (taking the higher 600 number).

Grant Ervin

Billions with a “B”.

Q: Could Mr. Ervin address how the City of Pittsburgh is responding to the [U.S.] Department of Labor proposed rules changes to ERISA on ESG investment for certain types of retirement accounts? (Martha Turner, Fossil Free California)

Grant Ervin

We are currently working with our investment advisor on developing an ESG policy guidance statement. We’ve also been working with Heartland Investors Network on advocacy. Here is a piece on their work. <https://www.heartlandnetwork.org/single-post/2020/07/27/Heartland-in-the-News-DOL-Plan-to-Limit-ESG-in-401ks-Draws-Growing-Opposition>

Q: Allegheny County Retirement System is now having to sue Energy Transfer Partner (Mariner East pipeline developer) in a class action lawsuit due to loss of investment because of false and misleading statements, bribery and improper permitting, [as well as] delays and controversy with the project. What would you say to investors that are starting to see the same thing in their investments? (Gillian Graber, Executive Director, Protect Penn-Trafford)

Matthew Mehalik

It is time to recognize that fossil fuel and petchem investments are likely to continue to be under-performing and likely become stranded assets. Lack of transparency eventually comes at a cost and increases risk. I encourage institutional investors to examine Environmental, Social, and Governance (ESG) scoring in examining portfolio decisions going forward. And divest from funds that have portfolio risks due to fossil fuels and petchem.

Grant Ervin

It speaks exactly to the point of developing an ESG policy (See above comment)

Q: Could Mr. Ervin address if the city's pension system can invest in the upcoming energy technologies/efficiencies. And if there are regulatory and/or institutional challenges that have to be resolved? (Martha Turner, Fossil Free California)

Grant Ervin

The “Invest” side of the Divest/Invest conversation is one of the items we are evaluating. As a general statement, I’d say we are not of the size to make targeted investments outside of a pooled asset. We’re working with NYC (much larger) to look at some of their models, but I’m not sure they’ll apply here in Pittsburgh.

Q: Will the green energy industry be able to offer a lot of jobs? Manufacturing jobs do not require as many jobs. What happens to that work force? (Gail Murray, Communities First Sewickley Valley)

Matthew Mehalik

The Dept. of Energy's U.S. Energy and Employment Report (2017) and [E2 Clean Jobs Pennsylvania Report \(2019\)](#) shows that clean energy jobs in Pennsylvania employ twice as many people as the fossil fuel industry. Since 2014, Pennsylvania has increased its workforce in clean technologies like renewables, energy efficiency, clean vehicles, storage, and grid modernization by nearly 60 percent – employing now twice as many workers as the state's entire fossil fuel industry.

According to Clean Jobs Pennsylvania 2019 ([downloadable PDF](#)), energy efficiency remains the largest clean energy employer with nearly 69,000 jobs.

The 4-state region of Ohio, West Virginia, Kentucky and Pennsylvania has formed a coalition of labor, policy experts and frontline community leaders called [Reimagine Appalachia](#). This coalition is in the process of addressing the vast number of jobs in renewable and clean energy industries in a report that will be published this fall.

[Reimagine Appalachia](#) seeks major federal funding packages that will create jobs, rebuild infrastructure and addresses climate change that will ensure that no one is left behind going forward.

Grant Ervin

As with the advent of any new technologies there are transitions away from the 'old' technologies, this causes good and bad disruptions. I recently heard a story about the creation of Excel, the automated spreadsheet. It was originally thought to "doom" the accounting profession. The opposite has been the case. I think one of the biggest cases for clean tech and manufacturing is to ensure these jobs are onshored. Lordstown Motors is a great potential example, where the former Chevy Cruze factory will be producing electric pick up trucks. We are looking at purchasing 15-20 as they roll off the lot.

Q: Is it possible to move the Ohio River Valley – especially West Virginia - into the clean energy economy with more broadly shared prosperity without massive federal government investment and intervention? I feel the area is where they were in the early 1980s, right when deindustrialization [was taking place]. (Ted Boettner, WV Center on Budget & Policy)

Matthew Mehalik

The scale of the challenge is quite large, and therefore some type of federal support to prime the pump for investment would certainly help with the transition. One of the most important steps would be to stop subsidizing the petrochemical industry. That alone would result in more productive use of public resources that would remove the risks of weighing down economies with likely stranded assets. If these subsidies could be repurposed to support economic transition, then there would be a double benefit of not hamstringing the region as well as moving the region in the right direction for future prosperity.

In addition, with the advent of Environmental, Social, and Governance rankings that institutional investors are paying attention to increasingly, provide sector capital has information to make better choices that includes investment in regional prosperity by supporting the upgrading of infrastructure through investment. It is clear that it is time to be across the “natural gas bridge” that was touted a decade ago. Renewables are already price competitive with fossil fuel generated electricity and will be the clear winner for investment purposes in the very near future. So the market is increasingly moving in the direction away from petchem and fossil fuels to more sustainable and capital-efficient infrastructure.

Grant Ervin

I think in part, by taking advantage of localized procurement decisions we can catalyze a host of investments. By choosing the type of energy we use, how much we use, the types of transportation decisions we make we can also push markets. I also acknowledge that public policy “makes markets”. Washington can help address issues at scale and across boundaries. But taking local control, where we can is important.

**Note that questions were submitted by attendees online during the live Q & A session. Answers were provided post-event by presenters. For further information, please contact IEEFA Strategic Communications Director Vivienne Heston (vheston@ieefa.org).*

#